STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2016-125
March 2016

VALENCIA COLLEGE

For the Fiscal Year Ended
June 30, 2015



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2014-15 fiscal year, Dr. Sanford C. Shugart served as President and the following individuals served as Members of the Board of Trustees:

	County
Maria C. Grulich, Chair	Osceola
Lewis M. Oliver, III, Vice Chair [a]	Orange
Lucas D. Boyce to 7-1-14 [b]	Orange
Dr. Bruce A. Carlson [c]	Osceola
John M. Crossman	Orange
Linda Landman Gonzalez from 3-26-15 to 6-15-15 [d]	Orange
Guillermo Hansen [e]	Osceola
Daisy Lopez-Cid	Osceola
Raymer F. Maguire, III	Orange
Fernando J. Perez to 3-25-15 [e]	Orange

Notes: [a] Board member served beyond the end of term, 5-31-14, and was reappointed on 3-26-15.
[b] Board member resigned on 7-21-14, and position remained vacant through 6-30-15.
[c] Board member served beyond the end of term, 5-31-15.
[d] Board member was appointed but not confirmed and position remained vacant through 6-30-15.
[e] Board member served beyond the end of term, 5-31-14.

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 Yuling Liu, CPA, and the audit was supervised by Brenda C. Racis, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Supervisor, 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 Valencia 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 Valencia 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, 2015. 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. The results of our operational audit of the College are included in our report No. 2016-052.

AUDIT METHODOLOGY

The methodology used to develop the findings in this report included the examination of pertinent College records in connection with the application of procedures required by 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.

AUDITOR GENERAL
STATE OF FLORIDA

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Auditor General

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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 Valencia 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, 2015, 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's 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 the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Valencia College and of its discretely presented component unit as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Notes 2 and 3 to the financial statements, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

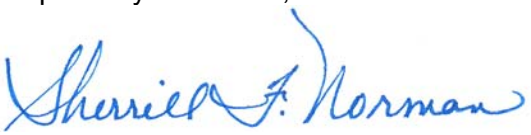
Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System 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 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 a report on our consideration of Valencia 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 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 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 Valencia College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 14, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The 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, 2015, 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 for the fiscal years ended June 30, 2015, and June 30, 2014, and its component unit the Valencia College Foundation, Inc., for the fiscal years ended March 31, 2015, and March 31, 2014.

FINANCIAL HIGHLIGHTS

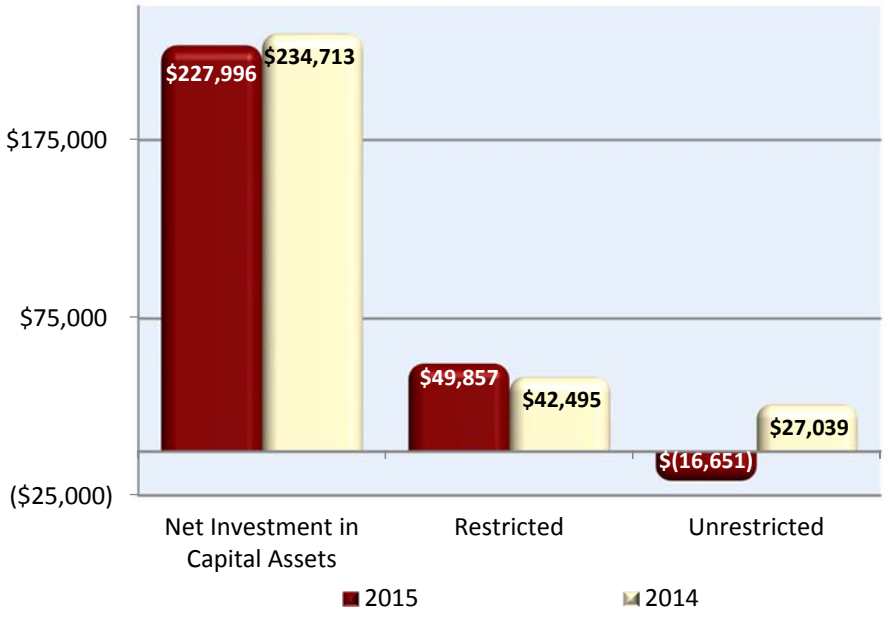
The College's assets totaled $347.5 million at June 30, 2015. This balance reflects a $3.5 million, or 1 percent, increase as compared to the 2013-14 fiscal year resulting primarily due to an increase in restricted cash from the collection of capital improvement fees and no major construction projects occurring during the fiscal year. Liabilities increased by $39.3 million, or 98.9 percent, totaling $79 million at June 30, 2015, compared to $39.7 million at June 30, 2014. The increase in liabilities was primarily due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 68, which requires the College, as a participating employer in defined benefit pension plans administered by the Florida Division of Retirement, to recognize the College's proportionate share of the College's net pension liabilities. As a result, the College recorded a net pension liability for the Florida Retirement System (FRS) defined benefit pension plan in the amount of $11.5 million, and Health Insurance Subsidy defined benefit pension plan in the amount of $23.9 million.

The College's operating revenues totaled $73.6 million for the 2014-15 fiscal year, representing a 7.7 percent increase as compared to the 2013-14 fiscal year primarily due to additional student tuition and fees revenues, the result of a tuition rate increase, and a decrease in tuition scholarship allowances. Operating expenses totaled $238.6 million for the 2014-15 fiscal year, representing a decrease of 2.9 percent as compared to the 2013-14 fiscal year due mainly to a reduction in Federal and State scholarships awarded.

