

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

SANTA FE COLLEGE

For the Fiscal Year Ended
June 30, 2019



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2018-19 fiscal year, Dr. Jackson N. Sasser served as President of Santa Fe College and the following individuals served as Members of the Board of Trustees:

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The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The team leader was John Davisson, CPA, and the audit was supervised by Denita K. Tyre, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Santa Fe College (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether Santa Fe College and its officers with administrative and stewardship responsibilities for College operations had:

- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2019. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

AUDIT METHODOLOGY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Santa Fe College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Santa Fe College and of its discretely presented component unit as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of College Contributions – Florida Retirement System Pension Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of College Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2020, on our consideration of the Santa Fe College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant

agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Santa Fe College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 24, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2019, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College and the Florida College System Risk Management Consortium (Consortium) for the fiscal years ended June 30, 2019, and June 30, 2018, and the College's component unit, the Santa Fe College Foundation, Inc., for the fiscal years ended December 31, 2018, and December 31, 2017. To better distinguish the activities of the College and Consortium within the primary government, the financial information relating to the Consortium is separately identified.

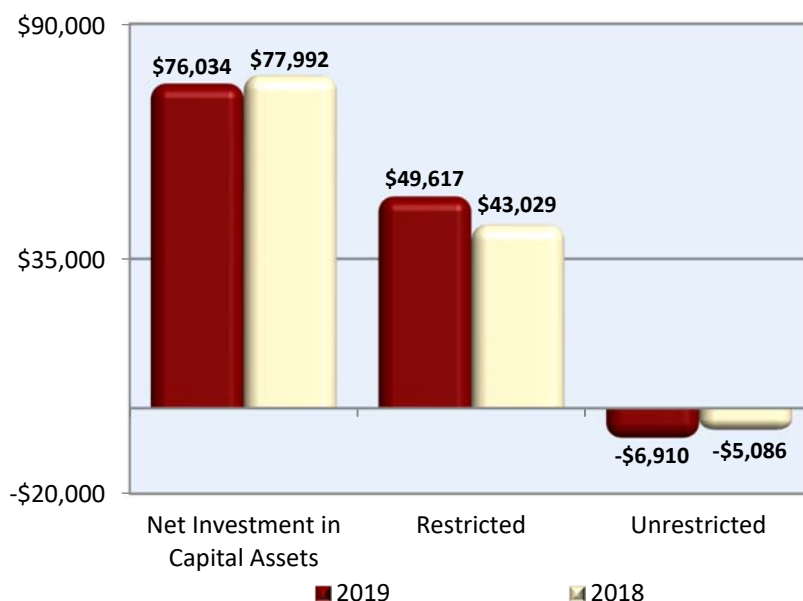
FINANCIAL HIGHLIGHTS

The College's assets totaled \$171.6 million at June 30, 2019. This balance reflects a \$3.1 million, or 1.8 percent, increase as compared to the 2017-18 fiscal year, resulting primarily from an increase in accounts receivable (\$344 thousand); an increase in the amount due from other governmental agencies (\$4.5 million); a decrease in capital assets (\$2.6 million); an increase in cash and cash equivalents (\$369 thousand); and an increase in investments (\$317 thousand). Deferred outflows of resources at June 30, 2019, totaled \$17.9 million, an increase of \$736 thousand, or a 4.3 percent increase over the prior year. While assets grew, liabilities decreased by \$409 thousand, or 0.6 percent, totaling \$66.2 million at June 30, 2019, primarily from increased net pension liabilities (\$1.8 million); decreased compensated absences payable (\$296 thousand); decreased other postemployment benefits payable (\$9 thousand); and decreased bonds payable (\$595 thousand). Deferred inflows of resources at June 30, 2019, totaled \$4.5 million, an increase of \$1.4 million, or 45.4 percent increase over the prior year. As a result, the College's net position increased by \$2.8 million, resulting in a year-end balance of \$118.7 million.

The College's operating revenues totaled \$36.8 million for the 2018-19 fiscal year, representing a less than 1 percent increase compared to the 2017-18 fiscal year due mainly to a decrease in net student tuition and fees (\$731 thousand), an increase in grants and contracts (\$459 thousand), a decrease in sales and services of educational departments (\$8 thousand), and an increase in auxiliary enterprises (\$391 thousand). Operating expenses totaled \$117.7 million for the 2018-19 fiscal year, representing an increase of less than 1 percent as compared to the 2017-18 fiscal year due mainly to increases in personnel services (\$23 thousand) and other services and expenses (\$436 thousand), and offset with decreases in scholarships and waivers (\$27 thousand), materials and supplies (\$383 thousand), and contractual services (\$837 thousand).

Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2019, and June 30, 2018, is shown in the following graph:

Net Position
(In Thousands)



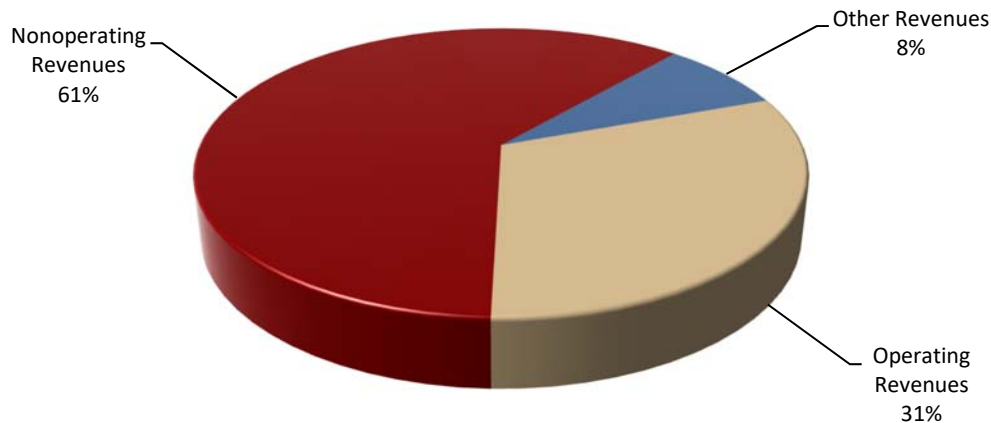
The College's net investment in capital assets represents capital assets, net of accumulated depreciation and outstanding debt principal attributable to the acquisition, construction, or improvement of those assets. The \$2 million, or 2.5 percent, decrease in net investment in capital assets compared to the prior fiscal year was primarily due to the greater amount of depreciation expense over the amount of additions to capital assets during the 2018-19 fiscal year.

Restricted net position is subject to externally imposed restrictions governing their use. The increase in restricted net position of \$6.6 million, or 15.3 percent, was primarily due to the increase in the amount of restricted expendable capital funding for the construction of new facilities as well as the renovation and remodeling of existing structures. Variances from year to year for capital funding are expected based on the methods the State legislature uses to allocate capital appropriations. Therefore, this portion of the restricted net position will continue to fluctuate each year.

Unrestricted net position is not subject to externally imposed restrictions. The College reports liabilities for accrued leave, postemployment healthcare and life insurance benefits, and the College's proportionate share of the net pension liability for the Florida Retirement System (FRS) and Health Insurance Subsidy (HIS) pension plans, totaling \$51.1 million; however, State appropriations fund only the portion of accrued leave and postemployment benefits that are paid in the current fiscal year (see the notes to the financial statements for further details).

As more fully described in the Operating Revenues and Expenses sections which follow, College revenues and other support exceeded expenses in the fiscal year ending June 30, 2019. The following chart provides a graphical presentation of College revenues by category for the 2018-19 fiscal year:

Total Revenues 2018-19 Fiscal Year



Annual State appropriations are classified as nonoperating revenues according to generally accepted accounting principles, although State-appropriated funds are used to support the operations of the College. Nonoperating revenues included State noncapital appropriations, Federal Pell Grant revenue, State scholarship revenue, revenues received from agreements between local school boards and the College for high school programs, and investment income all of which supported the operating expenses of the College. Operating revenues, comprising 31 percent of total revenues, consisted primarily of student tuition and fees, grants and contracts, sales and services of educational departments, and auxiliary enterprises. Other revenues, comprising of 8 percent of total revenues, consist of State capital appropriations and capital grants, contracts, gifts, and fees designated for capital projects.

The component unit expenses exceeded revenues during the 2018 calendar year, resulting in a decrease in net position of \$28 thousand, compared to a \$1.4 million increase in the prior year. The net position decrease during the 2018 calendar year was primarily due to a net investment loss (\$1.1 million) and a net operating loss (\$630 thousand) offset with additions to endowment principal (\$1.7 million).

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College's finances, and include the activities of the following entities:

Primary Government

- Santa Fe College (College) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Florida College System Risk Management Consortium (Consortium), a Statewide college system risk management program – Although legally separate, the College is the fiscal administrator for the program and is required to report certain financial activities to the State of Florida. The required financial information reported includes the assets of cash and cash equivalents and

investments, with a corresponding liability representing that the assets are held in custody by the College for the Consortium.

