STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2016-142
March 2016

NORTHWEST FLORIDA STATE 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. Ty Handy served as President and the following individuals served as Members of the Board of Trustees:

	County
Brian S. Pennington, Chair	Okaloosa
Rachel R. Gillis, Vice Chair	Walton
C. Wayne Ansley	Okaloosa
D. Bradley Drake to 1-20-15 [a]	Walton
Michael M. Flynt, Sr.	Walton
Marijo Strauss	Okaloosa
Vacant [b]	Okaloosa
Vacant [b]	Okaloosa

Notes: [a] Board member resigned on 1-20-15. The position remained vacant through 6-30-15.
[b] Positions remained vacant from 7-1-14 through 6-30-15.

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 Debbie S. Jabaley, CPA, and the audit was supervised by Kenneth C. Danley, 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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NORTHWEST FLORIDA STATE COLLEGE

TABLE OF CONTENTS

Page No.

SUMMARY i

INDEPENDENT AUDITOR'S REPORT 1

Report on the Financial Statements 1

Other Reporting Required by *Government Auditing Standards* 3

MANAGEMENT'S DISCUSSION AND ANALYSIS 4

BASIC FINANCIAL STATEMENTS

Statement of Net Position 14

Statement of Revenues, Expenses, and Changes in Net Position 16

Statement of Cash Flows 18

Notes to Financial Statements 20

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Benefits Plan 42

Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan 42

Schedule of College Contributions – Florida Retirement System Pension Plan 42

Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan 43

Schedule of College Contributions – Health Insurance Subsidy Pension Plan 43

Notes to Required Supplementary Information 43

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* 44

Internal Control Over Financial Reporting 44

Compliance and Other Matters 45

Purpose of this Report 45

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Northwest Florida State 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 Northwest Florida State 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.

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

Sherrill F. Norman, CPA
Auditor General

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

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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Northwest Florida State 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 Northwest Florida State 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 Matters

As discussed in Note 1 to the financial statements, the financial data for Northwest Florida State College Foundation, Inc., a discretely presented component unit, for the fiscal year ended June 30, 2014, is for a 21-month period. This affects the comparability of amounts reported for the 2014-15 fiscal year with amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this 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

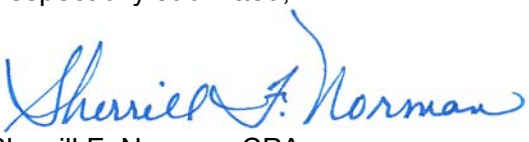
Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 15, 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 and its component unit, Northwest Florida State College Foundation, Inc. (Foundation), for the fiscal years ended June 30, 2015, and June 30, 2014. Effective September 30, 2013, the Foundation changed its fiscal year-end to June 30; previously its fiscal year-end had been September 30. Therefore, the financial data for the Foundation for the period ended June 30, 2014, is for a 21-month period. This affects the comparability of amounts reported for the 2014-15 fiscal year with amounts reported for the 2013-14 fiscal year.

FINANCIAL HIGHLIGHTS

The College's assets totaled $138.2 million at June 30, 2015. This balance reflects a $3.2 million, or 2.3 percent, decrease as compared to the 2013-14 fiscal year. While assets declined, liabilities increased by $7.4 million, or 83 percent, totaling $16.2 million at June 30, 2015, compared to $8.9 million at June 30, 2014, resulting primarily from the addition of pension liabilities due to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68. In addition, deferred outflows of resources increased $1.7 million and deferred inflows increased $4.5 million, respectively, as a result of adopting GASB Statement No.68. The initial adoption of GASB Statement No. 68 also resulted in an adjustment to beginning net position of $10.6 million. As a result, the College's net position decreased by $13.4 million, resulting in a fiscal year-end balance of $119.1 million.

The College's operating revenues and operating expenses totaled $14.1 million and $50.8 million, respectively, for the 2014-15 fiscal year and did not change significantly from the prior fiscal year.

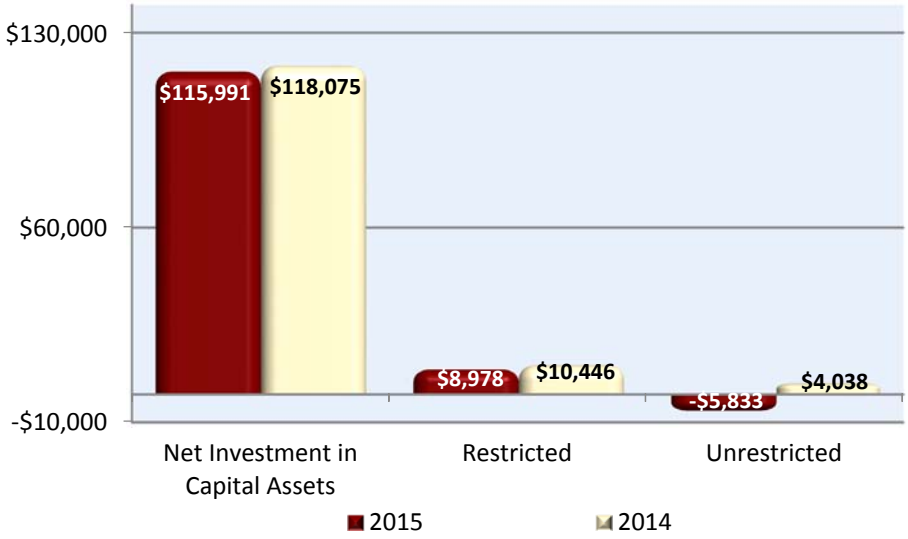
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College did have a negative unrestricted net position of $5.8 million that was primarily caused by the recording of long-term liabilities within the annually funded operating fund as required by *Government Accounting Standards*.