Net position represents the residual interest in the College's assets ($347.5 million) and deferred outflows of resources related to defined pension plans ($12.5 million) after deducting liabilities ($79 million) and deferred inflows of resources related to defined pension plans ($19.8 million). As a result, the College's net position decreased by $43 million, resulting in a year-end balance of $261.2 million. The College's comparative total net position by category for the fiscal years ended June 30, 2015, and June 30, 2014, is shown in the following graph:

Net Position: College

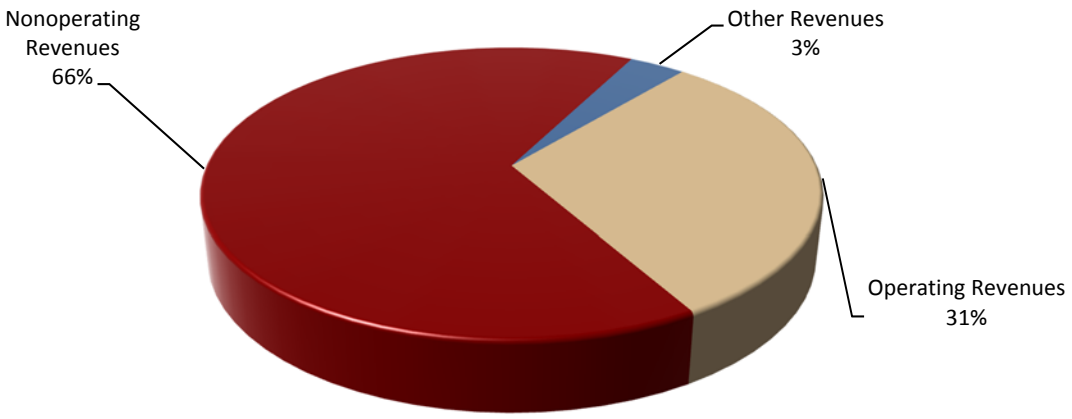
(In Thousands)



The College reported a negative unrestricted fund balance of $16.7 million which is comprised of a negative operating fund balance of $32.3 million, the result of recording long-term net pension liabilities expected to be paid over time, offset by a positive auxiliary fund balance of $15.6 million. Colleges that do not maintain an unencumbered operating fund balance of at least 5 percent of funds available are required to notify the State Board of Education. However, amounts that are expected to be financed by future State appropriations as part of the annual funding cycle are not included in the unencumbered operational fund balance calculation. Consequently, the College has exceeded the State's minimum thresholds for financial management of the operating fund.

The following chart provides a graphical presentation of College revenues by category for the 2014-15 fiscal year:

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to 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 activities for the following entities:

- Valencia College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Valencia 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 Foundation's fiscal year differs from the College and covers the period April through March.

The Statement of Net Position

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, which is one indicator of the College's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the College's financial condition.

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

Condensed Statement of Net Position at

(In Thousands)

	College		Component Unit	
	6-30-15	6-30-14	3-31-15	3-31-14
Assets				
Current Assets	$ 78,206	$ 72,164	$ 6,325	$ 5,047
Capital Assets, Net	238,557	245,889	9,072	9,616
Other Noncurrent Assets	30,721	25,929	67,685	61,250
Total Assets	347,484	343,982	83,082	75,913
Deferred Outflows of Resources	12,572	-	-	-
Liabilities				
Current Liabilities	25,682	20,658	472	870
Noncurrent Liabilities	53,354	19,077	-	-
Total Liabilities	79,036	39,735	472	870
Deferred Inflows of Resources	19,818	-	-	-
Net Position				
Net Investment in Capital Assets	227,996	234,713	9,702	9,616
Restricted	49,857	42,495	67,291	65,410
Unrestricted	(16,651)	27,039	5,617	17
Total Net Position	$ 261,202	$ 304,247	$ 82,610	$ 75,043

Assets increased by $3.5 million primarily due to the collection of capital improvement fee revenue which was not offset with any significant capital project expenditures in the 2014-15 fiscal year. Current liabilities increased in part due to continued increase in reserves for the self-insured health program resulting in a $2.7 million increase in estimated insurance claims payable. Noncurrent liabilities increased by $34.3 million caused primarily by the net pension liability recorded due to the implementation of GASB Statement No. 68. As a result, the College's net position decreased by $43 million or 14.1 percent from the prior year.

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

The statement of revenues, expenses, and changes in net position presents the College's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the activities of the College and its component unit for the respective fiscal years ended:

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

(In Thousands)

	College		Component Unit	
	6-30-15	6-30-14	3-31-15	3-31-14
Operating Revenues	$ 73,602	$ 68,311	$ 3,849	$ 3,463
Less, Operating Expenses	238,587	245,651	4,335	3,692
Operating Loss	(164,985)	(177,340)	(486)	(229)
Net Nonoperating Revenues	158,533	162,439	8,053	7,312
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(6,452)	(14,901)	7,567	7,083
Other Revenues	8,393	11,158	-	-
Net Increase (Decrease) In Net Position	1,941	(3,743)	7,567	7,083
Net Position, Beginning of Year	304,247	307,990	75,043	67,960
Adjustment to Beginning Net Position (1)	(44,986)	-	-	-
Net Position, Beginning of Year, as Restated	259,261	307,990	75,043	67,960
Net Position, End of Year	$ 261,202	$ 304,247	$ 82,610	$ 75,043

Note: (1) The adjustment to beginning net position of the College was due to the implementation of GASB Statement No. 68, which is a change in accounting principle that requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans.

Operating 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.

The following summarizes the operating revenues for the College and its component unit by source that were used to fund operating activities for the respective fiscal years ended:

Operating Revenues
For the Fiscal Years Ended

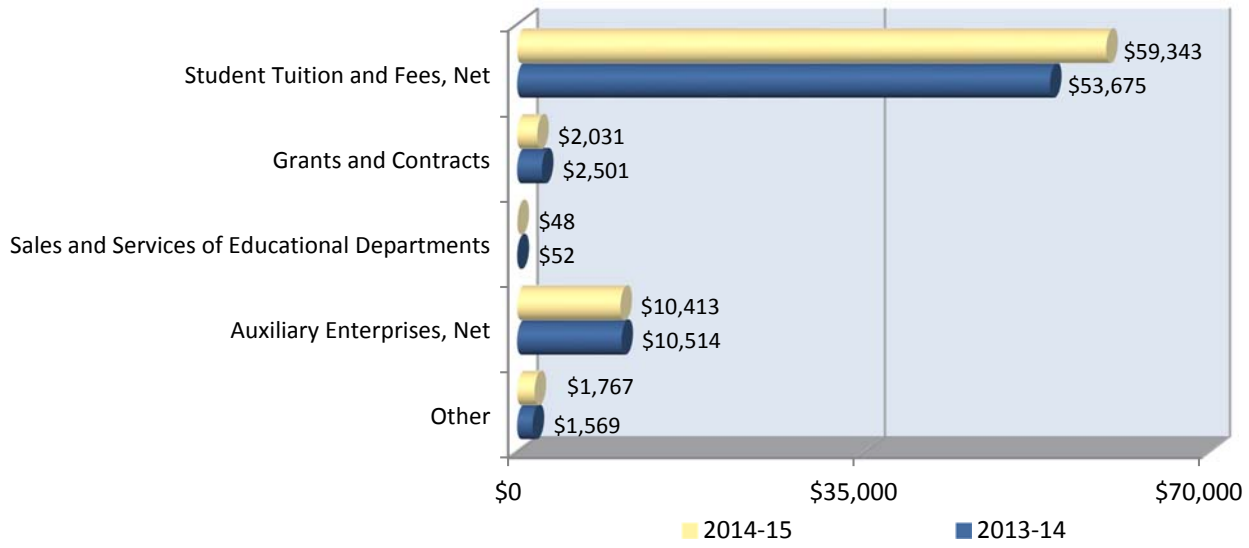
(In Thousands)