Component Unit

- Santa Fe College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about the College's finances is, "Is Santa Fe College, as a whole, better off or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as Santa Fe College's operating results.

These two statements report Santa Fe College's net position and changes in them. You can think of the College's net position (assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources) as one way to measure the College's current financial health, or financial position. Over time, increases or decreases in the College's net position are one indication of whether its financial health is improving or deteriorating. You need to consider many other nonfinancial factors, such as certain trends, student retention, condition of the buildings, and safety of the campus, to assess the College's overall financial health.

These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account when earned or incurred, regardless of when cash is received or paid.

A condensed statement of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College, Consortium, and its component unit for the respective fiscal years are shown in the following table:

Condensed Statement of Net Position

(In Thousands)

	Primary Government				Component Unit	
	College		Consortium (1)		12-31-18	12-31-17
	6-30-19	6-30-18	6-30-19	6-30-18		
Assets						
Current Assets	\$ 47,819	\$ 44,820	\$ 64,283	\$ 67,456	\$ 15,352	\$ 19,786
Capital Assets, Net	82,679	85,232	-	-	8,805	9,102
Other Noncurrent Assets	41,084	38,452	19,259	18,710	26,763	23,027
Total Assets	<u>171,582</u>	<u>168,504</u>	<u>83,542</u>	<u>86,166</u>	<u>50,920</u>	<u>51,915</u>
Deferred Outflows of Resources	<u>17,912</u>	<u>17,176</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities						
Current Liabilities	10,640	11,515	64,283	67,456	117	282
Noncurrent Liabilities	55,577	55,111	19,259	18,710	392	1,052
Total Liabilities	<u>66,217</u>	<u>66,626</u>	<u>83,542</u>	<u>86,166</u>	<u>509</u>	<u>1,334</u>
Deferred Inflows of Resources	<u>4,536</u>	<u>3,119</u>	<u>-</u>	<u>-</u>	<u>2,152</u>	<u>2,294</u>
Net Position						
Net Investment in Capital Assets	76,034	77,992	-	-	8,805	9,102
Restricted	49,617	43,029	-	-	37,961	37,598
Unrestricted	(6,910)	(5,086)	-	-	1,493	1,587
Total Net Position	<u>\$ 118,741</u>	<u>\$ 115,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,259</u>	<u>\$ 48,287</u>
Increase (Decrease) in Net Position	<u>\$ 2,806</u>	2.4%	<u>\$ -</u>		<u>\$ (28)</u>	-0.1%

(1) The financial information reported for the Consortium includes the assets of restricted cash and cash equivalents and investments with a corresponding liability representing that the assets are held in custody by the College for the Consortium.

Revenue and expenses of the College and its component unit (the College does not include operating results of the Consortium in its statements) for the respective fiscal years ended are shown in the following table:

**Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended**

(In Thousands)

	College		Component Unit	
	6-30-19	6-30-18	12-31-18	12-31-17
Operating Revenues				
Student Tuition and Fees, Net of Scholarship				
Allowances	\$ 28,090	\$ 28,821	\$ -	\$ -
Federal Grants and Contracts	3,946	3,435	-	-
State and Local Grants and Contracts	382	406	-	-
Nongovernmental Grants and Contracts	292	320	973	578
Sales and Services of Educational Departments	1,007	1,015	-	-
Auxiliary Enterprises	2,794	2,403	-	-
Other Operating Revenues	326	387	756	752
Total Operating Revenues	36,837	36,787	1,729	1,330
Less, Operating Expenses	117,743	117,721	2,359	2,285
Operating Loss	(80,906)	(80,934)	(630)	(955)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	46,023	44,423	-	-
Federal and State Grants	23,474	23,141	-	-
Gifts, Grants, and Contracts	2,109	2,175	-	-
Other Nonoperating Revenues (Expenses), Net	2,658	410	(1,126)	3,344
Net Nonoperating Revenues (Expenses)	74,264	70,149	(1,126)	3,344
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
State Capital Appropriations	(6,642)	(10,785)	(1,756)	2,389
Endowment Principal Additions	6,389	6,976	-	-
Capital Grants, Contracts, Gifts, and Fees	-	-	1,746	205
Other Revenues (Expenses)	3,059	4,612	-	-
	-	1,057	(18)	(1,195)
Net Increase (Decrease) in Net Position	2,806	1,860	(28)	1,399
Net Position, Beginning of Year	115,935	114,850	48,287	46,888
Adjustments to Beginning Net Position (1)	-	(775)	-	-
Net Position, Beginning of Year, as Restated	115,935	114,075	48,287	46,888
Net Position, End of Year	\$ 118,741	\$ 115,935	\$ 48,259	\$ 48,287

(1) Adjustment to beginning net position is due to the implementation of GASB Statement No. 75, which is a change in accounting principle that requires accounting and financial reporting for postemployment benefits other than pensions (OPEB).

Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value. Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain grants, and investment income, are

defined by GASB as nonoperating. College revenues increased by \$968 thousand, or 0.8 percent, as compared to the prior fiscal year as a result of the following factors:

Operating Revenues:

- Net student tuition and fee revenue decreased by \$731 thousand, or 2.5 percent, as a result of a decrease in enrollment and a slight increase in the scholarship allowance.
- Grants and contracts increased by \$459 thousand, or 11 percent, primarily due to an increase in Federal grants and contracts.
- Auxiliary enterprise revenue increased by \$391 thousand, or 16.3 percent, as a result of the College's inter-local agreement with the City of Gainesville for management services of the Gainesville Technology Entrepreneurship Center Incubator.

Nonoperating and Other Revenues and Grants:

- State noncapital appropriations increased by \$1.6 million, or 3.6 percent, primarily due to increased funding in Florida College System Program funds.
- Federal and State student financial aid increased by \$333 thousand, or 1.4 percent, due primarily to increases in State program scholarship funds.
- Other gifts, grants, and contracts decreased by \$66 thousand, or 3 percent, as a result of a slight decrease in enrollment by dual enrolled students.
- Investment income increased by \$2.3 million, or 277.1 percent, principally due to an increase in unrealized gain on investments and interest earned.
- State capital appropriations decreased by \$587 thousand, or 8.4 percent. This was due to decreased Public Education Capital Outlay funding from the prior fiscal year.
- Capital grants, contracts, gifts, and fees decreased by \$1.6 million, or 33.7 percent, primarily due to transfers of capital assets from the Foundation to the College in the prior fiscal year.
- Other revenues decreased by \$1.1 million, or 100 percent due to the recording of a premium and gain from the refinancing of capital improvement bonds in the prior fiscal year.

Component unit revenues decreased by \$2.6 million, or 52.4 percent, as compared to the prior fiscal year as a result of the following factors:

- Operating revenues increased \$399 thousand, or 30 percent, primarily from increased cash contributions.
- Other nonoperating revenues decreased by \$4.5 million, or 133.7 percent, mainly from unrealized losses on securities and real estate investments.
- Endowment principal additions increased \$1.5 million, or 751.7 percent, as a result of an increase in amounts designated by donors to be placed in permanent endowments.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

The following summarizes the operating expenses by natural classification for the College (none are reported for the Consortium) and its component unit for the respective fiscal years:

**Operating Expenses
For the Fiscal Years Ended**

(In Thousands)

	College		Component Unit	
	6-30-19	6-30-18	12-31-18	12-31-17
Personnel Services	\$ 69,162	\$ 69,139	\$ -	\$ -
Scholarships and Waivers	17,194	17,221	912	801
Utilities and Communications	2,551	2,427	-	-
Contractual Services	5,583	6,420	-	-
Other Services and Expenses	7,389	6,953	1,086	1,102
Materials and Supplies	10,573	10,956	-	-
Depreciation	5,291	4,605	361	382
Total Operating Revenues	\$ 117,743	\$ 117,721	\$ 2,359	\$ 2,285

College total operating expenses increased by \$22 thousand, or 0.02 percent, as compared to the prior fiscal year as a result of the following factors:

- The College provided a non-recurring salary supplement of \$1,250 to all full-time personnel and \$375 to part-time personnel. These increases were offset with the recording of a net reduction of pension and accrued leave totaling \$1 million. As a result, personnel services only increased by \$23 thousand, or 0.03 percent, from the prior fiscal year.
- Scholarships and waivers provided to students decreased by \$27 thousand, or 0.2 percent, primarily due to an increase in Florida's Bright Futures scholarship and scholarship allowances accompanied by a decrease in Federal Pell grants. Scholarship expenses, similar to tuition and fee revenue, are also shown net of scholarship allowances (amounts received from other than students and third-party payers).
- Utilities and communications increased by \$124 thousand, or 5.1 percent, primarily due to an increase in electricity and gas expenses.
- Contractual services decreased by \$837 thousand, or 13 percent, primarily due to a decrease in contractual and technology services.
- Other services and expenses increased by \$436 thousand, or 6.3 percent, primarily due to an increase in student travel associated with restricted funds and a decrease in bad debt expense associated with the leases of managed space.
- Materials and supplies decreased by \$383 thousand, or 3.5 percent, which is attributable primarily to decreases in expenses for software.
- Depreciation expense increased by \$686 thousand, or 14.9 percent, largely as a result of the beginning depreciation of the building addition at the Institute of Public Safety Kirkpatrick Center.