Colleges that do not maintain an unencumbered operating fund balance of at least 5 percent of the funds available have to notify the State Board of Education. The College's unencumbered operating fund balance percentage as of June 30, 2015, was 13 percent. As a consequence, the College has exceeded the State's minimum thresholds for financial management of the operating fund balance.

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:

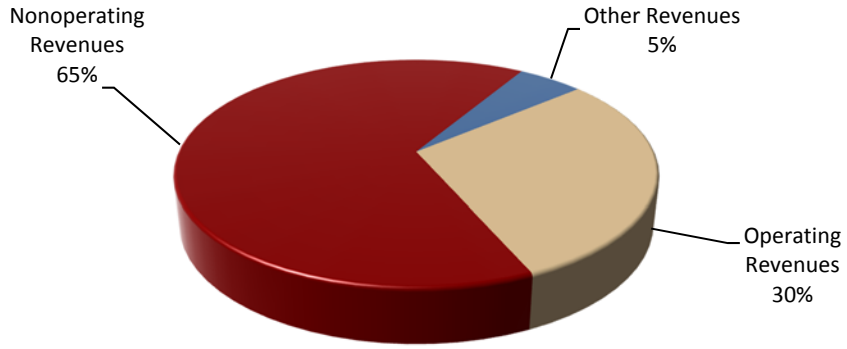
Net Position: College

(In Thousands)



The 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. These 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:

- Northwest Florida State 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.

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

The Statement of Net Position

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 as of June 30, 2015, and June 30, 2014, is shown in the following table:

Condensed Statement of Net Position at

(In Thousands)

	College		Component Unit	
	6-30-15	6-30-14	6-30-15	6-30-14
Assets				
Current Assets	$ 13,887	$ 8,903	$ 10,204	$ 12,130
Capital Assets, Net	119,437	122,039	4,928	430
Other Noncurrent Assets	4,867	10,479	32,712	34,415
Total Assets	138,191	141,421	47,844	46,975
Deferred Outflows of Resources	1,704	-	-	-
Liabilities				
Current Liabilities	2,683	1,954	157	27
Noncurrent Liabilities	13,530	6,908	-	-
Total Liabilities	16,213	8,862	157	27
Deferred Inflows of Resources	4,546	-	-	-
Net Position				
Net Investment in Capital Assets	115,991	118,075	4,928	430
Restricted	8,978	10,446	46,041	45,534
Unrestricted	(5,833)	4,038	(3,282)	984
Total Net Position	$ 119,136	$ 132,559	$ 47,687	$ 46,948

The College's total assets decreased $3.2 million primarily due to the depreciation of assets. There was an increase of $7.4 million in liabilities that was primarily caused as the net pension liability was recorded for the first time in accordance with GASB Statement No. 68. Further information on the implementation of the reporting change can be found in Note 2 of the notes to financial statements. As a consequence, the overall decrease in assets and the overall increase in liabilities caused the College's net position to decrease $13.4 million, or 10.1 percent from the prior fiscal 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 2014-15 and 2013-14 fiscal years:

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**	**6-30-15**	**6-30-14** (2)
Operating Revenues	$ 14,138	$ 14,708	$ 678	$ 1,113
Less, Operating Expenses	50,766	50,763	2,304	2,941
Operating Loss	(36,628)	(36,055)	(1,626)	(1,828)
Net Nonoperating Revenues	31,290	31,658	1,835	8,576
Income (Loss) Before Other Revenues	(5,338)	(4,397)	209	6,748
Other Revenues	2,509	2,434	530	1,127
Net Increase (Decrease) In Net Position	(2,829)	(1,963)	739	7,875
Net Position, Beginning of Year	132,559	134,522	46,948	39,073
Adjustments to Beginning Net Position (1)	(10,594)	-	-	-
Net Position, Beginning of Year, as Restated	121,965	134,522	46,948	39,073
Net Position, End of Year	$ 119,136	$ 132,559	$ 47,687	$ 46,948

Notes: (1) The adjustment to beginning net position 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.

(2) For the 21-month period ended June 30, 2014.