	College		Component Unit	
	6-30-15	6-30-14	3-31-15	3-31-14
Student Tuition and Fees, Net	$ 59,343	$ 53,675	$ -	$ -
Grants and Contracts	2,031	2,501	3,042	2,631
Sales and Services of Educational Departments	48	52	-	-
Auxiliary Enterprises, Net	10,413	10,514	-	-
Other	1,767	1,569	807	832
Total Operating Revenues	$ 73,602	$ 68,311	$ 3,849	$ 3,463

The following chart presents the College's operating revenues for the 2014-15 and 2013-14 fiscal years:

Operating Revenues: College

(In Thousands)



Total operating revenues increased by $5.3 million, or 7.7 percent, due to a 4 percent student tuition rate increase combined with a decrease in the amount of tuition scholarship allowances. A decrease in the allowance amount indicates that a greater proportion of tuition was paid by the student, or a third-party on behalf of the student, instead of a scholarship award.

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 operating expenses by natural classification for the College and its component unit for the respective fiscal years ended:

Operating Expenses
For the Fiscal Years Ended

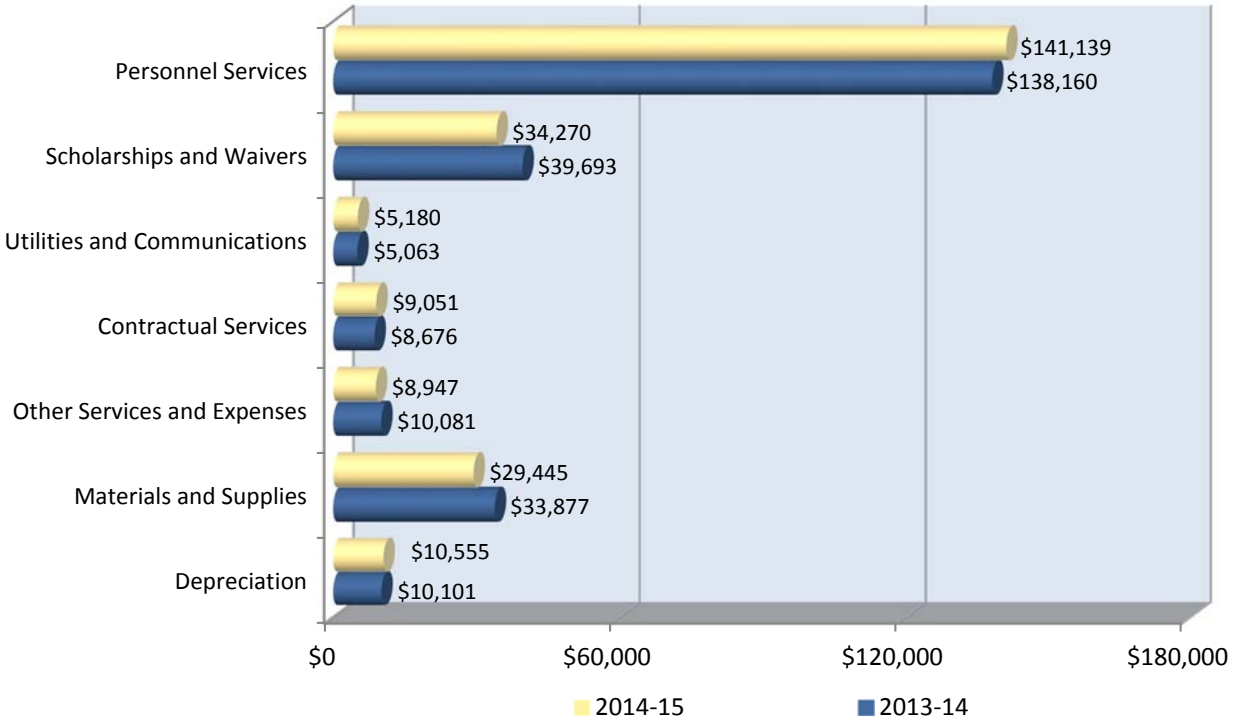
(In Thousands)

	College		Component Unit	
	6-30-15	6-30-14	3-31-15	3-31-14
Personnel Services	$ 141,139	$ 138,160	$ 817	$ 879
Scholarships and Waivers	34,270	39,693	2,436	2,103
Utilities and Communications	5,180	5,063	-	-
Contractual Services	9,051	8,676	74	37
Other Services and Expenses	8,947	10,081	854	607
Materials and Supplies	29,445	33,877	45	20
Depreciation	10,555	10,101	109	46
Total Operating Expenses	$ 238,587	$ 245,651	$ 4,335	$ 3,692

The following chart presents the College's operating expenses for the 2014-15 and 2013-14 fiscal years:

Operating Expenses: College

(In Thousands)



College operating expense changes were the result of the following factors:

- Personnel services expense had an overall increase of $3 million, or 2.2 percent, due to a 1.86 percent salary increase for full-time and part-time employees. In addition, a full year's salaries and benefits of the 9 new faculty positions established to support the New Student Experience initiative developed as part of the Quality Enhancement Plan required by the Southern Association of Colleges and Schools, Commission on Colleges, which establishes the reaccreditation requirements for institutions of higher education, are reflected in personnel expenditures. The creation of the School of Public Safety also resulted in an increase in personnel

expenditures in the 2014-15 fiscal year. These salary and related benefit increases were offset by a reduction in pension expense of $2.4 million due to the reclassification of pension contributions, made by the College after the pension plans measurement date, into deferred outflows.

