STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2016-143
March 2016

NEW COLLEGE OF FLORIDA

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. Donal O'Shea served as President and the following individuals served as Members of the Board of Trustees:

Keith D. Monda, Chair from 9-6-14, Vice Chair to 9-5-14
Felice C. Schulaner, Vice Chair from 9-6-14
William R. Johnston, Chair to 9-5-14
Bradford D. Baker
Audrey R. Coleman
Cassandra Corrado [a] to 12-31-14
Robert M. Johnson
Elaine M. Keating
Paige Pellaton [a] from 3-3-15
Mary Ruiz
Carlos Santos from 1-1-15 to 2-5-15 [b]
John W. Saputo
Dr. Suzanne Sherman [c]
George A. Skestos
Steven L. Snyder

Notes: [a] Student Body President.
[b] Student Body President to 2-5-15, and position remained vacant until 3-3-15.
[c] Chair of the Faculty Senate.

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 Rachel P. Sellers, CPA, and the audit was supervised by Karen J. Collington, CPA.

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

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NEW COLLEGE OF FLORIDA

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of New College of Florida (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 New College of Florida 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

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Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of New College of Florida, 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 New College of Florida Development Corporation, a blended component unit, which represent 15 percent, 0.6 percent, 3.3 percent, and 3.3 percent, respectively, of the liabilities, net position, revenues, and expenses reported for New College of Florida. In addition, 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 reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended and discretely presented component units, are based solely on the reports 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 reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of New College of Florida and of its discretely presented component unit as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of College Contributions – Florida Retirement System Pension Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of College Contributions – Health Insurance Subsidy Pension Plan**, and **Notes To Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers

it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of New College of Florida'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 New College of Florida's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 16, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2015, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2015, and June 30, 2014.

FINANCIAL HIGHLIGHTS

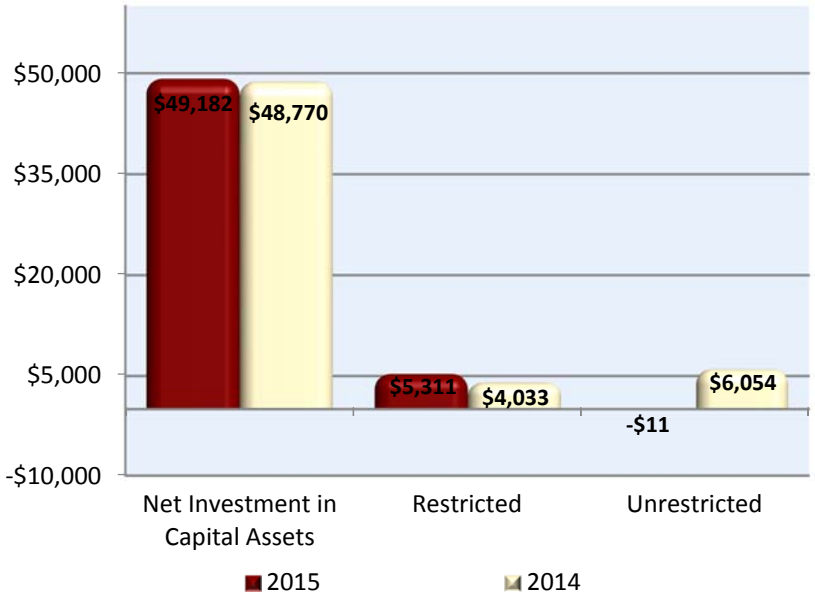
The College's assets and deferred outflows of resources totaled $99.2 million at June 30, 2015. This balance reflects a $2.6 million increase as compared to the 2013-14 fiscal year, resulting primarily from increases in deferred outflows of resources and the amount due from the State offset by a decrease in investments. While assets increased, liabilities and deferred inflows of resources increased by $7 million, or 18.5 percent, totaling $44.7 million at June 30, 2015, compared to $37.7 million at June 30, 2014. As a result, the College's net position decreased by $4.4 million, resulting in a year-end balance of $54.5 million. The increases in liabilities, deferred outflows of resources, deferred inflows of resources, and decrease in net position were largely impacted by the adoption of Governmental Accounting Standards Board's (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting standard requires the College, as a participating employer in the Florida Retirement System (FRS), to recognize its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. Changes in liabilities are recognized through the Statement of Revenues, Expenses, and Changes in Net Position, or reported as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position, depending on the nature of the change. The initial adoption also resulted in an adjustment to beginning net position of $4.6 million.

The College's operating revenues totaled $10.4 million for the 2014-15 fiscal year, representing a 13.3 percent increase compared to the 2013-14 fiscal year due mainly to increases in grants and contracts, and sales and services of auxiliary enterprises. Operating expenses totaled $38.2 million for the 2014-15 fiscal year, representing an increase of 13.6 percent as compared to the 2013-14 fiscal year due mainly to increases in compensation and employee benefits and services and supplies.

Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2015, and June 30, 2014, is shown in the following graph:

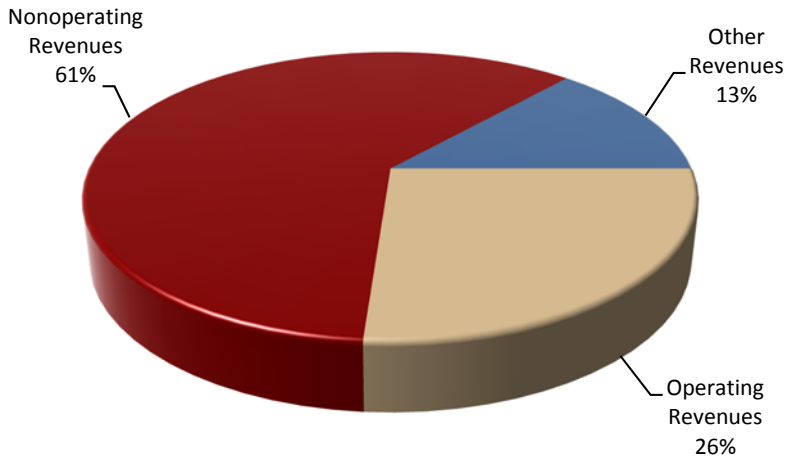
Net Position:

(In Thousands)



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

Total Revenues:



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the College and its component units. These component units include: New College Foundation, Inc. (Foundation) and the New College of Florida Development Corporation (Development Corporation). Based on the application of the criteria for determining component units, the Development Corporation

is included within the College reporting entity as a blended component unit, and the Foundation is included within the College reporting entity as a discretely presented component unit.

Information regarding these component units is presented in the notes to financial statements. This MD&A focuses on the College, excluding the discretely presented component unit.

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.

The following summarizes the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30:

Condensed Statement of Net Position at June 30

(In Thousands)

	2015	2014
Assets		
Current Assets	$ 17,497	$ 15,998
Capital Assets, Net	76,291	76,591
Other Noncurrent Assets	170	670
Total Assets	93,958	93,259
Deferred Outflows of Resources	5,204	3,291
Liabilities		
Current Liabilities	3,541	2,549
Noncurrent Liabilities	38,459	35,144
Total Liabilities	42,000	37,693
Deferred Inflows of Resources	2,680	-
Net Position		
Net Investment in Capital Assets	49,182	48,770
Restricted	5,311	4,033
Unrestricted	(11)	6,054
Total Net Position	$ 54,482	$ 58,857

Current assets at June 30, 2015, totaled $17.5 million, compared to $16 million at June 30, 2014, reflecting an increase of $1.5 million. Although investments decreased by $1.3 million, this decrease was offset by an increase in the amount due from the State relating to Public Education Capital Outlay (PECO) projects of $2.6 million and an increase in cash and cash equivalents of $0.2 million.

Total capital assets of $76.3 million decreased by $0.3 million from the prior fiscal year. This decrease was due to the addition of assets of $3.1 million offset by depreciation expense of $3.4 million.

Other noncurrent assets decreased by $0.5 million while deferred outflows of resources increased $1.9 million primarily related to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Liabilities at June 30, 2015, totaled $42 million, compared to $37.7 million at June 30, 2014. This represents a $4.3 million increase. This increase is composed of the addition of net pension liability of $3.7 million related to the adoption of GASB Statement No. 68, an increase of $0.8 million in construction contracts payable, and an increase of $0.6 million in other postemployment benefits payable offset by an $0.8 million decrease in certificates of participation payable.

Deferred inflows of resources at June 30, 2015, totaled $2.7 million at June 30, 2014. This increase is due to the additional reporting requirements related to the adoption of GASB Statement No. 68.

In summary, New College of Florida's net position of $54.5 million at June 30, 2015, included $49.2 million net investment in capital assets, $5.3 million in restricted expendable net position, and a deficit of $10,868 in unrestricted net position, as disclosed in Note 4.

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 College's activity for the 2014-15 and 2013-14 fiscal years:

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

(In Thousands)

	2014-15	2013-14
Operating Revenues	$ 10,420	$ 9,197
Less, Operating Expenses	38,225	33,663
Operating Loss	(27,805)	(24,466)
Net Nonoperating Revenues	22,711	21,032
Loss Before Other Revenues	(5,094)	(3,434)
Other Revenues	5,314	2,649
Net Increase (Decrease) In Net Position	220	(785)
Net Position, Beginning of Year	58,857	59,850
Adjustment to Beginning Net Position (1)	(4,595)	(208)
Net Position, Beginning of Year, as Restated	54,262	59,642
Net Position, End of Year	$ 54,482	$ 58,857

Note: (1) Adjustment to beginning net position in 2014-15 fiscal year 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. Adjustment to beginning net position in 2013-14 fiscal year resulted from implementation of GASB Statement No. 65.