Total operating expenses for the component unit increased \$74 thousand, or 3.2 percent, primarily due to increases in scholarships and academic program support expenses.

The Statement of Cash Flows

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes the College's and Consortium's cash flows for the 2018-19 and 2017-18 fiscal years:

Condensed Statement of Cash Flows For the Fiscal Years (In Thousands)

	College		Consortium	
	2018-19	2017-18	2018-19	2017-18
Cash Provided (Used) by:				
Operating Activities	\$ (74,701)	\$ (70,716)	\$ (2,020)	\$ (3,593)
Noncapital Financing Activities	71,592	69,748	-	-
Capital and Related Financing Activities	795	3,736	-	-
Investing Activities	2,683	802	(859)	10
Net Increase (Decrease) in Cash and Cash Equivalents	369	3,570	(2,879)	(3,583)
Cash and Cash Equivalents, Beginning of Year	63,491	59,921	66,277	69,860
Cash and Cash Equivalents, End of Year	\$ 63,860	\$ 63,491	\$ 63,398	\$ 66,277

The College's cash and cash equivalents increased during the 2018-19 fiscal year. The following discussion amplifies the overview of cash flows:

- Cash outflows for operating activities increased \$4 million as compared to the prior fiscal year. The primary components of this change were increases in cash inflows from grants and contracts (\$212 thousand), decreases in cash inflows from student tuition and fees (\$944 thousand), and auxiliary enterprises (\$908 thousand), offset by increases in, payments for salary and benefits (\$1.2 million), payments for utilities and communications (\$125 thousand), other payments over other receipts (\$1.7 million), and decreases in, payments to suppliers (\$701 thousand) and payments for scholarships (\$27 thousand).
- The primary sources of cash inflows in noncapital financing activities are State noncapital appropriations (\$46 million) and Federal and State student financial aid (\$23.5 million). Cash inflows from noncapital financing increased \$1.8 million, as compared to the prior fiscal year, predominantly due to an increase in State noncapital appropriations (\$1.6 million) and Federal and State student financial aid (\$333 thousand).
- The primary sources of cash inflows for capital and related financing activities are State capital appropriations (\$1.9 million) and capital grants and gifts (\$3 million). Net cash inflows for capital and related financing activities decreased \$2.9 million as compared to the prior fiscal year, primarily due to a decrease in State capital appropriations (\$4 million), no proceeds from the

refinancing of capital improvement bonds compared to prior year (\$1.1 million), and a decrease in the purchase of capital assets (\$2.3 million).

- Cash inflows for investing activities of the College increased by \$1.9 million primarily due to an increase in investment income net of realized and unrealized capital gains and losses.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION
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Capital Assets

At June 30, 2019, the College had \$203.9 million in capital assets, less accumulated depreciation of \$121.2 million, for net capital assets of \$82.7 million. Depreciation charges for the current fiscal year totaled \$5.3 million. The following table summarizes the College's capital assets activity for the fiscal year ending June 30, 2019:

Capital Assets, Net at June 30: College

	(In Thousands)			
	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 7,104	\$ -	\$ -	\$ 7,104
Artwork and Artifacts	18	-	-	18
Buildings	140,876	8,307	-	149,183
Other Structures and Improvements	34,578	1,057	-	35,635
Furniture, Machinery, and Equipment	10,436	1,127	605	10,958
Construction in Progress	8,759	1,610	9,364	1,005
Total	201,771	12,101	9,969	203,903
Less, Accumulated Depreciation:				
Buildings	76,641	3,518	-	80,159
Other Structures and Improvements	31,234	631	-	31,865
Furniture, Machinery, and Equipment	8,664	1,142	606	9,200
Total Accumulated Depreciation	116,539	5,291	606	121,224
Capital Assets, Net	\$ 85,232	\$ 6,810	\$ 9,363	\$ 82,679

The component unit had \$14.9 million in capital assets, less accumulated depreciation of \$6.1 million, for net capital assets of \$8.8 million. Depreciation charges for the current fiscal year totaled \$361 thousand. Details of the component unit's capital assets activity for the fiscal year ended December 31, 2018, are shown in the following table:

Capital Assets, Net at December 31: Component Unit

(In Thousands)

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 2,629	\$ -	\$ 23	\$ 2,606
Art Collection	644	11	-	655
Equipment	4	-	-	4
Buildings and Improvements	10,582	48	-	10,630
Film Costs (Depreciable)	976	28	-	1,004
Total	14,835	87	23	14,899
Less, Accumulated Depreciation	5,733	361	-	6,094
Capital Assets, Net	\$ 9,102	\$ (274)	\$ 23	\$ 8,805

Additional information about the College's and its component unit's capital assets is presented in the notes to financial statements.

Capital Expenses and Commitments

Major capital expenses through June 30, 2019, included the planning for the Blount Center Expansion (\$906 thousand).

The College has \$1.7 million in capitalized construction contract commitments as of June 30, 2019. The contract commitments are for projects that include the planning expansion of the Blount Center, planning for Institute of Technology and Manufacturing, and solar panel and roof repair of the Construction Institute. The college's major construction commitments at June 30, 2019, are as follows:

Major Construction Commitments: College

(In Thousands)

	Amount
Total Committed	\$ 2,728
Completed to Date	1,005
Balance Committed	\$ 1,723

Additional information about the College's construction commitments is presented in the notes to financial statements.

Debt Administration

As of June 30, 2019, the College had \$6.6 million in outstanding capital improvement bonds payable versus \$7.2 million at the end of the prior fiscal year, representing a decrease of \$595 thousand, or 8.2 percent from the prior fiscal year. Proceeds from bonds were used to construct and renovate College facilities.

Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. The College's current financial and capital plans indicate that additional financial resources will be necessary to maintain its present level of services. Fifty-four percent of the College's planned recurring 2019-20 operating funds are received through State noncapital appropriations; with tuition and fees from student enrollment providing most of the balance of resources. State allocations for the 2019-20 fiscal year were higher than the 2018-19 fiscal year allocations. While the revenue projections for the State continue to be positive, the demands for State resources continues to grow and, therefore, the College does not anticipate a major increase or decrease in State appropriations in the future.

On-going efforts to develop new revenue sources and contain costs continue to serve the College well in its commitment to the growth of educational programs, improved student access, and overall excellence in service to its students and communities. The conservative budgetary stance taken by the College provides a framework for a focused response in support of our educational mission and provides financial stability in the face of limited economic growth and increased demand for State resources.

The component unit's reliance on charitable giving is also affected by the general state of the economy as well as by the health of the stock market and prospective donors' perception of the benefiting organization. Toward this latter factor, the College has historically enjoyed a very positive reputation in the communities it serves. While economic factors do affect charitable giving in general, the Foundation has a history of very steady growth regardless of changes in these factors.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Administrative Affairs/CFO, Santa Fe College, 3000 Northwest 83rd Street, Gainesville, Florida 32606.

BASIC FINANCIAL STATEMENTS

SANTA FE COLLEGE A Component Unit of the State of Florida Statement of Net Position

June 30, 2019

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 26,603,679	\$ 71,685
Restricted Cash and Cash Equivalents	3,726,627	875,692
Investments	1,184,677	259,164
Restricted Investments	-	14,085,100
Accounts Receivable, Net	1,030,720	60,251
Due from Other Governmental Agencies	14,924,271	-
Due from Component Unit	9,116	-
Inventories	95,679	-
Prepaid Expenses	145,040	-
Deposit Receivable	99,000	-
Risk Management Consortium:		
Restricted Cash and Cash Equivalents	63,397,932	-
Restricted Investments	885,093	-
Total Current Assets	112,101,834	15,351,892
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	33,529,672	-
Investments	7,554,430	1,161,316
Restricted Investments	-	5,932,290
Endowment Investments	-	19,669,870
Depreciable Capital Assets, Net	74,550,946	5,540,042
Nondepreciable Capital Assets	8,127,639	3,264,676
Risk Management Consortium:		
Restricted Deposit	3,035,023	-
Restricted Investments	16,224,342	-
Total Noncurrent Assets	143,022,052	35,568,194
TOTAL ASSETS	255,123,886	50,920,086
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	17,824,992	-
Other Postemployment Benefits	87,150	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,912,142	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,059,306	25,265
Salary and Payroll Taxes Payable	4,576,098	-
Retainage Payable	35,398	-
Due to Other Governmental Agencies	11,844	-
Unearned Revenue	1,409,334	-
Annuity Trust Obligations	-	92,009
Deposits Held for Others	1,429,324	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	695,000	-
Compensated Absences Payable	1,041,817	-
Other Postemployment Benefits Payable	87,150	-
Net Pension Liability	294,281	-
Risk Management Consortium:		
Deposit Held for Others	64,283,025	-
Total Current Liabilities	74,922,577	117,274