- Scholarships and waivers decreased by $5.4 million, or 13.7 percent, due to a decrease in the State of Florida Bright Futures Scholarships and Federal Pell Grant disbursements. Bright Futures Scholarship awards decreased by $1.4 million, or 47 percent, in the 2014-15 fiscal year primarily due to the Florida Legislature enacting higher eligibility standards which resulted in a significant decrease in eligible students. Federal Pell Grant awards decreased by $4 million, or 5 percent, as a result of an increased number of students who became ineligible for the grant due to failure to meet the standards of academic progress requirements.
- Materials and supplies expense decreased by $4.4 million, or 13.1 percent, because there were no major renovation or remodeling projects in the 2014-15 fiscal year.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2014-15 and 2013-14 fiscal years:

Nonoperating Revenues (Expenses): College

(In Thousands)

	2014-15	2013-14
State Noncapital Appropriations	$ 68,573	$ 67,322
Federal and State Student Financial Aid	82,968	89,089
Gifts and Grants	6,841	5,619
Investment Income	193	139
Other Nonoperating Revenues	586	504
Interest on Capital Asset-Related Debt	(628)	(234)
Net Nonoperating Revenues	$ 158,533	$ 162,439

Net nonoperating revenues decreased by $3.9 million, or 2.4 percent, primarily due to the reduction of scholarship revenue from the State of Florida Bright Futures Scholarship and the Federal Pell Grant programs. This decrease was partially offset by an increase of $1.3 million, or 1.9 percent, in State general revenue and lottery appropriations during the 2014-15 fiscal year.

Other Revenues

This category is mainly composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2014-15 and 2013-14 fiscal years:

Other Revenues: College

(In Thousands)

	2014-15	2013-14
State Capital Appropriations	$ 2,795	$ 5,628
Capital Grants, Contracts, Gifts, and Fees	5,598	5,530
Total	$ 8,393	$ 11,158

Total other revenues decreased by $2.8 million, or 24.8 percent, due to a decrease in State capital appropriations for new construction, major renovation and remodeling projects, and physical plant maintenance.

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 cash flows for the 2014-15 and 2013-14 fiscal years:

Condensed Statement of Cash Flows: College

(In Thousands)

	2014-15	2013-14
Cash Provided (Used) by:		
Operating Activities	$ (152,499)	$ (159,737)
Noncapital Financing Activities	159,018	162,565
Capital and Related Financing Activities	6,378	10,080
Investing Activities	134	148
Net Increase in Cash and Cash Equivalents	13,031	13,056
Cash and Cash Equivalents, Beginning of Year	84,660	71,604
Cash and Cash Equivalents, End of Year	$ 97,691	$ 84,660

Major sources of funds came from Federal and State student financial aid ($83 million), State noncapital appropriations ($68.6 million), net student tuition and fees ($60.4 million), and Federal Direct Student Loan program receipts ($51.5 million). Major uses of funds were for payments to employees and employee benefits ($139.1 million), disbursements to students for Federal Direct Student Loans ($51.6 million), payments to providers of goods and services ($47.4 million), and payments for scholarships ($34.3 million).

The increase in cash and cash equivalents was primarily due to the following:

- The receipt of $3.75 million in capital gift funds from the University of Central Florida for Osceola Building 4.
- Additional cash was provided from student tuition and fees due to a 4 percent rate increase.
- There was a decrease in expenditures related to capital projects. During the 2014-15 fiscal year, there were no major renovation or remodeling projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the College had $361.3 million in capital assets, less accumulated depreciation of $122.7 million, for net capital assets of $238.6 million. Depreciation charges for the current fiscal year totaled $10.6 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30: College

(In Thousands)

	2015	2014
Land	$ 31,590	$ 31,590
Construction in Progress	815	-
Buildings	188,670	195,489
Other Structures and Improvements	4,972	8,984
Furniture, Machinery, and Equipment	3,294	3,211
Leasehold Improvements	2,766	-
Assets Under Capital Lease	6,450	6,615
Capital Assets, Net	$238,557	$245,889

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

Debt Administration

As of June 30, 2015, the College had $10.6 million in outstanding State Board of Education (SBE) capital outlay bonds and capital lease payable, representing a decrease of $0.6 million, or 5.5 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2015, and June 30, 2014:

Long-Term Debt, at June 30: College

(In Thousands)

	2015	2014
SBE Capital Outlay Bonds	$ 3,954	$ 4,560
Capital Lease	6,607	6,616
Total	$ 10,561	$ 11,176

During the 2014-15 fiscal year, the SBE issued $129.9 million of the SBE Capital Outlay Bonds, Series 2014B. Proceeds from the College's portion of the bonds, $1.1 million, was used to refund the $1.2 million of outstanding SBE Capital Outlay Bonds, Series 2005B. Debt repayments totaled $0.5 million. 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. In the 2015-16 fiscal year legislative appropriations, the College received a $7.7 million, or 11.3 percent, increase from State general revenue and lottery funding. The College's current financial and capital plans indicate that the infusion of additional State appropriations will be sufficient to maintain its present level of services.

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 Business Operations and Finance, Valencia College, Post Office Box 3028, Orlando, Florida 32802.

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Valencia College
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2015

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 48,617,816	$ 431,944
Restricted Cash and Cash Equivalents	18,446,472	-
Investments	-	175,549
Accounts Receivable, Net	2,773,116	376,157
Due from Other Governmental Agencies	3,788,435	-
Due from Component Unit/College	331,926	1,141
Inventories	2,899,957	-
Prepaid Expenses	1,336,919	-
Deposits	11,713	-
Other Assets	-	5,339,855
Total Current Assets	78,206,354	6,324,646
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	30,627,087	-
Restricted Investments	94,185	67,685,491
Depreciable Capital Assets, Net	206,151,531	5,987,638
Nondepreciable Capital Assets	32,405,133	3,084,063
Total Noncurrent Assets	269,277,936	76,757,192
TOTAL ASSETS	347,484,290	83,081,838
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	12,571,826	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,277,320	195,503
Salary and Payroll Taxes Payable	7,089,468	-
Due to Other Governmental Agencies	1,043,669	-
Due to Component Unit/College	14,936	162,283
Unearned Revenue	436,094	114,115
Estimated Insurance Claims Payable	10,745,206	-
Deposits Held for Others	615,741	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	496,000	-
Capital Lease Payable	9,119	-
Special Termination Benefits Payable	46,407	-
Compensated Absences Payable	1,104,698	-
Net Pension Liability	803,434	-
Total Current Liabilities	25,682,092	471,901