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 by source that were used to fund operating activities for the 2014-15 and 2013-14 fiscal years:

Operating Revenues
For the Fiscal Years

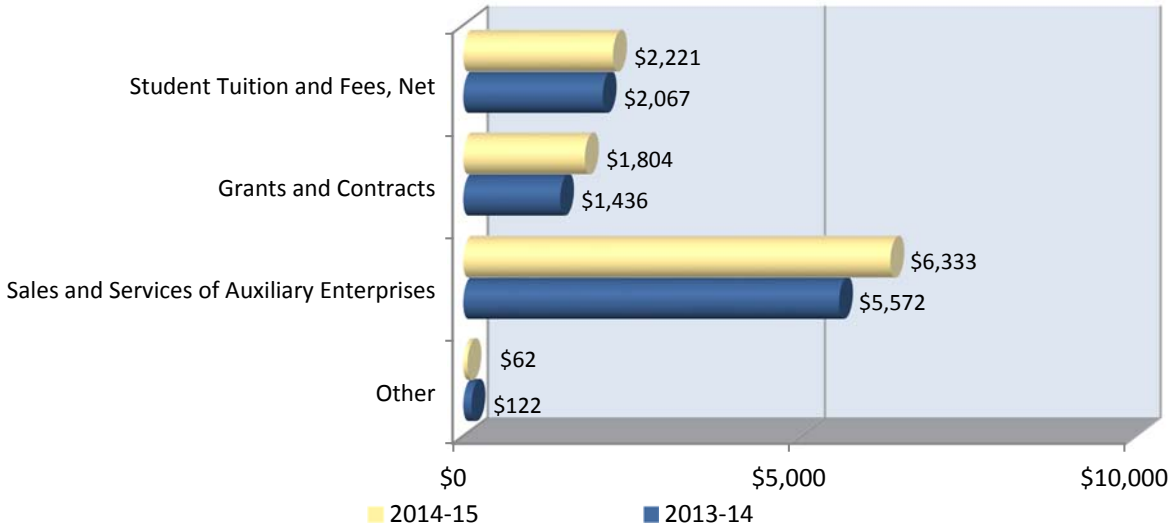
(In Thousands)

	2014-15	2013-14
Student Tuition and Fees, Net	$ 2,221	$ 2,067
Grants and Contracts	1,804	1,436
Sales and Services of Auxiliary Enterprises	6,333	5,572
Other	62	122
Total Operating Revenues	$ 10,420	$ 9,197

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

Operating Revenues:

(In Thousands)



Total operating revenues increased by $1.2 million in the 2014-15 fiscal year due to increases in Federal and nongovernmental grants and contracts by $0.4 million due to an increase in grants and contracts, and $0.8 million in sales and services of auxiliary enterprises primarily due to an increase in meal plan sales and housing revenues.

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.

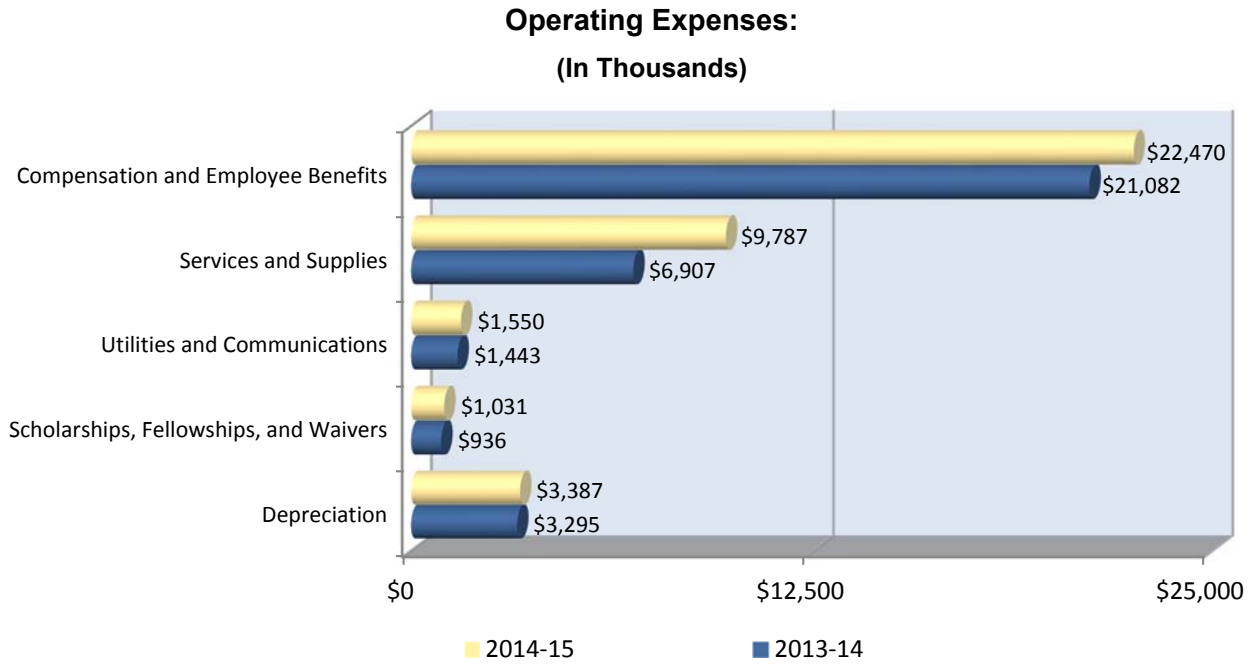
The following summarizes operating expenses by natural classification for the 2014-15 and 2013-14 fiscal years:

Operating Expenses

(In Thousands)

	2014-15	2013-14
Compensation and Employee Benefits	$ 22,470	$ 21,082
Services and Supplies	9,787	6,907
Utilities and Communications	1,550	1,443
Scholarships, Fellowships, and Waivers	1,031	936
Depreciation	3,387	3,295
Total Operating Expenses	$ 38,225	$ 33,663

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



Total operating expenses for the 2014-15 fiscal year were $38.2 million as compared to $33.7 million for the 2013-14 fiscal year, which is a $4.5 million, or 13.6 percent increase. The increase is due to an increase in compensation and employee benefits of $1.4 million and an increase in services and supplies of $2.9 million. Compensation and employee benefits accounted for 58.8 percent of total operating expenses and increased 6.6 percent over the 2013-14 fiscal year. The increase was primarily due to increases in Foundation-related salaries and benefits, pension-related costs, and an across-the-board salary increase, including related benefits. Services and supplies increased 41.7 percent over the 2013-14 fiscal year. This increase was primarily due to increases in materials, supplies, and services related to the meal plan services and renovations to housing facilities.

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, 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):

(In Thousands)

	2014-15	2013-14
State Noncapital Appropriations	$ 19,550	$ 17,959
Federal and State Student Financial Aid	3,168	3,010
Annual Subsidy from Foundation	1,251	1,256
Investment Income	98	224
Other Nonoperating Revenues	5	17
Loss on Disposal of Capital Assets	-	(4)
Interest on Capital Asset-Related Debt	(1,298)	(1,332)
Other Nonoperating Expenses	(63)	(98)
Net Nonoperating Revenues	$ 22,711	$ 21,032

Net nonoperating revenues increased by $1.7 million during the 2014-15 fiscal year. The increase was due mainly to a $1.6 million increase in State noncapital appropriations.

Other Revenues

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

Other Revenues:

(In Thousands)

	2014-15	2013-14
State Capital Appropriations	$ 4,751	$ 2,577
Capital Grants, Contracts, Donations, and Fees	563	72
Total	$ 5,314	$ 2,649

Total other revenue for the 2014-15 fiscal year increased by $2.7 million over the prior fiscal year and was primarily due to an increase in State capital appropriations.

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

Condensed Statement of Cash Flows:

(In Thousands)

	2014-15	2013-14
Cash Provided (Used) by:		
Operating Activities	$ (23,947)	$ (20,386)
Noncapital Financing Activities	23,914	22,147
Capital and Related Financing Activities	(1,654)	178
Investing Activities	1,850	(2,495)
Net Increase (Decrease) in Cash and Cash Equivalents	163	(556)
Cash and Cash Equivalents, Beginning of Year	1,175	1,731
Cash and Cash Equivalents, End of Year	$ 1,338	$ 1,175

Major sources of funds came from State noncapital appropriations ($19.6 million), sales and services of auxiliary enterprises ($6.3 million), Federal and State student financial aid ($3.2 million), net student tuition and fees ($2.2 million), and State capital appropriations ($2.1 million). Major uses of funds were for payments made to and on behalf of employees totaling $22.1 million and payments to suppliers totaling $11.3 million. Changes in cash and cash equivalents were the result of the following factors:

- The increase of $3.6 million in net cash used by operating activities was primarily due to the $2.8 million increase in payments to vendors related to the planned renovations of housing facilities, food service area, and noncapital PECO repair and maintenance.
- Increases in noncapital financing net cash inflows of $1.8 million were primarily due to the $1.6 million increase in State noncapital appropriations.
- The increase of $1.8 million in net cash used by capital and related financing activities was primarily due to a $2.5 million decrease in State capital appropriations and continued spend down of previously appropriated funds.
- Cash inflows by investing activities increased by $4.3 million due to a $4.5 million increase in proceeds from sales and maturity of investments offset by a $0.2 million increase in the purchase of investments.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the College had $121.3 million in capital assets, less accumulated depreciation of $45 million, for net capital assets of $76.3 million. Depreciation charges for the current fiscal year totaled $3.4 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30:

(In Thousands)

	2015	2014
Land	$ 4,562	$ 4,562
Works of Art and Historical Treasures	42	-
Construction in Progress	1,943	428
Buildings	64,379	65,861
Infrastructure and Other Improvements	4,664	4,962
Furniture and Equipment	682	752
Library Resources	-	2
Computer Software	19	24
Capital Assets, Net	$ 76,291	$ 76,591

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

Capital Expenses and Commitments

During the 2014-15 fiscal year, the Legislature approved and appropriated $4.6 million to the College's capital budget. The appropriations were primarily for the Cook Library renovations which totaled $2.8 million, $0.9 million for critical deferred maintenance, and $0.7 million for planning for an addition to the Heiser Natural Science building. The College's major construction commitments at June 30, 2015, are as follows:

	Amount (In Thousands)
Total Committed	$ 4,215
Completed to Date	(1,943)
Balance Committed	$ 2,272

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

Debt Administration

As of June 30, 2015, the College had $27.1 million in outstanding certificates of participation payable, representing a decrease of $0.7 million, or 2.6 percent, from the prior fiscal year.