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 2014-15 and 2013-14 fiscal years:

Operating Revenues
For the Fiscal Years Ended

(In Thousands)

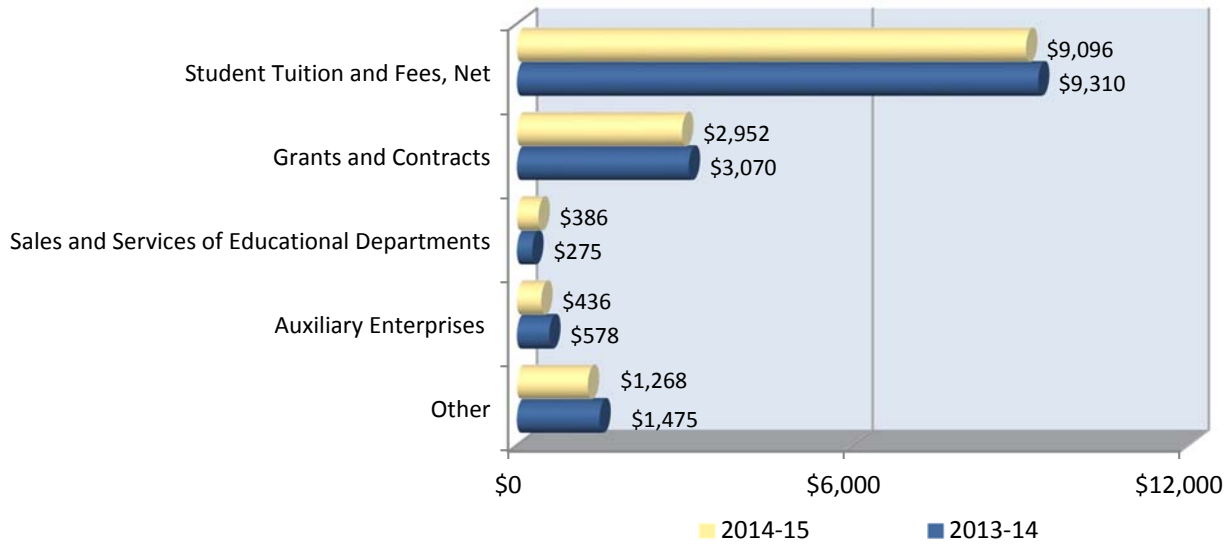
	College		Component Unit	
	6-30-15	**6-30-14**	**6-30-15**	**6-30-14** (1)
Student Tuition and Fees, Net	$ 9,096	$ 9,310	$ -	$ -
Grants and Contracts	2,952	3,070	-	-
Sales and Services of Educational Departments	386	275	-	-
Auxiliary Enterprises	436	578	-	-
Other	1,268	1,475	678	1,113
Total Operating Revenues	$ 14,138	$ 14,708	$ 678	$ 1,113

Note: (1) For the 21-month period ended June 30, 2014.

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

Operating Revenues: College

(In Thousands)



College operating revenues did not significantly change from the prior fiscal year.

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 2014-15 and 2013-14 fiscal years:

Operating Expenses
For the Fiscal Years Ended

(In Thousands)

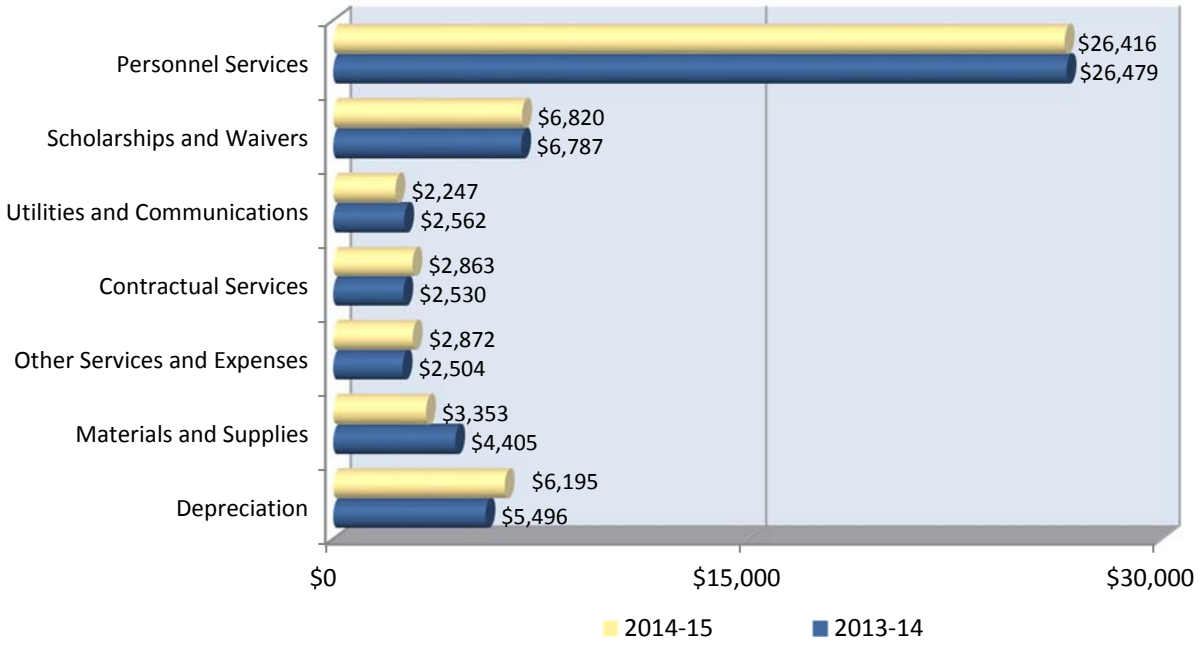
	College		Component Unit	
	6-30-15	**6-30-14**	**6-30-15**	**6-30-14** (1)
Personnel Services	$ 26,416	$ 26,479	$ -	$ -
Scholarships and Waivers	6,820	6,787	437	559
Utilities and Communications	2,247	2,562	107	164
Contractual Services	2,863	2,530	-	-
Other Services and Expenses	2,872	2,504	1,565	2,190
Materials and Supplies	3,353	4,405	14	2
Depreciation	6,195	5,496	181	26
Total Operating Expenses	$ 50,766	$ 50,763	$ 2,304	$ 2,941

Note: (1) For the 21-month period ended June 30, 2014.