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	5,950,000	-
Compensated Absences Payable	8,666,212	-
Other Postemployment Benefits Payable	1,239,158	-
Net Pension Liability	39,721,959	-
Other Noncurrent Liabilities	-	392,172
Risk Management Consortium:		
Deposits Held in Custody	19,259,365	-
Total Noncurrent Liabilities	74,836,694	392,172
TOTAL LIABILITIES	149,759,271	509,446
DEFERRED INFLOWS OF RESOURCES		
Pensions	4,474,364	-
Other Postemployment Benefits	61,424	-
Deferred Amounts Related to Irrevocable Split-Interest Agreements	-	2,152,040
TOTAL DEFERRED INFLOWS OF RESOURCES	4,535,788	2,152,040
NET POSITION		
Net Investment in Capital Assets	76,033,585	8,804,718
Restricted:		
Nonexpendable:		
Endowment	-	29,493,259
Expendable:		
Grants	1,352,022	-
Loans	547,612	-
Scholarships	-	3,422,146
Capital Projects	47,717,266	-
Other	-	5,045,120
Unrestricted	(6,909,516)	1,493,357
TOTAL NET POSITION	\$ 118,740,969	\$ 48,258,600

The accompanying notes to financial statements are an integral part of this statement.

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SANTA FE COLLEGE
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2019

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$8,901,413	\$ 28,089,875	\$ -
Federal Grants and Contracts	3,945,707	-
State and Local Grants and Contracts	382,317	-
Nongovernmental Grants and Contracts	292,041	973,411
Sales and Services of Educational Departments	1,006,704	-
Auxiliary Enterprises	2,794,695	-
Other Operating Revenues	326,186	756,040
Total Operating Revenues	36,837,525	1,729,451
EXPENSES		
Operating Expenses:		
Personnel Services	69,162,421	-
Scholarships and Waivers	17,193,949	911,938
Utilities and Communications	2,551,530	-
Contractual Services	5,582,768	-
Other Services and Expenses	7,388,979	1,086,352
Materials and Supplies	10,572,776	-
Depreciation	5,290,747	360,744
Total Operating Expenses	117,743,170	2,359,034
Operating Loss	(80,905,645)	(629,583)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	46,022,981	-
Federal and State Student Financial Aid	23,473,592	-
Gifts, Grants, and Contracts	2,109,523	-
Investment Income (Loss)	3,075,037	(1,126,149)
Gain on Disposal of Capital Assets	16,857	-
Interest on Capital Asset-Related Debt	(434,170)	-
Net Nonoperating Revenues (Expenses)	74,263,820	(1,126,149)
Loss Before Other Revenues (Expenses)	(6,641,825)	(1,755,732)
State Capital Appropriations	6,388,533	-
Capital Grants, Contracts, Gifts, and Fees	3,059,405	-
Endowment Principal Additions	-	1,746,057
Transfers in Support of College	-	(23,870)
Other Revenues	-	5,100
Total Other Revenues	9,447,938	1,727,287
Increase (Decrease) in Net Position	2,806,113	(28,445)
Net Position, Beginning of Year	115,934,856	48,287,045
Net Position, End of Year	\$ 118,740,969	\$ 48,258,600

The accompanying notes to financial statements are an integral part of this statement.

SANTA FE COLLEGE
A Component Unit of the State of Florida
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2019

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 27,755,657
Grants and Contracts	4,720,027
Payments to Suppliers	(23,657,904)
Payments for Utilities and Communications	(2,551,530)
Payments to Employees	(53,361,535)
Payments for Employee Benefits	(13,641,687)
Payments for Scholarships	(17,193,948)
Auxiliary Enterprises	2,808,333
Sales and Services of Educational Departments	1,006,704
Other Receipts and Payments, Net	(585,054)
Risk Management Consortium:	
Other Payments	(2,020,280)
Net Cash Used by Operating Activities	(76,721,217)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	46,022,981
Federal and State Student Financial Aid	23,473,592
Federal Direct Loan Program Receipts	15,700,908
Federal Direct Loan Program Disbursements	(15,715,243)
Gifts, Grants, and Contracts	2,109,523
Net Cash Provided by Noncapital Financing Activities	71,591,761
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,887,678
Capital Grants and Gifts	3,049,866
Proceeds from Sale of Capital Assets	16,857
Purchases of Capital Assets	(3,130,207)
Principal Paid on Capital Debt	(595,000)
Interest Paid on Capital Debt	(434,170)
Net Cash Provided by Capital and Related Financing Activities	795,024
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	8,647,170
Purchases of Investments	(7,537,205)
Investment Income	1,573,608
Risk Management Consortium:	
Proceeds from Sales and Maturities of Investments	9,149,195
Purchases of Investments	(10,008,257)
Net Cash Provided by Investing Activities	1,824,511
Net Decrease in Cash and Cash Equivalents	(2,509,921)
Cash and Cash Equivalents, Beginning of Year	129,767,831
Cash and Cash Equivalents, End of Year	\$ 127,257,910

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (80,905,645)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,290,747
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(269,225)
Due from Other Governmental Agencies	25,986
Due from Component Unit	72,044
Inventories	(14,380)
Deposits Receivable	(99,000)
Prepaid Expenses	(66,260)
Accounts Payable	(767,288)
Salary and Payroll Taxes Payable	18,336
Due to Other Governmental Agencies	(14,925)
Unearned Revenue	(49,422)
Deposits Held for Others	(62,767)
Compensated Absences Payable	(295,921)
Other Postemployment Benefits Payable	(9,045)
Net Pension Liability	1,765,195
Deferred Outflows of Resources Related to Other Postemployment Benefits	(420)
Deferred Inflows of Resources Related to Other Postemployment Benefits	17,516
Deferred Outflows of Resources Related to Pensions	(735,229)
Deferred Inflows of Resources Related to Pensions	1,398,766
Risk Management Consortium:	
Restricted Deposit	602,728
Deposits Held for Others	(2,623,008)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (76,721,217)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (1,426,731)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 6,400

The accompanying notes to financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The governing body of Santa Fe College, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of eight members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education (SBE) rules. However, the Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and SBE rules. The College serves Alachua and Bradford Counties.

Reported within the College's financial statements are certain assets and liabilities of the Florida College System Risk Management Consortium (Consortium). The College is the fiscal agent for the Consortium, which is the administrator of an Employee Benefit Plan and a Property and Casualty Plan for participating Florida colleges. As fiscal agent, the College is responsible for receiving disbursing, and administering all moneys due to or payable from the Consortium and for personnel functions (hiring, records maintenance, etc.) of the Consortium. The financial information reported for the Consortium includes restricted cash and cash equivalents, restricted deposits, and restricted investments with a corresponding liability representing that the assets are held in custody by the College for the Consortium. Annual audits of the Consortium and its financial activities are conducted by independent certified public accountants and are available at the College.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the Board of Trustees are such that exclusion would cause the College's financial statements to be misleading. Based on the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Santa Fe College Foundation, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

The Foundation is also a direct-support organization, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, is financially accountable to the College. The Foundation is managed independently, outside the College's budgeting process, and its powers generally are vested in a governing board pursuant to various State statutes. The Foundation receives, holds, invests, and administers property, and makes expenditures to or for the benefit of the College.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the Vice President for Advancement, Santa Fe College, 3000 Northwest 83rd Street, Gainesville, Florida 32606.

The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2018.

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- Other Required Supplementary Information

Measurement Focus and Basis of Accounting. Basis of accounting refers to when revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The College's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The College follows GASB standards of accounting and financial reporting.

The College's component unit uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, and investment income (net of unrealized gains or losses on investments). Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the College's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College identifies within its accounting system amounts paid for tuition and fees from grants, loans, or others providing financial aid sources. The total amount of these payments is deducted from student tuition and fees.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash invested with the State Treasury Special Purpose Investment Account (SPIA) and the State Board of Administration (SBA) Florida PRIME investment pools. For reporting cash flows, the College and Consortium consider all highly liquid investments with original maturities of 3 months or less, that are not held solely for income or profit, to be cash equivalents. Under this definition, the College and Consortium consider amounts invested in the State Treasury SPIA and SBA Florida PRIME investment pools to be cash equivalents.

College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2019, the College and Consortium reported as cash equivalents at fair value \$52,759,017 and \$59,455,346, respectively, in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 4.). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.71 years and fair value factor of 1.0103 at June 30, 2019. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balance. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The College relies on policies developed by the State Treasury for managing interest rate risk or credit

risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2019, the College and Consortium reported as cash equivalents \$7,024,380 and \$11,099, respectively, in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 28 days as of June 30, 2019. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost.