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 State and national economy continue to have a major impact on the College. State noncapital and capital appropriations for the 2014-15 fiscal year totaled $24.3 million and are the largest sources of funding. The level of recurring State noncapital support included in the budget the Florida Legislature adopted for the 2015-16 fiscal year is about the same level as in the 2014-15 fiscal year. The 2015-16 fiscal year appropriation included $0.5 million in nonrecurring funding.

The College received a total of $2.2 million from the Foundation, during the 2014-15 fiscal year, including $0.5 million in student aid, and $1.7 million in other program support. Included in the $1.7 million of other program support is $0.6 million to subsidize faculty personnel costs. These funds are used to support the College's low student to faculty ratio, a feature that has been crucial to attracting students and increasing enrollment at the College. In the unlikely event the Foundation becomes unable to fund these contributions, losing this funding could adversely impact the College if not offset by additional funding appropriated by the Legislature or generated through increases in student tuition and fees.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Associate Vice President of Finance/Controller, New College of Florida, 5800 Bay Shore Road, Sarasota, Florida, 34243-2109.

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New College of Florida
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	$ 1,337,581	$ 595,185
Restricted Cash and Cash Equivalents	-	2,023,084
Investments	10,186,577	-
Accounts Receivable, Net	418,924	2,955,977
Loans and Notes Receivable, Net	-	2,721,188
Due from State	5,500,514	-
Other Current Assets	53,751	14,101
Total Current Assets	17,497,347	8,309,535
Noncurrent Assets:		
Investments	-	38,867,542
Restricted Investments	169,446	-
Depreciable Capital Assets, Net	69,743,352	845,145
Nondepreciable Capital Assets	6,547,346	180,810
Total Noncurrent Assets	76,460,144	39,893,497
Total Assets	93,957,491	48,203,032
DEFERRED OUTFLOWS OF RESOURCES		
Accumulated Decrease in Fair Value of Hedging Derivatives	3,154,294	-
Deferred Amounts Related to Pensions	2,049,894	-
Total Deferred Outflows of Resources	5,204,188	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	308,538	321,110
Construction Contracts Payable	867,966	-
Salaries and Wages Payable	905,131	-
Deposits Payable	750	-
Unearned Revenue	164,417	-
Other Current Liabilities	323,177	-
Long-Term Liabilities - Current Portion:		
Certificates of Participation Payable	750,000	-
Compensated Absences Payable	144,583	-
Net Pension Liability	76,221	-
Total Current Liabilities	3,540,783	321,110

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

June 30, 2015

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Certificates of Participation Payable	26,358,257	-
Compensated Absences Payable	1,977,896	-
Other Postemployment Benefits Payable	3,360,000	-
Net Pension Liability	3,608,094	-
Other Noncurrent Liabilities	3,154,294	3,408,063
Total Noncurrent Liabilities	38,458,541	3,408,063
Total Liabilities	41,999,324	3,729,173
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	2,680,316	-
NET POSITION		
Net Investment in Capital Assets	49,182,441	1,025,955
Restricted for Nonexpendable:		
Endowment	-	36,433,676
Restricted for Expendable:		
Capital Projects	4,809,701	-
Other	500,765	8,463,277
Unrestricted	(10,868)	(1,449,049)
TOTAL NET POSITION	$ 54,482,039	$ 44,473,859

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

New College of Florida
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 $5,991,011	$ 2,221,173	$ -
Federal Grants and Contracts	238,212	-
Nongovernmental Grants and Contracts	1,565,506	-
Sales and Services of Auxiliary Enterprises ($4,345,773 Pledged for Housing Facility Certificates of Participation)	6,333,248	-
Gifts and Donations	-	4,570,680
Other Operating Revenues	61,792	-
Total Operating Revenues	10,419,931	4,570,680
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	22,469,590	-
Services and Supplies	9,787,298	-
Utilities and Communications	1,549,929	-
Scholarships, Fellowships, and Waivers	1,031,124	-
Depreciation	3,387,380	-
Other Operating Expenses	-	3,548,917
Total Operating Expenses	38,225,321	3,548,917
Operating Income (Loss)	(27,805,390)	1,021,763
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	19,550,300	-
Federal and State Student Financial Aid	3,167,721	-
Annual Subsidy from Foundation	1,251,160	-
Investment Income	97,854	751,376
Other Nonoperating Revenues	5,271	-
Interest on Capital Asset-Related Debt	(1,297,644)	-
Other Nonoperating Expenses	(62,955)	(17,456)
Net Nonoperating Revenues	22,711,707	733,920
Income (Loss) Before Other Revenues	(5,093,683)	1,755,683
State Capital Appropriations	4,751,236	-
Capital Grants, Contracts, Donations, and Fees	562,561	-
Increase in Net Position	220,114	1,755,683
Net Position, Beginning of Year	58,856,743	42,718,176
Adjustment to Beginning Net Position	(4,594,818)	-
Net Position, Beginning of Year, as Restated	54,261,925	42,718,176
Net Position, End of Year	$ 54,482,039	$ 44,473,859