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

Operating Expenses: College

(In Thousands)



The College's overall operating expenses were consistent with prior fiscal year spending levels with materials and supplies decreasing by $1.1 million due to various cost saving measures.

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	$ 19,289	$ 18,625
Federal and State Student Financial Aid	9,764	10,064
Gifts and Grants	2,313	2,988
Investment Income	24	40
Other Nonoperating Revenues	6	36
Interest on Capital Asset-Related Debt	(106)	(95)
Net Nonoperating Revenues	$ 31,290	$ 31,658

College nonoperating revenues did not significantly change from the prior fiscal year.

Other Revenues

This category is 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	$ 537	$ 906
Capital Grants, Contracts, Gifts, and Fees	1,972	1,528
Total Other Revenues	$ 2,509	$ 2,434

College other revenues did not significantly change from the prior fiscal year.

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	$ (29,439)	$ (30,492)
Noncapital Financing Activities	29,971	33,343
Capital and Related Financing Activities	(1,706)	42
Investing Activities	24	21
Net Increase (Decrease) in Cash and Cash Equivalents	(1,150)	2,914
Cash and Cash Equivalents, Beginning of Year	16,880	13,966
Cash and Cash Equivalents, End of Year	$ 15,730	$ 16,880

Major sources of funds came from State noncapital appropriations ($19.3 million); net student tuition and fees ($9.8 million); and Federal and State student financial aid ($8.9 million). Major uses of funds were for payments to employees ($21.7 million); payments to suppliers ($8.6 million); payments for scholarships ($6.8 million); and payments for employee benefits ($5 million).

CAPITAL ASSETS, CAPITAL EXPENSES, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the College had $181.1 million in capital assets, less accumulated depreciation of $61.7 million, for net capital assets of $119.4 million. Depreciation charges for the current fiscal year totaled $6.2 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)

Capital Assets	2015	2014
Land	$ 2,909	$ 2,909
Capitalized Collections	755	761
Construction in Progress	475	840
Buildings	108,174	111,631
Other Structures and Improvements	2,140	1,491
Furniture, Machinery, and Equipment	1,180	837
Assets Under Capital Lease	247	-
Computer Software	3,557	3,570
Total Capital Assets, Net	$ 119,437	$ 122,039

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

Capital Expenses

The College has completed many of its projects that were in construction in progress at the beginning of the fiscal year and completed new projects, resulting in a $1.1 million increase in other structures and improvements. The College had no significant construction commitments at June 30, 2015.

Debt Administration

As of June 30, 2015, the College had total debt of $3.4 million consisting of outstanding bonds payable, a note payable, and a capital lease payable, representing a decrease of $518 thousand, or 13.1 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type June 30:

Long-Term Debt, at June 30: College

(In Thousands)

	2015	2014
Bonds Payable	$ 221	$ 332
Note Payable	2,931	3,632
Capital Lease Payable	294	-
Total	$ 3,446	$ 3,964

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2014-15 fiscal year, the SBE issued $24 thousand in Capital Outlay Refunding Bonds, Series 2014B, on behalf of the College which refunded $25 thousand of outstanding Capital Outlay Bonds, Series 2005A. 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. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2015-16 fiscal year. In response, the Board of Trustees elected to maintain the same tuition rate charged for the 2014-15 fiscal year in the 2015-16 fiscal year. The College's current financial and capital plans indicate that the infusion of additional financial resources from the State and students may be necessary 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 Administrative Services, Northwest Florida State College, 100 College Boulevard, Niceville, Florida 32578.

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Northwest Florida State 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	$ 8,199,024	$ 787,827
Restricted Cash and Cash Equivalents	2,667,898	-
Restricted Investments	-	9,271,132
Accounts Receivable, Net	999,157	113,400
Notes Receivable, Net	77,978	-
Due from Other Governmental Agencies	1,724,966	-
Due from Component Unit	147,979	-
Inventories	25,586	-
Prepaid Expenses	44,137	31,817
Total Current Assets	13,886,725	10,204,176
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	4,862,908	-
Restricted Investments	5,260	32,711,955
Depreciable Capital Assets, Net	115,297,058	4,526,900
Nondepreciable Capital Assets	4,139,550	401,176
Total Noncurrent Assets	124,304,776	37,640,031
TOTAL ASSETS	138,191,501	47,844,207
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	1,703,923	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	660,494	9,137
Salary and Payroll Taxes Payable	479,283	-
Retainage Payable	40	-
Due to College	-	147,979
Unearned Revenue	66,697	-
Deposits Held for Others	465,460	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	34,000	-
Note Payable	534,333	-
Capital Lease Payable	59,219	-
Special Termination Benefits Payable	157,956	-
Compensated Absences Payable	71,700	-
Net Pension Liability	153,841	-
Total Current Liabilities	2,683,023	157,116