Section 218.409(8)(a), Florida Statutes, provides that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Capital Assets. College capital assets consist of land, artwork and artifacts; construction in progress, buildings, other structures and improvements, and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:

- Computer Equipment – 3 years
- Vehicles, Office Machines, and Educational Equipment – 5 years
- Furniture, Pianos – 7 years

Capital Assets – Component Unit. Property and equipment acquisitions of the College’s component unit are recorded at cost, if purchased. Contributed property and equipment are recorded at estimated value, as determined by the donor or the component unit, at the date of receipt. Capitalized assets have a useful life greater than 1 year and an original cost of \$500 or greater. Buildings and equipment are depreciated using the straight-line method, based on a 40-year useful life for buildings, 5 to 7 years useful life for equipment, and 10 years for film production costs.

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, compensated absences payable, other postemployment benefits payable, and net pension liabilities that are not scheduled to be paid within the next fiscal year.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Deficit Net Position in Individual Funds

The College reported an unrestricted net position which included a deficit in the current funds - unrestricted, as shown below. This deficit can be attributed to the full recognition of long-term liabilities (i.e., compensated absences payable, OPEB payable, and net pension liabilities) in the current unrestricted funds.

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (14,367,945)
Auxiliary Funds	7,458,429
Total	\$ (6,909,516)

3. Restricted Deposit

Pursuant to a collateral agreement, the Consortium has a \$3,035,023 collateral deposit held by an insurance company (company) for workers’ compensation insurance claims. Although the Consortium is required to reimburse the company for claims paid, the company is authorized to use the collateral to pay any and all of the Consortium’s obligations owed under the agreement. The deposit is held by the company in an interest-bearing account; however, the deposit is exposed to custodial credit risk because it is not covered by depository insurance and is uncollateralized. The Consortium does not have a policy for custodial credit risk.

4. Investments

College and Consortium

The College's Board of Trustees and the Consortium have adopted written investment policies providing that surplus funds of the College and the Consortium shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the State Board of Administration (SBA); Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; and other investments approved by the Board of Trustees as authorized by law. SBE Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments.

Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The general investment policy of both the College and the Consortium is to apply the prudent person rule: investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment. In addition to the investments allowed by Section 218.415(16), Florida Statutes, the investment policies of the College and the Consortium authorize investments in repurchase agreements, corporate notes, and money market instruments. The Consortium also includes asset-backed securities as an authorized investment.

Fair Value Measurement. The College and the Consortium categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

All of the College's and the Consortium's recurring fair value measurements as of June 30, 2019, are valued using a matrix pricing model (Level 2 inputs), with the exception of United States Treasury Notes which are valued using quoted market prices (Level 1 inputs).

The College's and the Consortium's investments at June 30, 2019, are reported as follows:

	Amount	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level - College			
United States Treasury Notes	\$ 5,748,142	\$ 5,748,142	\$ -
Obligations of United States Government and Government-Sponsored Enterprises	974,330	-	974,330
Commercial Paper	496,962	-	496,962
Corporate Notes	150,129	-	150,129
Federal Agency Collateralized Mortgage Obligations	607,413	-	607,413
Mortgage-Backed Pass-Throughs	727,459	-	727,459
Money Market Mutual Funds	34,672	-	34,672
Total Investments by Fair Value Level - College	8,739,107	5,748,142	2,990,965
Investments by Fair Value Level - Consortium			
United States Treasury Notes	3,910,585	3,910,585	-
Obligations of United States Government and Government-Sponsored Enterprises	1,220,449	-	1,220,449
Corporate Notes	6,245,150	-	6,245,150
Federal Agency Collateralized Mortgage Obligations	533,631	-	533,631
Foreign Notes	2,141,552	-	2,141,552
Asset-Backed Securities	1,811,162	-	1,811,162
Mortgage-Backed Pass-Throughs	1,136,006	-	1,136,006
Money Market Mutual Funds	110,900	-	110,900
Total Investments by Fair Value Level - Consortium	17,109,435	3,910,585	13,198,850
Total Investments by Fair Value Level - College and Consortium	\$ 25,848,542	\$ 9,658,727	\$ 16,189,815

Other Investments. The College and the Consortium invested in various debt and equity securities and money mutual funds. The following risks apply to College and Consortium investments:

Interest Rate Risk: Interest rate risk is the risk that changing interest rates will adversely affect the fair value of an investment. The investment policy of the College limits the maximum average duration of the investment portfolio to no greater than 120 percent of the target benchmarks' average duration. The College's benchmark is the Merrill Lynch 1-3 Year U.S. Treasury Index. The investment policy of the Consortium limits the maximum effective duration of the aggregate portfolio to 3 years. The performance benchmark for the Consortium is the Merrill Lynch 1-5 Year U.S. Treasury Index.

At June 30, 2019, the Merrill Lynch 1-3 and 1-5 Year U.S. Treasury Indexes' effective durations were 1.81 and 2.56 years, respectively. The effective duration of the College's and the Consortium's portfolios at June 30, 2019, were 1.8 and 2.6 years, respectively. Recognizing that market volatility is a function of duration, the investment policies of the College and the Consortium state that the portfolios are to be maintained as short- to intermediary-term duration portfolios. The maximum duration of floating rate and individual securities from date of purchase is 5 years for the College and 5.5 years for the Consortium. At June 30, 2019, the College and Consortium's longest individual security effective duration was 3.78 years and 4.37 years, respectively. Furthermore, the College's investment policy is designed to limit principal fluctuation so that no more than 20 percent of the portfolio has an effective duration greater than 3 years. An additional objective of the College is to provide sufficient liquidity and stability of principal, so that no less than 10 percent of the portfolio has an effective duration of 1 year or less.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policies of the College provide for the following regarding credit risk:

- Repurchase agreements must be fully collateralized at 102 percent by United States Treasuries.
- Money market instruments including, but not limited to, commercial paper, time deposits, and banker's acceptances, at the time of purchase must, at a minimum, be rated "A1/P1" or the equivalent by Standard & Poor's and/or Moody's and all other nationally recognized credit rating organizations.
- Corporate bonds and notes must have at least an "AAA" rating by at least two of the following three credit rating organizations: Standard & Poor's, Moody's, or Fitch.
- Money market funds must be registered with the SEC with the highest credit quality rating from a nationally recognized rating company.
- A total quality rating of 8 or higher for the College must be maintained using the following scale:
 - United States Government Fully Guaranteed 10
 - Government-Sponsored Enterprises 9
 - "AAA" – Rated Securities 8
 - "AA" – Rated Securities 7
 - "A" – Rated Securities 6

As of June 30, 2019, using the above scale, the College's total quality rating was 9.47.

The investment policies of the Consortium provide the following regarding credit risk:

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement ¹	Maximum Maturity
U.S. Treasury	100%	100%	N/A	5.50 Years (5.50 Years avg. life ² for GNMA)
Government National Mortgage Association (GNMA)		40%		
Other U.S. Government Guaranteed; (e.g., Agency for International Development, Government Trust Certificates)		10%		
Federal Agency/Government Sponsored Enterprise (GSE): Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Banks, Federal Farm Credit Banks	75%	40% ³	N/A	5.50 Years
Federal Agency/GSE other than those above		10%		
Supranationals where U.S. is a shareholder and voting member	25%	10%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.50 Years
Supranationals other than those above		5%		5.50 Years
Foreign Sovereign Governments (Organization for Economic Cooperation and Development countries only) and Canadian Provinces	10%	5%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.50 Years
Foreign Sovereign Agencies (OECD countries only)	10%	5%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.50 Years
Corporates	50% ⁴	5%	Highest ST or Three Highest LT Rating Categories (A-1/P-1, BBB/Baa or equivalent)	5.50 Years
Municipals	25%	5%	Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)	5.50 Years
Agency Mortgage-Backed Securities (MBS)	25%	40% ³	N/A	5.50 Years Avg. Life ²
Asset-Backed Securities (ABS)	25%	5%	Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)	5.50 Years Avg. Life ²
Non-Negotiable Collateralized Bank Deposits or Savings Accounts	50%	None, if fully collateralized	None, if fully collateralized.	2 Years
Commercial Paper	50% ²	5%	Highest ST Rating Category (A-1/P-1, or equivalent)	270 Days
Bankers' Acceptances	10% ²	5%	Highest ST Rating Category (A-1/P-1, or equivalent)	180 Days
Repurchase Agreements	40%	20%	Counterparty (or if the counterparty is not rated by a Nationally Recognized Statistical Rating Organization (NRSRO), then the counterparty's parent) must be rated in the Highest ST Rating Category (A-1/P-1, or equivalent). If the counterparty is a Federal Reserve Bank, no rating is required	1 Year
Money Market Funds	50%	25%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A
Fixed-Income Mutual Funds & Exchange-Traded Funds	20%	10%	N/A	N/A

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement ¹	Maximum Maturity
Intergovernmental Pools	50%	25%	Highest Fund Quality and Volatility Rating Categories by NRSROs who rate the fund (AAAm/AAAf, S1, or equivalent)	N/A

- (1) Rating by at least one SEC-registered NRSRO, unless otherwise noted. ST=Short-term; LT=Long-term.
- (2) The maturity limit for MBS and ABS is based on the expected average life at time of purchase, measured using Bloomberg or other industry standard methods.
- (3) Maximum exposure to any on Federal agency, including the combined holdings of Agency debt and Agency ABS, is 40%.
- (4) Maximum allocation to all corporate and bank credit instruments is 50% combined.