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

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New College of Florida
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	$ 2,246,424
Grants and Contracts	1,794,716
Sales and Services of Auxiliary Enterprises	6,323,354
Payments to Employees	(22,082,679)
Payments to Suppliers for Goods and Services	(11,257,706)
Payments to Students for Scholarships and Fellowships	(1,031,124)
Other Operating Receipts	59,559
Net Cash Used by Operating Activities	(23,947,456)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	19,550,300
Federal and State Student Financial Aid	3,167,721
Noncapital Grants, Contracts, and Donations	1,251,160
Federal Direct Loan Program Receipts	1,698,740
Federal Direct Loan Program Disbursements	(1,698,740)
Other Nonperating Receipts	5,271
Other Nonoperating Disbursements	(61,097)
Net Cash Provided by Noncapital Financing Activities	23,913,355
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,134,255
Capital Grants, Contracts, Donations and Fees	554,299
Purchase or Construction of Capital Assets	(2,332,254)
Principal Paid on Capital Debt	(715,000)
Interest Paid on Capital Debt	(1,295,153)
Net Cash Used by Capital and Related Financing Activities	(1,653,853)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	26,718,739
Purchases of Investments	(25,045,794)
Investment Income	177,113
Net Cash Provided by Investing Activities	1,850,058
Net Increase in Cash and Cash Equivalents	162,104
Cash and Cash Equivalents, Beginning of Year	1,175,477
Cash and Cash Equivalents, End of Year	$ 1,337,581

New College of Florida
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	$ (27,805,390)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,387,380
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	16,413
Other Assets	22,135
Accounts Payable	57,135
Salaries and Wages Payable	74,098
Unearned Revenue	(12,041)
Compensated Absences Payable	12,895
Other Postemployment Benefits Payable	580,000
Net Pension Liability	(1,544,913)
Deferred Outflows of Resources Related to Pensions	(1,415,484)
Deferred Inflows of Resources Related to Pensions	2,680,316
NET CASH USED BY OPERATING ACTIVITIES	$ (23,947,456)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES	
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (79,259)

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 College is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The College is directly governed by a Board of Trustees (Trustees) consisting of thirteen members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The chair of the faculty senate and the president of the student body of the College are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the College, which provide governance in accordance with State law and Board of Governors' Regulations, and selecting the College President. The College President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

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 primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government'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.

Blended Component Unit. Although it is legally separate from the College, the New College of Florida Development Corporation (Development Corporation) is included within the College's reporting entity as a blended component unit, based on the application of the criteria for determining component units. The Development Corporation was created on November 4, 2005, as a not-for-profit Florida corporation under the provisions of Florida Statutes, Chapter 617, and as a direct-support organization of the College. The Development Corporation was established to secure, hold, invest, and administer property and to make expenses for the exclusive benefit of the College. Due to the substantial economic relationship between the Development Corporation and the College, the financial activities of the Development Corporation are included in the College's financial statements. An annual audit of the Development Corporation is conducted by independent certified public accountants and is submitted to the Auditor General and the College Board of Trustees. Additional information on the Development Corporation, including copies of audit reports, is available by contacting the College's Controller's Office.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the New College Foundation, Inc. (Foundation), a direct-support organization (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) is included within the College's reporting entity as a discretely presented component unit. The Statute authorizes the Foundation to receive, hold, invest, and administer property and to make expenses to or for the benefit of the College. This legally separate, not-for-profit corporation is organized and operated

exclusively to fund, in whole or in part, academic programs of New College of Florida by grants that may be negotiated annually.

An annual audit of the Foundation is conducted by independent certified public accountants. Additional information on the College's discretely presented component unit, including copies of audit reports, is available by contacting the College's Controller's Office.

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 universities 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, and related 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 blended 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.

The College's discretely presented component unit uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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

The College's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000 05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered third-party aid.

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. Cash and cash equivalents consist of cash on hand and cash in demand accounts. 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.

Capital Assets. College capital assets consist of land; works of art and historical treasures, construction in progress; buildings, infrastructure and other improvements; furniture and equipment; library resources; 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 $100,000 for new buildings and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 15 to 50 years
- Infrastructure and Other Improvements – 20 years
- Furniture and Equipment – 3 to 15 years
- Library Resources – 5 to 10 years
- Computer Software – 7 years

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of certificates of participation payable, compensated absences payable, other postemployment benefits payable, net pension liability, and other noncurrent liabilities (an interest rate swap) that are not scheduled to be paid within the next fiscal year. Certificates of participation payable are reported net of unamortized discounts. The College amortizes debt discounts over the life of the debt using the straight-line method.