Northwest Florida State 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	187,000	-
Note Payable	2,396,205	-
Capital Lease Payable	235,159	-
Special Termination Benefits Payable	117,912	-
Compensated Absences Payable	3,513,279	-
Other Postemployment Benefits Payable	281,840	-
Net Pension Liability	6,798,961	-
Total Noncurrent Liabilities	13,530,356	-
TOTAL LIABILITIES	16,213,379	157,116
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	4,545,772	-
NET POSITION		
Net Investment in Capital Assets	115,990,692	4,928,076
Restricted:		
Nonexpendable:		
Endowment	-	35,992,600
Expendable:		
Grants and Loans	3,764,300	-
Scholarships	36,277	-
Capital Projects	5,172,914	-
Debt Service	5,260	-
Other	-	10,048,892
Unrestricted	(5,833,170)	(3,282,477)
TOTAL NET POSITION	$ 119,136,273	$ 47,687,091

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

Northwest Florida State 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 $4,177,338	$ 9,095,875	$ -
Federal Grants and Contracts	90,202	-
State and Local Grants and Contracts	1,921,537	-
Nongovernmental Grants and Contracts	939,476	-
Sales and Services of Educational Departments	385,789	-
Auxiliary Enterprises	436,199	-
Other Operating Revenues	1,268,483	677,500
Total Operating Revenues	14,137,561	677,500
EXPENSES		
Operating Expenses:		
Personnel Services	26,416,361	-
Scholarships and Waivers	6,819,835	436,790
Utilities and Communications	2,246,637	106,869
Contractual Services	2,863,284	-
Other Services and Expenses	2,871,738	1,564,834
Materials and Supplies	3,353,391	14,678
Depreciation	6,194,628	180,543
Total Operating Expenses	50,765,874	2,303,714
Operating Loss	(36,628,313)	(1,626,214)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	19,289,761	-
Federal and State Student Financial Aid	9,763,560	-
Gifts and Grants	2,312,695	550,292
Investment Income	24,132	1,632,422
Net Loss on Investments	-	(394,360)
Other Nonoperating Revenues	6,259	46,870
Interest on Capital Asset-Related Debt	(105,845)	-
Net Nonoperating Revenues	31,290,562	1,835,224
Income (Loss) Before Other Revenues	(5,337,751)	209,010
State Capital Appropriations	536,804	-
Capital Grants, Contracts, Gifts, and Fees	1,972,501	-
Additions to Permanent Endowments	-	530,023
Total Other Revenues	2,509,305	530,023
Increase (Decrease) in Net Position	(2,828,446)	739,033
Net Position, Beginning of Year	132,558,546	46,948,058
Adjustment to Beginning Net Position	(10,593,827)	-
Net Position, Beginning of Year, as Restated	121,964,719	46,948,058
Net Position, End of Year	$ 119,136,273	$ 47,687,091

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

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Northwest Florida State 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	$ 9,814,782
Grants and Contracts	2,951,215
Payments to Suppliers	(8,599,460)
Payments for Utilities and Communications	(2,246,637)
Payments to Employees	(21,707,550)
Payments for Employee Benefits	(4,977,564)
Payments for Scholarships	(6,786,876)
Auxiliary Enterprises	436,199
Sales and Service of Educational Departments	385,789
Other Receipts	1,290,492
Net Cash Used by Operating Activities	(29,439,610)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	19,289,761
Federal and State Student Financial Aid	8,892,689
Federal Direct Loan Program Receipts	1,782,482
Federal Direct Loan Program Disbursements	(1,782,482)
Gifts and Grants Received for Other than Capital or Endowment Purposes	1,788,863
Net Cash Provided by Noncapital Financing Activities	29,971,313
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	536,804
Capital Grants and Gifts	1,972,501
Proceeds from Sale of Capital Assets	6,259
Purchases of Capital Assets	(3,289,651)
Principal Paid on Capital Debt and Leases	(825,803)
Interest Paid on Capital Debt and Leases	(105,845)
Net Cash Used by Capital and Related Financing Activities	(1,705,735)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	24,132
Net Decrease in Cash and Cash Equivalents	(1,149,900)
Cash and Cash Equivalents, Beginning of Year	16,879,730
Cash and Cash Equivalents, End of Year	$ 15,729,830

Northwest Florida State 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	$ (36,628,313)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,194,628
Changes in Assets, Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources:	
Receivables, Net	751,866
Inventories	(12,258)
Prepaid Expenses	1,357
Accounts Payable	502,181
Accrued Interest Payable	(2,327)
Salaries and Payroll Taxes Payable	14,042
Unearned Revenue	12,708
Deposits Held for Others	9,301
Special Termination Benefits Payable	51,798
Compensated Absences Payable	301,242
Other Postemployment Benefits Payable	27,358
Net Pension Liability	(4,523,818)
Deferred Outflows of Resources Related to Pensions	(685,147)
Deferred Inflows of Resources Related to Pensions	4,545,772
NET CASH USED BY OPERATING ACTIVITIES	$ (29,439,610)

SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITIES

The State Board of Education (SBE) issued $24,000 in SBE Capital Outlay Bonds, Series 2014B, to refund $25,000 in SBE Capital Outlay Bonds, Series 2005A. 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.	$ 1,000
The College entered into a capital lease which was recognized on the statement of net position, but was not a cash transaction for the statement of cash flows.	$ 308,303

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The governing body of Northwest Florida State College, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of eight members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by 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 Okaloosa and Walton 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, Northwest Florida State 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.