Valencia College
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2015

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	3,458,000	-
Capital Lease Payable	6,597,783	-
Special Termination Benefits Payable	278,660	-
Compensated Absences Payable	7,224,495	-
Other Postemployment Benefits Payable	1,210,533	-
Net Pension Liability	34,584,494	-
Total Noncurrent Liabilities	53,353,965	-
Total Liabilities	79,036,057	471,901
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	19,817,772	-
NET POSITION		
Net Investment in Capital Assets	227,995,762	9,701,701
Restricted:		
Nonexpendable:		
Endowment	-	33,090,049
Expendable:		
Grants and Loans	16,270,347	34,201,095
Scholarships	1,473,517	-
Capital Projects	32,019,809	-
Debt Service	94,185	-
Unrestricted	(16,651,333)	5,617,092
TOTAL NET POSITION	$ 261,202,287	$ 82,609,937

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

Valencia 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, 2015

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $46,715,289	$ 59,342,665	$ -
Federal Grants and Contracts	429,874	-
State and Local Grants and Contracts	-	120,717
Nongovernmental Grants and Contracts	1,600,746	2,921,305
Sales and Services of Educational Departments	47,973	-
Auxiliary Enterprises, Net of Scholarship Allowances of $7,149,393	10,412,979	-
Other Operating Revenues	1,767,412	806,695
Total Operating Revenues	73,601,649	3,848,717
EXPENSES		
Operating Expenses:		
Personnel Services	141,138,571	817,420
Scholarships and Waivers	34,270,021	2,435,708
Utilities and Communications	5,179,987	-
Contractual Services	9,051,499	73,793
Other Services and Expenses	8,946,806	853,573
Materials and Supplies	29,445,098	44,598
Depreciation	10,555,181	109,376
Total Operating Expenses	238,587,163	4,334,468
Operating Loss	(164,985,514)	(485,751)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	68,573,418	-
Federal and State Student Financial Aid	82,968,476	-
Gifts and Grants	6,841,139	-
Investment Income	192,684	2,253,758
Other Nonoperating Revenues	586,396	-
Gain on Disposal of Capital Assets	-	5,799,143
Interest on Capital Asset-Related Debt	(628,705)	-
Net Nonoperating Revenues	158,533,408	8,052,901
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(6,452,106)	7,567,150
State Capital Appropriations	2,795,244	-
Capital Grants, Contracts, Gifts, and Fees	5,597,631	-
Total Other Revenues	8,392,875	-
Increase in Net Position	1,940,769	7,567,150
Net Position, Beginning of Year	304,247,165	75,042,787
Adjustment to Beginning Net Position	(44,985,647)	-
Net Position, Beginning of Year, as Restated	259,261,518	75,042,787
Net Position, End of Year	$ 261,202,287	$ 82,609,937

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

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Valencia College
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2015

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 60,432,785
Grants and Contracts	2,163,409
Payments to Suppliers	(47,396,158)
Payments for Utilities and Communications	(5,095,625)
Payments to Employees	(115,083,580)
Payments for Employee Benefits	(23,999,842)
Payments for Scholarships	(34,270,021)
Auxiliary Enterprises, Net	9,876,080
Sales and Services of Educational Departments	47,973
Other Receipts	826,248
Net Cash Used by Operating Activities	(152,498,731)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	68,573,418
Federal and State Student Financial Aid	82,968,476
Federal Direct Loan Program Receipts	51,486,815
Federal Direct Loan Program Disbursements	(51,589,006)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	7,247,367
Other Nonoperating Receipts	331,233
Net Cash Provided by Noncapital Financing Activities	159,018,303
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,505,556
Capital Grants and Gifts	9,347,631
Proceeds from Sales of Capital Assets	77,134
Purchases of Capital Assets	(3,309,075)
Principal Paid on Capital Debt and Lease	(614,531)
Interest Paid on Capital Debt and Lease	(628,705)
Net Cash Provided by Capital and Related Financing Activities	6,378,010
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	13,981
Investment Income	119,783
Net Cash Provided by Investing Activities	133,764
Net Increase in Cash and Cash Equivalents	13,031,346
Cash and Cash Equivalents, Beginning of Year	84,660,029
Cash and Cash Equivalents, End of Year	$ 97,691,375

Valencia College
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2015

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (164,985,514)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	10,555,181
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	3,625,095
Due from Other Governmental Agencies	(2,357,278)
Inventories	(705,830)
Prepaid Expenses	(660,170)
Deposits	(3,111)
Accounts Payable	(146,730)
Salaries and Payroll Taxes Payable	1,376,440
Unearned Revenue	94,811
Estimated Insurance Claims Payable	2,655,122
Special Termination Benefits Payable	26,883
Compensated Absences Payable	106,129
Other Postemployment Benefits Payable	272,014
Net Pension Liability	(14,586,903)
Deferred Outflows of Resources Related to Pensions	(7,582,642)
Deferred Inflows of Resources Related to Pensions	19,817,772
NET CASH USED BY OPERATING ACTIVITIES	$ (152,498,731)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES

Unrealized gains on investments were recognized as an increase 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.	$ 72,901
The State Board of Education (SBE) issued $1,084,000 in SBE Capital Outlay Bonds, Series 2014B, to refund $1,170,000 in SBE Capital Outlay Bonds, Series 2005B. The new debt and defeasance of the old debt were recorded as an increase and a decrease, respectively, to bonds payable on the statement of net position; however, because the proceeds of the new debt were immediately placed into an irrevocable trust for the defeasance of the old debt, the transaction did not affect cash and cash equivalents.	$ 86,000

The accompanying notes to the 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 Valencia 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 nine 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 law and State Board of Education 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 State Board of Education rules. Geographic boundaries of the College correspond with those of Orange and Osceola Counties.

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 Valencia 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 expenses 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 Business Operations and Finance, Valencia College, Post Office Box 3028, Orlando, Florida 32802. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2015.