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

2. Reporting Change

The College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The College participates in the FRS defined benefit pension plan and the HIS defined benefit 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 $4,594,818 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 shown below. This deficit can be attributed primarily to the inclusion of the pay-as-you-go liabilities of other postemployment benefits payable, compensated absences payable, and net pension liabilities in the current unrestricted fund.

Fund	Net Position
Current Funds - Unrestricted	$ (2,438,876)
Auxiliary Funds	2,428,008
Total	$ (10,868)

5. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The 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. Pursuant to Section 218.415(16), Florida Statutes, the College is authorized to invest in the Florida PRIME investment pool administered by the 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 in 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.

The College's investments at June 30, 2015, are reported at fair value, as follows:

Investment Type	Amount
External Investment Pools:	
State Treasury Special Purpose Investment Account	$ 10,354,721
SBA Florida Prime	1,302
Total College Investments	$ 10,356,023

External Investment Pools

The College reported investments at fair value totaling $10,354,721 at June 30, 2015, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.67 years and fair value factor of 1.0013 at June 30, 2015. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2015, the College reported investments totaling $1,302 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission

Rule 2a7-like external investment pool are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 34 days as of June 30, 2015. A portfolio's WAM reflects the average maturity in days, based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

Component Unit Investments

Investments held by the College's discretely presented component unit at June 30, 2015, are reported at fair value as follows:

Investment Type	Amount
Fixed-Income Mutual Funds	$ 9,932,076
Equity Mutual Funds	25,966,523
Other	2,968,943
Total Component Unit Investments	$ 38,867,542

6. Receivables

Accounts Receivable. Accounts receivable represent amounts for contract and grant reimbursements due from third parties, student tuition and fees, and various sales and services provided to students and third parties. As of June 30, 2015, the College reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	$ 7,674
Contracts and Grants	208,367
Auxiliary Services	80,941
Other	141,000
Total Accounts Receivable	437,982
Less: Allowance for Uncollectible Accounts	19,058
Net, Accounts Receivable	$ 418,924

Allowance for Doubtful Receivables. Allowances for doubtful accounts is reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable are reported net of allowances of $19,058 at June 30, 2015.

No allowance has been accrued for contracts and grants receivable. College management considers these to be fully collectible.

7. Due From State

The amount due from State consists of $5,500,514 of Public Education Capital Outlay allocations due from the State to the College for construction of College facilities.

8. 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	$ 4,561,975	$ -	$ -	$ 4,561,975
Works of Art and Historical Treasures	-	42,340	-	42,340
Construction in Progress	427,604	1,943,031	427,604	1,943,031
Total Nondepreciable Capital Assets	$ 4,989,579	$ 1,985,371	$ 427,604	$ 6,547,346
Depreciable Capital Assets:				
Buildings	$ 101,774,113	$ 1,215,784	$ -	$ 102,989,897
Infrastructure and Other Improvements	5,990,694	-	-	5,990,694
Furniture and Equipment	4,894,819	313,411	36,040	5,172,190
Library Resources	484,367	-	-	484,367
Computer Software	103,897	-	-	103,897
Total Depreciable Capital Assets	113,247,890	1,529,195	36,040	114,741,045
Less, Accumulated Depreciation:				
Buildings	35,912,797	2,697,680	-	38,610,477
Infrastructure and Other Improvements	1,028,622	298,564	-	1,327,186
Furniture and Equipment	4,142,733	383,973	36,040	4,490,666
Library Resources	482,834	1,489	-	484,323
Computer Software	79,367	5,674	-	85,041
Total Accumulated Depreciation	41,646,353	3,387,380	36,040	44,997,693
Total Depreciable Capital Assets, Net	$ 71,601,537	$ (1,858,185)	$ -	$ 69,743,352

9. Unearned Revenue

Unearned revenue at June 30, 2015, includes contracts and grants revenue and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2015, the College reported the following amounts as unearned revenue:

Description	Amount
Contracts and Grants	$ 86,649
Student Tuition and Fees	77,768
Total Unearned Revenue	$ 164,417

10. Deferred Outflow / Inflow of Resources

The College's blended component unit (Development Corporation) entered into an interest rate swap agreement in connection with its $30 million certificates of participation issuance to manage the risk of rising interest rates on its variable rate-based debt. Deferred outflows of resources includes the effect of deferring accumulated decreases in fair value of a hedging derivative related to this interest rate swap

agreement. The other noncurrent liabilities section of Note 11 below includes a complete discussion of the swap agreement.

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Total deferred outflows of pension resources were $2,049,894 and total deferred inflows of resources related to pensions were $2,680,316 for the fiscal year ended June 30, 2015. Note 12 includes a complete discussion of defined benefit pension plans.