At June 30, 2019, the investments of the College and the Consortium in obligations of the United States Government and Government-sponsored enterprises, Federal agency collateralized mortgage obligations, corporate notes, mortgage-backed pass-throughs, commercial paper, foreign notes, asset-backed securities, and money market funds were rated by Standard & Poor's as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>
<u>College</u>		
United States Treasury Notes	\$ 5,748,142	N/A
Mortgage-Backed Pass-Throughs	\$ 727,459	AA+
Federal Agency Collateralized Mortgage Obligations	\$ 607,413	AA+
Obligations of United States Government and Government-Sponsored Enterprises	\$ 974,330	AA+
Corporate Notes	\$ 150,129	AAA
Commercial Paper	\$ 496,962	A-1
Money Market Mutual Funds	\$ 34,672	AAAm
<u>Consortium</u>		
United States Treasury Notes	\$ 3,910,585	N/A
Mortgage-Backed Pass-Throughs	\$ 1,136,006	AA+
Federal Agency Collateralized Mortgage Obligations	\$ 533,631	AA+
Obligations of United States Government and Government-Sponsored Enterprises	\$ 1,220,449	AA+
Corporate Notes	\$ 6,245,150	BBB to AA-
Foreign Notes	\$ 2,141,552	BBB+ to AAA
Asset-Backed Securities	\$ 1,811,162	AAA
Money Market Mutual Funds	\$ 110,900	AAAm

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments purchased on behalf of the College pursuant to Section 218.415, Florida Statutes, must be properly earmarked and: (1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the College's interest in the security; (2) if in a book entry form, the investment must be held for the credit of the College by a depository chartered by the Federal Government, the State, or any other State or territory

of the United States that has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States that is authorized to accept and execute trusts and is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or (3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. Investment policies of the College and the Consortium require that all securities purchased be properly designated as an asset of the College or the Consortium and held in safekeeping by a third-party custodial institution. The College's and the Consortium's investments are held by a safekeeping agent in the name of the College or the Consortium.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investment in a single issuer. The investment policies of the College and the Consortium provide that a maximum of 5 percent of the portfolio's individual corporate exposure may be invested in securities of a single issuer. The maximum corporate exposure at June 30, 2019, was as follows:

- College: 2.87%
- Consortium: 2.1%

Component Unit Investments.

Mutual Funds and Corporate Common Stocks are valued based on prices quoted in the active markets and are categorized as Level 1 in the fair value hierarchy. Corporate Preferred Stocks, Corporate Bonds, U.S. Federal Agency Bonds, and Municipal Bonds are valued using quoted prices for similar securities in active markets and are categorized as Level 2 in the fair value hierarchy. Real estate is valued using the capitalization rate to determine fair value and is categorized as Level 3 in the fair value hierarchy.

Investments held by the Foundation at December 31, 2018, were reported at fair value as follows:

<u>Investments by fair value level</u>	<u>Amount</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual Funds	\$ 319,839	\$ 319,839	\$ -	\$ -
Corporate Common Stocks	11,842,146	11,842,146	-	-
Corporate Preferred Stocks	1,587,095	-	1,587,095	-
Corporate Bonds	21,603,961	-	21,603,961	-
U.S. Federal Agency Bonds	930	-	930	-
Municipal Bonds	1,041,260	-	1,041,260	-
Limited Partnerships	195,935	-	-	195,935
Real Estate	4,516,574	-	-	4,516,574
Total Component Unit Investments	\$ 41,107,740	\$ 12,161,985	\$ 24,233,246	\$ 4,712,509

There was \$2,953,563 in unrealized depreciation in the fair value of investments during the year ended December 31, 2018. The carrying value of investments at December 31, 2018, includes all material changes in fair value, including both realized and unrealized gains and losses that occurred both during the current year and previous years.

The Foundation invested in various debt and equity securities. To smooth distributions from the aggregate portfolio, the Foundation uses the moving average method of determining year-to-year spending. This policy provides for a more consistent and predictable spending for programs and it allows the Foundation to design an investment strategy that is more consistent with a higher expected average return over time. The following risks apply to the Foundation's investments:

Interest Rate Risk: The Foundation's investment policy does not limit debt obligation maturities. However, the Foundation manages its exposure to fair value losses arising from increasing interest rates through the segmented-time distribution method. The durations for the Foundation investments as of December 31, 2018, are as follows:

<u>Maturities in Years</u>	<u>% of Total Assets</u>	<u>Total</u>
Less than 1	2.33%	\$ 957,968
1 to 2	10.60%	4,355,778
3 to 5	14.74%	6,059,178
6 to 10	18.70%	7,687,227
11 to 15	5.24%	2,153,725
16 to 20	1.52%	624,968
21 Plus	3.32%	1,366,026
None	43.55%	17,902,870
Total	100.00%	\$41,107,740

Credit Risk: The Foundation's investment policy limits investments to investment grade securities (BBB or higher) issued by banks, corporations, or the Federal Government. Those securities listed at below investment grade have been downgraded subsequent to purchase. In each case, the Foundation's Board of Directors, through the Finance Committee, has determined that the downgraded security has a reasonable expectation of recovery and has elected to maintain its position. The policy provides that 20 percent of the total investment in securities may be made in preferred corporate securities. Obligations of United States Government agencies and instrumentalities, certificates of deposit, and domestic equities do not require disclosure of credit quality. The credit ratings, by nationally recognized rating agencies (e.g., Moody's Investors Service) of the portfolio held by the Foundation at December 31, 2018, was as follows:

Rating	% of Total Assets	Fair Value
Aaa/AAA	1.53%	\$ 629,604
Aa/AA	7.66%	3,148,655
A/A	21.14%	8,692,325
Baa/BBB	25.82%	10,613,599
Below Investment Grade	1.18%	484,172
Total Rated	57.33%	23,568,355
Government Backed	0.00%	930
Corporate Stocks	30.19%	12,410,000
Mutual Funds	0.78%	319,839
Corporate Bonds	0.23%	96,107
Limited Partnerships	0.48%	195,935
Real Estate	10.99%	4,516,574
Total Non-Rated	42.67%	17,539,385
Total Investments	100.00%	\$41,107,740

Custodial Credit Risk: The Foundation has no formal policy on custodial credit risk. However, all investments are insured, registered, or held in the foundation's name by a custodial bank as an agent for the Foundation.

Concentration of Credit Risk: Composition of the Foundation's investment portfolio is limited by its investment policy, which restricts investment in any one issue to no more than 5 percent of the value of the entire portfolio. At December 31, 2018, no single issues represented more than 2 percent of the total portfolio value.

5. Accounts Receivable

Accounts receivable represent amounts for student fee deferments; agency billings; investment income; commissions and rent due from vendors under contract for food, vending, and bookstore operations; contract and grant reimbursements due from third parties; and rent due from lessees of managed space. The receivables for students total \$566,984 and are reported net of a \$329,588 allowance for uncollectible student accounts. The receivable for rent due from leases of managed space totals \$81,437 and are reported net of a \$3,983,586 allowance for uncollectible accounts receivable. Other receivables are considered to be fully collectible.

6. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$14,083,005 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$529,364 of Federal grant allocations due from the Federal Government primarily for the following grants:

- Adult Education and Family Literacy – U.S. Department of Education
- SF2UF: A New Bridges Baccalaureate Program – U.S. Department of Health and Human Services
- Upward Bound – U.S. Department of Education

- Talent Search – U.S. Department of Education
- Federal Work Study – U.S. Department of Education
- Perkins – U.S. Department of Education
- Innovative Product Development Center – U.S. Department of Commerce
- Title III-Part A – U.S. Department of Education

7. Due From Component Unit

The \$9,116 reported as due from component unit includes the remaining amount owed to the College by the Foundation for contributed and matching funds. The College's financial statements are reported for the fiscal year ended June 30, 2019. The College's component unit's financial statements are reported for the calendar year ended December 31, 2018, and there is no amount reported as due to the College by the Foundation.