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

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 FASB standards of accounting and financial reporting for not-for-profit organizations.

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, investment income (net of unrealized gains or losses on investments) and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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 calculated its

scholarship allowance by identifying within the student accounts receivable system amounts paid by student aid for tuition and books. The amounts are deducted from student tuition and fees, and auxiliary enterprise, respectively.

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, cash in money market accounts, and cash placed with the State Board of Administration (SBA) Florida PRIME investment pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less to be cash equivalents. Under this definition, the College considers amounts invested in the SBA Florida PRIME investment pool and in the money market accounts 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, 2015, the College reported as cash equivalents $18,921,388 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's 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 34 days as of June 30, 2015. 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 fair value, which is amortized cost.

Capital Assets. College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; leasehold improvements; and asset under capital lease. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair 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 $50,000 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 – 7 years

- Leasehold Improvements – 40 years
- Asset Under Capital Lease – 40 years

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, capital lease payable, special termination benefits payable, compensated absences payable, other postemployment benefits payable, and net pension liability 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 position 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's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, 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. Reporting Change

The College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The College participates in the FRS defined benefit pension plan and the HIS defined benefit pension plan administered by the Florida Department of Management Services, Division of Retirement. The effects of implementing this Statement are discussed in a subsequent note.

3. Adjustment to Beginning Net Position

The beginning net position of the College, was decreased by $44,985,647 due to the adoption of a new GASB Pronouncement, Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires the College to recognize its proportionate share of the net pension liabilities and related pension amounts of the cost-sharing multiple-employer FRS and HIS defined benefit plans.

4. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	$ (32,310,880)
Auxiliary Funds	15,659,547
Total	$ (16,651,333)

5. Investments

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College 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.

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

State Board of Administration Debt Service Accounts

The College reported investments totaling $94,185 at June 30, 2015, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Unit Investments

Investments held by the College's component unit at March 31, 2015, are reported as follows:

Investment Type	Amount
Hedge Funds	$ 9,053,020
Mutual Funds	58,808,020
Total Component Unit Investments	$ 67,861,040

6. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a $2,493,649 allowance for doubtful accounts.

7. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of $1,000,000 of Public Education Capital Outlay allocations due from the State for the planning of the Poinciana Campus and $1,257,855 receivable due from the Florida Prepaid College program for tuition and fees primarily related to summer term enrollment.

8. Due From and To Component Unit/College

The $331,926 reported as due from component unit mainly consists of amounts owed to the College by the Foundation for grant expenditure program reimbursements and scholarship costs. The $14,936 reported as due to component unit consists of amounts owed to the Foundation for theater production ticket sales. The College's financial statements are reported for the fiscal year ended June 30, 2015. The College's component unit's financial statements are reported for the fiscal year ended March 31, 2015. Accordingly, amounts reported by the College as due from and to component unit on the statement of net position do not agree with amounts reported by the component unit as due from and to the College.

9. Inventories

Inventories consist of items for resale by the campus bookstore, and are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

10. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015, is shown in the following table:

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 31,590,486	$ -	$ -	$ -	$ 31,590,486
Construction in Progress	-	-	814,647	-	814,647
Total Nondepreciable Capital Assets	$ 31,590,486	$ -	$ 814,647	$ -	$ 32,405,133
Depreciable Capital Assets:					
Buildings	$ 278,672,985	$ -	$ -	$ -	$ 278,672,985
Other Structures and Improvements	22,639,237	(2,578,267)	-	-	20,060,970
Furniture, Machinery, and Equipment	19,110,346	-	2,157,867	559,527	20,708,686
Leasehold Improvements	-	2,578,267	258,412	-	2,836,679
Asset Under Capital Lease	6,615,433	-	-	-	6,615,433
Total Depreciable Capital Assets	327,038,001	-	2,416,279	559,527	328,894,753
Less, Accumulated Depreciation:					
Buildings	83,184,361	-	6,818,791	-	90,003,152
Other Structures and Improvements	13,655,466	-	1,433,121	-	15,088,587
Furniture, Machinery, and Equipment	15,899,841	-	2,066,966	551,627	17,415,180
Leasehold Improvements	-	-	70,917	-	70,917
Asset Under Capital Lease	-	-	165,386	-	165,386
Total Accumulated Depreciation	112,739,668	-	10,555,181	551,627	122,743,222
Total Depreciable Capital Assets, Net	$ 214,298,333	$ -	$ (8,138,902)	$ 7,900	$ 206,151,531

Note: (1) Adjustments were made to reclassify leasehold improvements recorded in the prior year as other structures and improvements.

11. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2015, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 4,560,000	$ 1,084,000	$ 1,690,000	$ 3,954,000	$ 496,000
Capital Lease Payable	6,615,433	-	8,531	6,606,902	9,119
Special Termination Benefits Payable	298,184	41,392	14,509	325,067	46,407
Compensated Absences Payable	8,223,064	1,112,959	1,006,830	8,329,193	1,104,698
Other Postemployment Benefits Payable	938,519	532,645	260,631	1,210,533	-
Net Pension Liability (1)	49,974,831	10,220,054	24,806,957	35,387,928	803,434
Total Long-Term Liabilities	$ 70,610,031	$ 12,991,050	$ 27,787,458	$ 55,813,623	$ 2,459,658

Note: (1) The beginning balance resulted from the implementation of GASB Statement No. 68.