Effective September 30, 2013, the Foundation changed its fiscal year-end to June 30; previously its fiscal year-end had been September 30. Therefore, the financial data for the Foundation for the period ended June 30, 2014, is for a 21-month period. This affects the comparability of amounts reported for the 2014-15 fiscal year with amounts reported for the 2013-14 fiscal year.

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 Administrative Services, Northwest Florida State College, 100 College Boulevard, Niceville, Florida, 32578. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 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 GASB standards of accounting and financial reporting.

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income, 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. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fees.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash 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 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 $9,670,142 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 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; capitalized collections; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; assets under capital lease; and computer software. 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 $25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

- Computer Equipment – 3 years
- Vehicles, Athletic, and Minor Equipment – 5 years
- Office Furniture and Equipment – 7 years
- Educational Furniture and Equipment – 10 years

- Assets Under Capital Lease – 5 years
- Computer Software – 5 years

Component Unit Capital Assets. The Foundation's capital assets consist of land and buildings and are stated at historical cost or estimated fair value at date of acquisition in the case of gifts and surplus property acquired at nominal cost. The Foundation has a capitalization threshold of $1,000 for capital assets. Depreciation for buildings is computed on the straight-line basis over a 40-year estimated useful life.

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, note 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 pension plan and the Health Insurance Subsidy (HIS) defined benefit pension 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 $10,593,827 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 assets as show below. This deficit can be attributed to the full recognition of

long-term liabilities (i.e., special termination benefits payable, compensated absences payable, other postemployment benefits payable, and net pension liabilities) in the current unrestricted funds.

Fund	Net Position
Current Funds - Unrestricted	$ (7,433,076)
Auxiliary Funds	1,599,906
Total	$ (5,833,170)

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 $5,260 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

The investments held by Northwest Florida State College Foundation, Inc., (Foundation) at June 30, 2015, are reported at fair value as follows:

Investment Type	Amount
Money Market Accounts	$ 1,709,589
Life Insurance/Annuities	956,244
United States Government Securities:	
United States Government	2,141,510
Accrued Interest	69,202
Corporate Bonds	7,045,796
Equities and Mutual Funds	8,985,653
Alternative Investments	3,870,078
Corporate Stocks	17,205,015
Total Foundation Investments	$ 41,983,087

The Foundation's investments are managed in accordance with an investment policy. The investment policy sets target allocations of investments of 25 percent to 35 percent for fixed income, 55 percent to 65 percent for equities, and 4 percent to 6 percent for cash and cash equivalents in order to reduce risk by investing in a diversified portfolio of financial assets, primarily stock funds, bonds or bond funds, and cash equivalents.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy for the Foundation states at least 50 percent of the short-term funds shall be invested in instruments having maturities no greater than 2 years. No more than 25 percent may be invested in instruments that have maturities greater than 2 years and less than 5 years, and no more than 25 percent may be invested in instruments that have maturities greater than 5 years. The short-term funds are required to be invested in any of the following obligations of the United States Government or agencies, obligations of agencies with implied Federal sponsorship and guarantees, certificates of deposit, deposits that are insured by the Federal Deposit Insurance Corporation, repurchase agreements, money market accounts, or government security mutual funds. The investments at June 30, 2015, meet the Foundation's investment policy restrictions.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Common stocks should be held in seasoned, quality, well-managed, and highly marketable companies whose prospects appear good for growth of earnings, dividends, and appreciation. Fixed income securities should be of the four highest bond ratings or the two highest commercial paper ratings. Corporate bonds held by the Foundation at June 30, 2015, were rated as follows: $5,331,352 AAA to A- and $1,714,444 BBB+ to BBB-.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation's investment policy requires that investments are to be diversified to the extent that no more than 4 percent of the funds may be invested in any one security, no more than 30 percent in any one industry, and the Foundation should not control more than 10 percent of the debt or stock in any one company. These restrictions do not apply to obligations of the Federal government. As of June 30, 2015, the Foundation does not have a concentration of credit risk.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation does not have a policy on custodial credit risk.

Foreign Currency Risk: Foreign currency risk is the risk that the changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Foundation's investment policy permits the hedging of non-U.S. dollar investments as long as the methods used to do such do not place the investments in a leveraged position, use investment securities purchased on a margin, or result in open-hedge positions.

6. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a $232,626 allowance for doubtful accounts.

7. Notes Receivable

Notes receivable represent student loans made under the short-term loan program. Notes receivable are reported net of a $5,535 allowance for doubtful notes.

8. Inventories

Inventories consist of graphic service supplies held for use by College departments. Inventories are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation.