8. Capital Assets

Capital assets activity of the College for the fiscal year ended June 30, 2019, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 7,104,300	\$ -	\$ -	\$ 7,104,300
Artwork and Artifacts	18,000	-	-	18,000
Construction in Progress	8,758,382	1,610,975	9,364,018	1,005,339
Total Nondepreciable Capital Assets	\$ 15,880,682	\$ 1,610,975	\$ 9,364,018	\$ 8,127,639
Depreciable Capital Assets:				
Buildings	\$ 140,875,813	\$ 8,306,610	\$ -	\$ 149,182,423
Other Structures and Improvements	34,578,061	1,057,407	-	35,635,468
Furniture, Machinery, and Equipment	10,436,125	1,126,799	605,494	10,957,430
Total Depreciable Capital Assets	185,889,999	10,490,816	605,494	195,775,321
Less, Accumulated Depreciation:				
Buildings	76,641,236	3,517,819	-	80,159,055
Other Structures and Improvements	31,234,307	630,789	-	31,865,096
Furniture, Machinery, and Equipment	8,663,579	1,142,139	605,494	9,200,224
Total Accumulated Depreciation	116,539,122	5,290,747	605,494	121,224,375
Total Depreciable Capital Assets, Net	\$ 69,350,877	\$ 5,200,069	\$ -	\$ 74,550,946

Capital assets activity of the College's component unit for the fiscal year ended December 31, 2018, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 2,629,173	\$ -	\$ 23,870	\$ 2,605,303
Art Collection	644,433	10,565	-	654,998
Equipment	4,375	-	-	4,375
Total Nondepreciable Capital Assets	\$ 3,277,981	\$ 10,565	\$ 23,870	\$ 3,264,676
Depreciable Capital Assets:				
Buildings and Improvements	\$ 10,581,776	\$ 48,079	\$ -	\$ 10,629,855
Film Costs	975,803	28,339	-	1,004,142
Total Depreciable Capital Assets	11,557,579	76,418	-	11,633,997
Less, Accumulated Depreciation:				
Buildings and Improvements	4,963,619	264,545	-	5,228,164
Film Costs	769,592	96,199	-	865,791
Total Accumulated Depreciation	5,733,211	360,744	-	6,093,955
Total Depreciable Capital Assets, Net	\$ 5,824,368	\$ (284,326)	\$ -	\$ 5,540,042

9. Unearned Revenue

Unearned revenue at June 30, 2019, includes student tuition and fees, grant and contract revenue, and rent revenue received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2019, the College reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 1,374,842
Grant and Contract Revenue	33,840
Rent Revenue	652
Total Unearned Revenue	\$ 1,409,334

10. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2019, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable	\$ 7,240,000	\$ -	\$ 595,000	\$ 6,645,000	\$ 695,000
Compensated Absences Payable	10,003,950	782,710	1,078,631	9,708,029	1,041,817
Other Postemployment Benefits Payable	1,335,353	103,774	112,819	1,326,308	87,150
Net Pension Liability	38,251,045	22,511,890	20,746,695	40,016,240	294,281
Total Long-Term Liabilities	\$ 56,830,348	\$ 23,398,374	\$ 22,533,145	\$ 57,695,577	\$ 2,118,248

Bonds Payable. The SBA, Division of Bond Finance issues Capital Improvement Revenue Bonds on behalf of the College. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution;

Section 215.57 through 215.83 and Section 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Section 1009.23(11), Florida Statutes, by the Series 2018A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2018A bonds. The 2018A bonds were issued for the purpose of refunding the outstanding Series 2006A bonds. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all colleges participating in any series of bonds then outstanding. The Series 2018A bonds will share the lien of such additional bonds on the Series 2018A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds.

The College had the following bonds payable at June 30, 2019:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rate (Percent)</u>	<u>Annual Maturity To</u>
Florida Department of Education Capital Improvement Revenue Bonds: Series 2018A	\$ 6,645,000	5.00	2027

Annual requirements to amortize all bonded debt outstanding as of June 30, 2019, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Capital Improvement Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 695,000	\$ 332,250	\$ 1,027,250
2021	730,000	297,500	1,027,500
2022	770,000	261,000	1,031,000
2023	805,000	222,500	1,027,500
2024	845,000	182,250	1,027,250
2025-2027	2,800,000	284,250	3,084,250
Total	\$ 6,645,000	\$ 1,579,750	\$ 8,224,750

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2019, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$9,708,029. The current portion of the compensated absences liability, \$1,041,817, is the amount expected to be paid in the coming fiscal year based upon the College's prior experience.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for OPEB administered by the Consortium.

General Information about the OPEB Plan

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the Consortium that provides OPEB for all employees who satisfy the College’s retirement eligibility provisions. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College’s healthcare and life insurance coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. The OPEB Plan contribution requirements and benefit terms of the College and the OPEB Plan members are established and may be amended by action from the Board. Neither the College nor the Consortium issue a stand-alone annual report for the OPEB Plan and the OPEB Plan is not included in the annual report of a public employee retirement system or another entity. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. In addition to the implicit subsidy above, the OPEB Plan also provides all retirees with \$5,000 of life insurance benefits.

Employees Covered by Benefit Terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	70
Inactive Employees Entitled to But Not Yet Receiving Benefits	58
Active Employees	675
Total	<u>803</u>

Total OPEB Liability

The College’s total OPEB liability of \$1,326,308 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60 percent
Salary increases	4.00 – 7.80 percent, average, including inflation
Discount rate	3.87 percent at the current measurement date
Healthcare cost trend rates	
Pre-Medicare	7 percent for 2018, decreasing to an ultimate rate of 5.00 percent for 2023 and beyond
Medicare	5.5 percent for 2018, decreasing to an ultimate rate of 5 percent for 2020 and beyond

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the Generational RP-2014 mortality tables, with adjustment for FRS experience and generational mortality improvements using Scale MP-2014.

The demographic actuarial assumptions for mortality, retirement, disability incidence, and withdrawal used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017, valuation were based on a review of recent plan experience done concurrently with the June 30, 2017, valuation.

Changes in the Total OPEB Liability

	Amount
Balance at 6/30/18	<u>\$ 1,335,353</u>
Changes for the year:	
Service Cost	57,766
Interest	46,008
Changes in Assumptions or Other Inputs	(26,089)
Benefit Payments	<u>(86,730)</u>
Net Changes	<u>(9,045)</u>
Balance at 6/30/19	<u><u>\$ 1,326,308</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.56 percent in 2017 to 3.87 percent in 2018 due to a change in the Municipal Bond Rate.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB liability	\$1,413,539	\$1,326,308	\$1,247,290

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$1,185,685	\$1,326,308	\$1,494,552

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the College recognized OPEB expense of \$95,201. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions or other inputs	\$ -	\$ 61,424
Transactions subsequent to the measurement date	87,150	-
Total	<u>\$ 87,150</u>	<u>\$ 61,424</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$87,150 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ (8,573)
2021	(8,573)
2022	(8,573)
2023	(8,573)
2024	(8,573)
Thereafter	(18,559)
Total	<u>\$ (61,424)</u>

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the College recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing

multiple-employer defined benefit plans. As of June 30, 2019, the College's proportionate share of the net pension liabilities totaled \$40,016,240. Note 11. includes a complete discussion of defined benefit pension plans.

11. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the HIS Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior management Service Class employed by the State and faculty and specified employees of State colleges.

Essentially all regular employees of the College are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The College's FRS and HIS pension expense totaled \$5,881,377 for the fiscal year ended June 30, 2019.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service, except for members classified as special risk who are eligible for normal

retirement benefits at age 55 or at any age after 25 years of creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00
Special Risk Class	3.00

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment

is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018-19 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.26
FRS, Senior Management Service	3.00	24.06
FRS, Special Risk	3.00	24.50
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.03
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The College's contributions to the Plan totaled \$2,827,584 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the College reported a liability of \$27,993,448 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The College's proportionate share of the net pension liability was based on the College's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the College's proportionate share was 0.092938136 percent, which was an increase of 0.00321401 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the College recognized pension expense of \$4,946,506. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,371,466	\$ 86,073
Change of assumptions	9,146,898	-
Net difference between projected and actual earnings on FRS Plan investments	-	2,162,835
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	865,820	780,386
College FRS contributions subsequent to the measurement date	2,827,584	-
Total	\$ 15,211,768	\$ 3,029,294

The deferred outflows of resources totaling \$2,827,584, resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 3,718,153
2021	2,371,900
2022	239,411
2023	1,650,406
2024	1,177,112
Thereafter	197,908
Total	\$ 9,354,890

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (Property)	11%	6.6%	6.0%	11.3%
Private Equity	10%	10.7%	7.8%	26.5%
Strategic Investments	6%	6.0%	5.7%	8.6%
Total	<u>100%</u>			
Assumed inflation - Mean			2.6%	1.9%

(1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2018 valuation was updated from 7.10 percent to 7.00 percent.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
College's proportionate share of the net pension liability	\$51,089,217	\$27,993,448	\$8,811,047

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to

Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2019, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled \$625,061 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the College reported a net pension liability of \$12,022,792 for its proportionate share of the net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within 1 year, net of the College's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The College's proportionate share of the net pension liability was based on the College's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the College's proportionate share was 0.113592820 percent, which was an increase of 0.004064695 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the College recognized pension expense of \$934,871. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 184,064	\$ 20,426
Change of assumptions	1,337,083	1,271,150
Net difference between projected and actual earnings on HIS Plan investments	7,257	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	459,759	153,494
College contributions subsequent to the measurement date	625,061	-
Total	\$ 2,613,224	\$ 1,445,070

The deferred outflows of resources totaling \$625,061, resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year

ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 205,368
2021	204,756
2022	147,606
2023	78,098
2024	(90,794)
Thereafter	(1,941)
Total	\$ 543,093

Actuarial Assumptions. The total pension liability at July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal bond rate	3.87 percent

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.87 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2018 valuation was updated from 3.58 percent to 3.87 percent.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 3.87 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
College's proportionate share of the net pension liability	\$13,693,255	\$12,022,792	\$10,630,363

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

12. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State’s Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-19 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

After termination and applying to receive benefits, the member may roll over vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution,

leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The College's Investment Plan pension expense totaled \$361,027 for the fiscal year ended June 30, 2019.