Bonds Payable. The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2015:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2009A, Refunding	$ 270,000	5	2019
Series 2010A	2,600,000	3.5 - 5	2030
Series 2014B, Refunding	1,084,000	2 - 5	2020
Total	$ 3,954,000		

On December 2, 2014, the SBE issued $129,880,000 of SBE Capital Outlay Bonds, Series 2014B. The College's portion of the bonds, $1,084,000, was used to call the remaining outstanding SBE Capital Outlay Refunding Bonds, Series 2005B totaling $1,170,000. The SBE Capital Outlay Bonds, Series 2005B were called on January 1, 2015. As a result of the refunding, the College had a debt service savings of $86,000 and obtained an economic gain of $103,034.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds		
	Principal	Interest	Total
2016	$ 496,000	$ 182,699	$ 678,699
2017	535,000	153,635	688,635
2018	569,000	126,885	695,885
2019	261,000	98,435	359,435
2020	198,000	86,835	284,835
2021-2025	875,000	310,675	1,185,675
2026-2030	1,020,000	123,050	1,143,050
Total	$ 3,954,000	$ 1,082,214	$ 5,036,214

Capital Lease Payable. The College entered in to a capital lease agreement in the amount of $6,615,433, at the stated interest rate of 6.77 percent to acquire an administrative office building. The lease agreement commenced on April 1, 2014, and expires 60 years from this date. The annual lease payment is $456,461, payable semi-annually on January 1 and July 1 of each year. The lease agreement contains a purchase option that may be exercised during the period commencing January 1, 2020, and expiring the earlier of May 31, 2073, or the sale of the property to a third party. Future minimum payments under the capital lease agreement and the required minimum payments as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Amount
2016	$ 456,461
2017	456,461
2018	456,461
2019	456,461
2020	456,461
2021-2025	2,282,305
2026-2030	2,282,305
2031-2035	2,282,305
2036-2040	2,282,305
2041-2045	2,282,305
2046-2050	2,282,305
2051-2055	2,282,305
2056-2060	2,282,305
2061-2065	2,282,305
2066-2070	2,282,305
2071-2074	1,825,844
Total Minimum Payments	26,931,199
Less, Amount Representing Interest	20,324,297
Present Value of Minimum Payments	$ 6,606,902

Special Termination Benefits Payable. Executive management employees are provided seven days of administrative incentive leave credit each year. Such credit is prorated for each month worked to a maximum of 35 days. Payment of such credited service is made at the time of termination from full-time executive management for any other reason other than cause. Accrued benefits for 16 participants at June 30, 2015, totaled $325,067, of which $46,407 represents the current portion.

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, 2015, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $8,329,193. The current portion of the compensated absences liability, $1,104,698, is the amount expected to be paid in the coming fiscal year based on a historically determined average of the current portion in prior years.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for other postemployment healthcare benefits administered by the College and life insurance benefits through purchased commercial insurance.

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the College. 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 benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the 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 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 program for their primary coverage as soon as they are eligible. The College does not issue a stand-alone report and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2014-15 fiscal year, 155 retirees received postemployment healthcare benefits, and 12 retirees received postemployment life insurance benefits. The College provided required contributions of $260,631 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $1,143,038, which represents 1.4 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the College's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 359,260
Amortization of Unfunded Actuarial Accrued Liability	167,128
Annual Required Contribution	526,388
Interest on Net OPEB Obligation	37,541
Adjustment to Annual Required Contribution	(31,284)
Annual OPEB Cost (Expense)	532,645
Contribution Toward the OPEB Cost	(260,631)
Increase in Net OPEB Obligation	272,014
Net OPEB Obligation, Beginning of Year	938,519
Net OPEB Obligation, End of Year	$ 1,210,533

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2015, and for the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012-13	$ 376,490	48.2%	$ 672,271
2013-14	506,979	47.5%	938,519
2014-15	532,645	48.9%	1,210,533

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was $4,711,673, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $4,711,673, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $82,164,711 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.7 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in

actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2013, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2015, and the College's 2014-15 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year, an inflation rate of 3 percent, and an annual healthcare cost trend rate of 7.5 percent pre-Medicare and 6 percent Medicare for the 2014-15 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 3 years pre-Medicare and 2 years Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2015 was 22 years.

12. 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 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 Retiree Health Insurance Subsidy (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 (SMSC) 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 Florida Retirement System 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 $3,454,849 for the 2014-15 fiscal year.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (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.

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 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. 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.

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 chart shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
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

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS 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 is 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 2014-15 fiscal year were as follows:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	7.37
FRS, Senior Management Service	3.00	21.14
Deferred Retirement Option Program - Applicable to Members from Both of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 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 $4,785,824 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the College reported a liability of $11,455,035 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the College's proportionate share was 0.187742199 percent, which was an increase of 0.019766288 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of $1,622,654. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 708,872
Change of assumptions	1,983,821	-
Net difference between projected and actual earnings on FRS pension plan investments	-	19,108,900
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	2,862,553	-
College FRS contributions subsequent to the measurement date	4,785,824	-
Total	$ 9,632,198	$ 19,817,772

The deferred outflows of resources related to pensions totaling $4,785,824 resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ (3,996,564)
2017	(3,996,564)
2018	(3,996,564)
2019	(3,996,564)
2020	780,661
Thereafter	234,197
Total	$ (14,971,398)

Actuarial Assumptions. The total pension liability in the July 1, 2014, 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	7.65 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, 2014, 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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.65 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.

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 7.65 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 (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
College's proportionate share of the net pension liability	$ 48,994,706	$ 11,455,035	$ (19,770,809)

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.

Payables to the Pension Plan. At June 30, 2015, the College reported a payable of $516,498 for the outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2015.

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, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by $5. The payments are at least $30 but not more than $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, 2015, the contribution rate was 1.26 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 $1,020,798 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2015, the College reported a liability of $23,932,893 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 one 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, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the College's proportionate share was 0.255960092 percent, which was an increase of 0.014081623 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of $1,832,195. In addition, the College reported deferred outflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources
Change of assumptions	$ 851,627
Net difference between projected and actual earnings on HIS pension plan investments	11,488
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	1,055,715
College contributions subsequent to the measurement date	1,020,798
Total	$ 2,939,628

The deferred outflows of resources totaling $1,020,798 was related to pensions resulting from College contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ 310,508
2017	310,508
2018	310,508
2019	310,508
2020	307,636
Thereafter	369,162
Total	$ 1,918,830

Actuarial Assumptions. The total pension liability in the July 1, 2014, 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	4.29 percent

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

While an experience study had not been completed for the plan, the Florida Retirement System Actuarial Assumptions Conference reviewed the actuarial assumptions for the plan.

Discount Rate. The discount rate used to measure the total pension liability was 4.29 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 HIS plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

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 4.29 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 (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
College's proportionate share of the net pension liability	$ 27,221,728	$ 23,932,893	$ 21,187,657

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.

Payables to the Pension Plan. At June 30, 2015, the College reported a payable of $6,689 for the outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2015.

13. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The State Board of Administration (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 of Florida 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 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the Investment Plan member accounts during the 2014-15 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Senior Management Service	7.67

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, 2015, 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 rollover 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 $1,723,915 for the fiscal year ended June 30, 2015.