9. Capital Assets

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 2,908,883	$ -	$ -	$ 2,908,883
Capitalized Collections	761,453	-	6,000	755,453
Construction in Progress	839,546	329,549	693,881	475,214
Total Nondepreciable Capital Assets	$ 4,509,882	$ 329,549	$ 699,881	$ 4,139,550
Depreciable Capital Assets:				
Buildings	$ 156,941,419	$ -	$ -	$ 156,941,419
Other Structures and Improvements	5,169,014	1,100,847	-	6,269,861
Furniture, Machinery, and Equipment	5,517,481	787,694	11,780	6,293,395
Assets Under Capital Lease	-	308,303	-	308,303
Computer Software	5,460,564	1,765,442	-	7,226,006
Total Depreciable Capital Assets	173,088,478	3,962,286	11,780	177,038,984
Less, Accumulated Depreciation:				
Buildings	45,309,970	3,457,689	-	48,767,659
Other Structures and Improvements	3,678,323	451,697	-	4,130,020
Furniture, Machinery, and Equipment	4,680,086	445,146	11,780	5,113,452
Assets Under Capital Lease	-	61,661	-	61,661
Computer Software	1,890,699	1,778,435	-	3,669,134
Total Accumulated Depreciation	55,559,078	6,194,628	11,780	61,741,926
Total Depreciable Capital Assets, Net	$ 117,529,400	$ (2,232,342)	$ -	$ 115,297,058

10. Unearned Revenue

As of June 30, 2015, the College reported unearned revenue of $66,697, which includes student tuition and fees received prior to fiscal year-end related to subsequent accounting periods.

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	$ 332,000	$ 24,000	$ 135,000	$ 221,000	$ 34,000
Note Payable	3,632,416	-	701,878	2,930,538	534,333
Capital Lease Payable	-	308,303	13,925	294,378	59,219
Special Termination Benefits Payable	224,070	186,195	134,397	275,868	157,956
Compensated Absences Payable	3,283,737	407,656	106,414	3,584,979	71,700
Other Postemployment Benefits Payable	254,482	46,419	19,061	281,840	-
Net Pension Liability (1)	11,476,620	1,040,729	5,564,547	6,952,802	153,841
Total Long-Term Liabilities	$ 19,203,325	$ 2,013,302	$ 6,675,222	$ 14,541,405	$ 1,011,049

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 2014A	$ 197,000	3 - 5	2025
Series 2014B	24,000	5	2017
Total	$ 221,000		

During the 2014-15 fiscal year, the SBE issued $24,000 in Capital Outlay Refunding Bonds, Series 2014B, on behalf of the College which refunded $25,000 of outstanding Capital Outlay Bonds, Series 2005A.

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	$ 34,000	$ 10,177	$ 44,177
2017	23,000	8,700	31,700
2018	17,000	7,720	24,720
2019	18,000	6,870	24,870
2020	19,000	5,970	24,970
2021-2025	110,000	14,600	124,600
Total	$ 221,000	$ 54,037	$ 275,037

Note Payable. On July 10, 2012, the College borrowed $5 million, at a stated interest rate of 1.711 percent, to finance the cost of a portion of the College's new enterprise resource planning system. The note matures on July 1, 2019, and principal and interest payments are made quarterly. Annual requirements to amortize the outstanding note as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 534,333	$ 35,344	$ 569,677
2017	723,176	36,393	759,569
2018	735,636	23,934	759,570
2019	748,310	11,260	759,570
2020	189,083	809	189,892
Total	$ 2,930,538	$ 107,740	$ 3,038,278

Capital Lease Payable. The College acquired new telephone equipment in the amount of $308,303 under a capital lease agreement. The stated interest rate is 3.397 percent. Future minimum

payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Amount
2016	$ 68,302
2017	68,301
2018	68,300
2019	68,302
2020	45,535
Total Minimum Payments	318,740
Less, Amount Representing Interest	24,362
Present Value of Minimum Payments	$ 294,378

Special Termination Benefits Payable. The Board has established a retirement incentive program (Program) that is available to certain College employees based on age and years of service. Under the Program, eligible employees receive payment for accumulated sick leave based on years of service as defined in Section 1012.865, Florida Statutes, and a salary bonus equal to no more than 10 percent of the final year's annual contract salary. The College reported a special termination benefits payable of $275,868 as of June 30, 2015, for 16 employees who gave notice to retire under the Program, of which $157,956 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 $3,584,979. The current portion of the compensated absences liability, $71,700, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

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 benefits provided by the Florida College System Risk Management Consortium (Consortium).