State College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible college instructors and administrators. The Program is designed to aid colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes 5.15 percent of the participant's salary to the participant's account, 3.5 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 8.65 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The College's contributions to the Program totaled \$514,489 and employee contributions totaled \$178,435 for the 2018-19 fiscal year.

Senior Management Service Local Annuity Program. Section 121.055(1)(b)2., Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the FRS, Senior Management Service Class, may elect to withdraw from the FRS altogether and participate in a local annuity program. Pursuant thereto, the College established the Senior Management Service Class Local Annuity Program (Local Annuity Program). Employees in eligible positions are allowed to make an irrevocable election to participate in the Local Annuity Program, rather than the FRS.

The Local Annuity Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. The College contributes 9.65 percent and employees contribute 3 percent of the employee's salary to the Local Annuity Program. The participants may make contributions toward the Local Annuity Program by way of salary reduction or by deduction of a percentage of the employee's gross compensation not to exceed the percentage contributed by the employer. These contributions are invested in the companies selected by the employee to create a fund for the purchase of annuities at retirement.

The College's contributions to the Local Annuity Program totaled \$106,846 and employee contributions totaled \$15,807 for the 2018-19 fiscal year.

13. Construction Commitments

The College's capitalized and noncapitalized construction commitments at June 30, 2019, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Capitalized:			
Blount Center Expansion Project:			
Architect	\$ 2,213,926	\$ 905,678	\$ 1,308,248
Engineer	12,500	8,800	3,700
General Contractor	19,790	19,790	-
Construction Manager	132,831	16,040	116,791
Institute of Technology & Manufacturing:			
Architect	41,305	39,955	1,350
Solar Panels and Roof Repair O Building:			
Engineer	18,845	15,076	3,769
Construction Manager	289,336	-	289,336
Total Capitalized Projects	2,728,533	1,005,339	1,723,194
Noncapitalized:			
Building E Auditorium Renovation:			
Architect	267,636	198,330	69,306
Construction Manager	28,348	12,184	16,164
General Contractor	7,730	-	7,730
Learning Commons Renovation Library:			
Architect	130,751	122,925	7,826
Construction Manager	891,633	707,957	183,676
General Contractor	24,508	-	24,508
NW Campus Exterior Door & HW Replacement:			
General Contractor	139,431	130,489	8,942
Fine Arts Hall Stucco Investigation and Repairs:			
General Contractor	36,337	1,050	35,287
IPS Scenario Training System and Ren/Rem:			
General Contractor	98,086	20,000	78,086
Zoo HVAC Replacement and Fence Improvements:			
General Contractor	102,640	97,000	5,640
U Building HVAC Replacement:			
Engineer	15,360	12,595	2,765
Construction Manager	197,813	-	197,813
Buildings A,B,I,J,K,N,S,V,W Renovations:			
Architect	105,975	68,884	37,091
Engineers	4,830	3,135	1,695
Construction Manager	589,008	539,880	49,128
General Contractor	346,751	307,025	39,726
Projects Committed for less than \$25,000	212,749	164,595	48,154
Total Noncapitalized Projects	3,199,586	2,386,049	813,537
Total Construction Contract Commitments	\$ 5,928,119	\$ 3,391,388	\$ 2,536,731

14. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Consortium, which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to \$100 million for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

15. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 39,532,725
Public Services	1,279,467
Academic Support	9,793,541
Student Services	12,141,096
Institutional Support	15,804,330
Operation and Maintenance of Plant	14,690,078
Scholarships and Waivers	17,267,827
Depreciation	5,290,747
Auxiliary Enterprises	1,943,359
Total Operating Expenses	<u><u>\$ 117,743,170</u></u>

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios

	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service cost	\$ 57,766	\$ 60,275
Interest	46,008	39,569
Changes of assumptions or other inputs	(26,089)	(49,523)
Benefit Payments	(86,730)	(58,672)
Net change in total OPEB liability	(9,045)	(8,351)
Total OPEB Liability - beginning, as Restated	1,335,353	1,343,704
Total OPEB Liability - ending	<u>\$ 1,326,308</u>	<u>\$ 1,335,353</u>
Covered-Employee Payroll	\$ 39,408,617	\$ 35,628,898
Total OPEB Liability as a percentage of covered-employee payroll	3.37%	3.75%

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**Schedule of the College's Proportionate Share of the Net Pension Liability –
Florida Retirement System Pension Plan**

	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
College's proportion of the FRS net pension liability	0.092938136%	0.089724126%	0.090106028%	0.097138630%
College's proportionate share of the FRS net pension liability	\$ 27,993,448	\$ 26,539,794	\$ 22,751,843	\$ 12,546,757
College's covered payroll (2)	\$ 42,375,205	\$ 40,303,975	\$ 39,431,384	\$ 39,279,143
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	66.06%	65.85%	57.70%	31.94%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	84.26%	83.89%	84.88%	92.00%

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Covered payroll includes defined benefit plan actives, investment plan members, State college system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of College Contributions – Florida Retirement System Pension Plan

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
Contractually required FRS contribution	\$ 2,827,584	\$ 2,658,400	\$ 2,342,304	\$ 2,208,964
FRS contributions in relation to the contractually required contribution	<u>(2,827,584)</u>	<u>(2,658,400)</u>	<u>(2,342,304)</u>	<u>(2,208,964)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 43,409,857	\$ 42,375,205	\$ 40,303,975	\$ 39,431,384
FRS contributions as a percentage of covered payroll	6.51%	6.27%	5.81%	5.60%

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Covered payroll includes defined benefit plan actives, investment plan members, State college system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

<u>2014 (1)</u>	<u>2013 (1)</u>
0.100886047%	0.090124341%
\$ 6,155,532	\$ 15,514,410
\$ 38,694,964	\$ 37,553,181
15.91%	41.31%
96.09%	88.54%

<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 2,368,322	\$ 2,209,833
<u>(2,368,322)</u>	<u>(2,209,833)</u>
\$ -	\$ -
\$ 39,279,143	\$ 38,694,964
6.03%	5.71%

**Schedule of the College's Proportionate Share of the Net Pension Liability –
Health Insurance Subsidy Pension Plan**

	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
College's proportion of the HIS net pension liability	0.113592820%	0.109528125%	0.108350909%	0.109549292%
College's proportionate share of the HIS net pension liability	\$ 12,022,792	\$ 11,711,251	\$ 12,627,849	\$ 11,172,304
College's covered payroll (2)	\$ 36,204,661	\$ 34,251,575	\$ 33,453,417	\$ 33,322,876
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.21%	34.19%	37.75%	33.53%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.15%	1.64%	0.97%	0.50%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

Schedule of College Contributions – Health Insurance Subsidy Pension Plan

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
Contractually required HIS contribution	\$ 625,061	\$ 616,339	\$ 578,858	\$ 555,564
HIS contributions in relation to the contractually required HIS contribution	<u>(625,061)</u>	<u>(616,339)</u>	<u>(578,858)</u>	<u>(555,564)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 37,462,007	\$ 36,204,661	\$ 34,251,575	\$ 33,453,417
HIS contributions as a percentage of covered payroll	1.67%	1.70%	1.69%	1.66%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

<u>2014 (1)</u>	<u>2013 (1)</u>
0.111742332%	0.110935455%
\$ 10,448,180	\$ 9,658,390
\$ 33,203,064	\$ 32,202,548
31.47%	29.99%
0.99%	1.78%

<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 418,766	\$ 382,792
<u>(418,766)</u>	<u>(382,792)</u>
\$ -	\$ -
\$ 33,322,876	\$ 33,203,064
1.26%	1.15%

1. Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions. The Municipal Bond Index Rate used to determine total OPEB liability increased from 3.56 percent at the prior measurement date to 3.87 percent at the current measurement date.

2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions. The long-term expected rate of return was decreased from 7.10 percent to 7.00 percent, and the active member mortality assumption was updated.

3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Assumptions. The municipal rate used to determine total pension liability increased from 3.58 percent to 3.87 percent.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Fe College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 24, 2020, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control

that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial "S" and "N".

Sherrill F. Norman, CPA
Tallahassee, Florida
February 24, 2020