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 5.14 percent of the participant's salary to the participant's account, 2.54 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover the administrative costs, for a total of 7.69 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 $450,847 and employee contributions totaled $262,630 for the 2014-15 fiscal year.

14. Operating Lease Commitments

The College leased a building under an operating lease, which expires in 2022. This leased asset and the related commitments are not reported on the College's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from this lease agreement are contingent upon future appropriations. Future minimum lease commitments for this noncancelable operating lease are as follows:

Fiscal Year Ending June 30	Amount
2016	$ 90,695
2017	90,695
2018	90,695
2019	97,566
2020	107,185
2021-2023	241,166
Total Minimum Payments Required	$ 718,002

15. 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 Florida College System Risk Management Consortium (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 $150 million to February 28, 2015, and up to $200 million from March 1, 2015, for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

Life, dental, and vision coverage are provided through purchased commercial insurance with minimum deductibles for each line of coverage.

Self-Insured Program. The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College's liability was limited by excess reinsurance to $200,000 per insured person through December 2014, and $250,000 from January 2015. The plan is provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributes employee premiums as a fringe benefit. Employee dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The liability includes an amount for claims that have been incurred, but not reported, and an amount for claims administration expense. Because the actual claims liability depends on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. The College reevaluates the claims liability periodically and the claims liability totaled $10,745,206 as of June 30, 2015. Amounts held by the College in excess of the estimated insurance claims liability at June 30, 2015, totaled $9,935,753 and are classified as insurance claim deposits. The College will use these amounts to pay claims incurred in future fiscal years.

The following schedule represents the changes in claims liability for the current and prior years for the College's self-insured program:

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
2013-14	$ 4,828,536	$ 14,115,818	$ (10,854,270)	$ 8,090,084
2014-15	8,090,084	12,684,665	(10,029,543)	10,745,206

16. 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:

Functional Classification	Amount
Instruction	$ 73,868,476
Academic Support	18,413,217
Student Services	27,331,547
Institutional Support	34,666,611
Operation and Maintenance of Plant	23,594,750
Scholarships and Waivers	34,270,021
Depreciation	10,555,181
Auxiliary Enterprises	15,887,360
Total Operating Expenses	$ 238,587,163

17. Related Party Transactions

The College's component unit, the Valencia College Foundation, Inc. (Foundation), purchased a 57,680 square foot building in MetroWest, near the West Campus, which it leases to the College. The rent amount to be paid by the College reflects a 6.75 percent return on the Foundation's total cost basis for the amount expended on the acquisition of and structural improvements to the building. The lease commencement date was April 1, 2014, and expires 60 years from this date. The rental payment is $456,461 per year, payable semi-annually on January 1 and July 1 of reach year. The lease contains a purchase option that may be exercised during the period commencing on January 1, 2020, and expiring on the earlier of May 31, 2073, or the sale of the property to a third party. The purchase price will be the Foundation's cost basis as of the date the College notifies the Foundation of its election to exercise the purchase option.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	$ -	$ 3,322,639	$ 3,322,639	0%	$ 69,802,412	4.8%
7/1/2011	-	2,931,917	2,931,917	0%	69,025,900	4.3%
7/1/2013	-	4,711,673	4,711,673	0%	67,789,927	7.0%

Note: (1) The OPEB actuarial valuation used the projected unit credit method to estimate the actuarial accrued liability.

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

	2014 (1)	**2013** (1)
College's proportion of the FRS net pension liability	0.187742199%	0.167975911%
College's proportionate share of the FRS net pension liability	$ 11,455,035	$ 28,916,130
College's covered-employee payroll (2)	$ 85,319,642	$ 78,946,546
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	13.43%	36.63%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

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

(2) Covered-employee payroll includes defined benefit plan actives, investment 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

	2015 (1)	**2014** (1)
Contractually required FRS contribution	$ 4,785,824	$ 4,112,351
FRS contributions in relation to the contractually required contribution	(4,785,824)	(4,112,351)
FRS contribution deficiency (excess)	$ -	$ -
College's covered-employee payroll (2)	$ 90,177,274	$ 85,319,642
FRS contributions as a percentage of covered-employee payroll	5.31%	4.82%

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

(2) Covered-employee payroll includes defined benefit plan actives, investment 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 the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan

	2014 (1)	**2013** (1)
College's proportion of the HIS net pension liability	0.255960092%	0.241878469%
College's proportionate share of the HIS net pension liability	$ 23,932,893	$ 21,058,701
College's covered-employee payroll (2)	$ 85,319,642	$ 78,946,546
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	28.05%	26.67%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

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

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

Schedule of College Contributions – Health Insurance Subsidy Pension Plan

	2015 (1)	**2014** (1)
Contractually required HIS contribution	$ 1,020,798	$ 876,833
HIS contributions in relation to the contractually required HIS contribution	(1,020,798)	(876,833)
HIS contribution deficiency (excess)	$ -	$ -
College's covered-employee payroll (2)	$ 90,177,274	$ 85,319,642
HIS contributions as a percentage of covered-employee payroll	1.13%	1.03%

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Schedule of Funding Progress – Other Postemployment Benefits Plan

The July 1, 2013, unfunded actuarial accrued liability of $4,711,673 was significantly higher than the July 1, 2011, liability of $2,931,917 primarily due to:

- Demographic assumptions (rates of termination, mortality, disability, and retirement) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of healthcare were updated.
- The rates of healthcare inflation used to project the per capita healthcare costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.
- The conditions for retirement eligibility and rates of retirement were supplemented to accommodate those active employees hired on or after July 1, 2011.

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

Changes of Assumptions. As of June 30, 2014, the inflation rate assumption was decreased from 3 percent to 2.6 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

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 decreased from 4.63 percent to 4.29 percent.

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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 Valencia 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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 14, 2016, 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

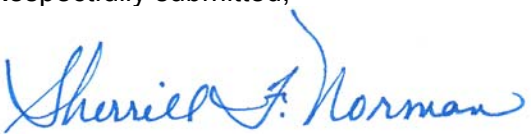
As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

We noted certain matters that we reported to College management in our operational audit report No. 2016-052.

Purpose of this Report

The purpose of the **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*** 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 report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 14, 2016