Plan Description. The College contributes to an agent multiple-employer defined benefit plan (Plan) administered by the Consortium for postemployment benefits. 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 health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the Plan, 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 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, 17 retirees received postemployment healthcare benefits. The College provided required contributions of $19,061 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 $103,024, which represents 0.7 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)	$ 29,181
Amortization of Unfunded Actuarial Accrued Liability	15,542
Annual Required Contribution	44,723
Interest on Net OPEB Obligation	10,179
Adjustment to Annual Required Contribution	(8,483)
Annual OPEB Cost (Expense)	46,419
Contribution Toward the OPEB Cost	(19,061)
Increase in Net OPEB Obligation	27,358
Net OPEB Obligation, Beginning of Year	254,482
Net OPEB Obligation, End of Year	$ 281,840

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 2 preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012-13	$ 49,908	61.1%	$ 229,308
2013-14	44,180	43.0%	254,482
2014-15	46,419	41.1%	281,480

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was $404,125 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $404,125 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $14,864,609 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.7 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 per year, 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 for pre-Medicare and 2 years for 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 $464,989 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	Percent 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 All 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 $941,274 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 $2,370,144 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 0.038845457 percent, which was a decrease of 0.001361033 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of $186,798. 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	$ -	$ 146,672
Change of assumptions	410,470	-
Net difference between projected and actual earnings on FRS pension plan investments	-	3,953,794
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	-	197,105
College FRS contributions subsequent to the measurement date	941,274	-
Total	$ 1,351,744	$ 4,297,571

The deferred outflows of resources related to pensions totaling $941,274 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	$ (975,865)
2017	(975,865)
2018	(975,865)
2019	(975,865)
2020	12,584
Thereafter	3,775
Total	$ (3,887,101)

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	$ 10,137,421	$ 2,370,144	$ (4,090,748)

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 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 an 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 $186,910 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 $4,582,658 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 0.049011107 percent, which was a decrease of 0.003310621 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of $278,191. 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
Change of assumptions	$ 163,069	$ -
Net difference between projected and actual earnings on HIS pension plan investments	2,200	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	-	248,201
College contributions subsequent to the measurement date	186,910	-
Total	$ 352,179	$ 248,201

The deferred outflows of resources totaling $186,910 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 and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ (13,181)
2017	(13,181)
2018	(13,181)
2019	(13,181)
2020	(13,731)
Thereafter	(16,477)
Total	$ (82,932)

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 has not been completed for the HIS Plan, the Florida Retirement System Actuarial Assumptions Conference reviewed the actuarial assumptions for the HIS 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	$ 5,212,403	$ 4,582,658	$ 4,057,002

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.

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 contribution 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 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 $184,462 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.

There were 43 College participants during the 2014-15 fiscal year. The College's contributions to the Program totaled $140,436, and employee contributions totaled $81,807 for the 2014-15 fiscal year.

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

The Local Annuity Program is defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. The College contributes 10 percent or 13.5 percent of the employee's salary to the Local Annuity Program. The participants may make contributions toward the Local Annuity Program by way of salary reduction or by deduction of a percentage of the employee's gross compensation not to exceed the percentage contributed by the employer.

There were three College participants during the 2014-15 fiscal year. The College's contributions to the Local Annuity Program totaled $51,602 and employee contributions totaled $12,892 for the 2014-15 fiscal year.

14. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the 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, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

Dental, vision, and long-term disability coverage are provided through purchased commercial insurance.

15. Functional Distribution of Operating Expenses

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

classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

Functional Classification	Amount
Instruction	$ 15,616,578
Public Services	829,668
Academic Support	3,975,488
Student Services	3,524,105
Institutional Support	6,368,421
Operation and Maintenance of Plant	6,224,622
Scholarships and Waivers	6,819,835
Depreciation	6,194,628
Auxiliary Enterprises	1,212,529
Total Operating Expenses	$ 50,765,874

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	$ -	$ 666,384	$ 666,384	0%	$ 15,343,303	4.3%
7/1/2011	-	366,500	366,500	0%	15,489,857	2.4%
7/1/2013	-	404,125	404,125	0%	14,787,636	2.7%

Note: (1) The OPEB actuarial valuation used the projected unit credit actuarial 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 net pension liability	0.038845457%	0.040206490%
College's proportionate share of the net pension liability	$ 2,370,144	$ 6,921,326
College's covered-employee payroll (2)	$ 17,622,678	$ 18,134,771
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	13.45%	38.17%
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 contribution	$ 941,274	$ 850,880
Contributions in relation to the contractually required contribution	(941,274)	(850,880)
Contribution deficiency (excess)	$ -	$ -
College's covered-employee payroll (2)	$ 18,000,576	$ 17,622,678
Contributions as a percentage of covered-employee payroll	5.23%	4.83%

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 net pension liability	0.049011107%	0.052321728%
College's proportionate share of the net pension liability	$ 4,582,658	$ 4,555,294
College's covered-employee payroll (2)	$ 17,622,678	$ 18,134,771
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	26.00%	25.12%
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 contribution	$ 186,910	$ 167,896
Contributions in relation to the contractually required HIS contribution	(186,910)	(167,896)
Contribution deficiency (excess)	$ -	$ -
College's covered-employee payroll (2)	$ 18,000,576	$ 17,622,678
Contributions as a percentage of covered-employee payroll	1.04%	0.95%

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 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 2.60 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.

2. 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.

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Northwest Florida State 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 15, 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.

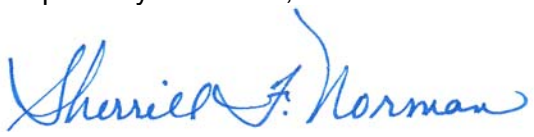
Compliance and Other Matters

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*.

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 15, 2016