11. Long-Term Liabilities

Long-term liabilities of the College at June 30, 2015, include certificates of participation payable, compensated absences payable, other postemployment benefits payable, net pension liability, and other noncurrent liabilities (an interest rate swap). Long-term liabilities activity for the fiscal year ended June 30, 2015, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Certificates of Participation Payable	$ 27,820,765	$ 2,492	$ 715,000	$ 27,108,257	$ 750,000
Compensated Absences Payable	2,109,584	189,768	176,873	2,122,479	144,583
Other Postemployment Benefits Payable	2,780,000	650,000	70,000	3,360,000	-
Net Pension Liability (1)	5,229,228	1,769,813	3,314,726	3,684,315	76,221
Other Noncurrent Liabilities	3,290,953	-	136,659	3,154,294	-
Total Long-Term Liabilities	$ 41,230,530	$ 2,612,073	$ 4,413,258	$ 39,429,345	$ 970,804

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

Certificates of Participation. On April 7, 2006, the Development Corporation issued variable rate Certificates of Participation (COPS), Series 2006, in the amount of $30,110,000. The proceeds were used to finance the acquisition, construction, and equipping of five new residence halls containing approximately 200 new student beds, the renovation and improvement of three existing residence halls (Johnson, Bates, and Rothenberg), comprising the Pei complex, and renovation and improvement to the Hamilton Center, the student activities center.

In April of 2012, the Development Corporation, through resolution of the Board, restructured the existing variable rate COPS as allowed under the master trust indenture. The existing COPs were restructured as a non-bank qualified tax exempt variable facility (New College of Florida Development Corporation, Series 2012 Conversion). The interest rate is 77 percent of the sum of the 30 day London Interbank Offered Rate plus 185 basis points. The revised agreement is for 10 years, with an option to extend for an additional 10 years. However, the existing maturity and principal payment requirements pursuant to the original 2006 debt issuance were not restructured.

As a condition of the financing arrangement, the College entered into a Master Ground and Operating Lease Agreement with the New College of Florida Property Corporation (a component unit of the Development Corporation) which assigned all of its interest in the lease to the Development Corporation. The property covered by the Master Ground lease together with the improvement thereon is leased back by the College to manage and operate through the Master Operating Lease and Facilities Sublease and

Management Agreement. The payments on the lease are equal to the annual debt service requirements of the related bond debt and operating costs of the Development Corporation. The lease will terminate on the date the certificates and any related obligations are paid in full. Revenues from student resident facilities are pledged to pay rent to the Development Corporation or its assignees equal to the debt service on the long-term debt and any operating costs. During the 2014-15 fiscal year, student housing revenue totaled $4,345,773.

Principal and interest payment requirements on the COPs outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2016	$ 750,000	$ 1,268,536	$ 2,018,536
2017	785,000	1,227,468	2,012,468
2018	820,000	1,188,189	2,008,189
2019	855,000	1,147,233	2,002,233
2020	890,000	1,107,628	1,997,628
2021-2025	5,110,000	4,812,978	9,922,978
2026-2030	6,360,000	3,413,638	9,773,638
2031-2035	7,910,000	1,673,842	9,583,842
2036-2037	3,680,000	90,301	3,770,301
Subtotal	27,160,000	15,929,813	43,089,813
Less: Discounts	(51,743)	-	(51,743)
Total	$ 27,108,257	$ 15,929,813	$ 43,038,070

Other Noncurrent Liabilities. Other noncurrent liabilities is the liability for an interest rate swap agreement. To protect against the potential of rising interest rates, the Development Corporation entered into an interest rate swap agreement at the time the COPs were issued. The intention of the swap was to effectively change the variable interest rate on the COPs to a synthetic fixed rate. In April of 2012, the existing swap agreement was amended to match the terms of the restructured debt. The details of the swap at June 30, 2015, are shown in the following table:

Amount	Effective Date	Termination Date	Fixed Rate	Variable Rate	Counterparty Credit Rating
$ 27,160,000	4-09-12	4-01-22	4.7245% (1)	(2)	BBB+ (3)

Notes: (1) 77 percent of 30 day LIBOR fixed at 3.30 percent, plus 77 percent of 1.85 percent equaling 1.4245 percent. The sum of these two components total an effective fixed rate of 4.7245 percent.

(2) 77 percent of 30 day LIBOR plus 185 basis points.

(3) Rated by Standard & Poor's.

The Development Corporation pays the variable rate interest quarterly and then either pays the swap interest expense or receives a swap payment to effectively fix the rate.

Fair Value: Because interest rates have decreased, the swap had a negative fair value as of June 30, 2015. The negative fair value may be countered by reductions in total interest payments required under the variable rate COPs, creating lower synthetic interest rates. Because the coupons on the Development Corporation variable-rate COPs adjust to changing interest rates, the COPs do not

have corresponding fair value increases. The fair value estimate is provided to the Development Corporation by a financial institution known to be a high value participant in this market. The Development Corporation has requested the fair value of its swap agreement be determined, although it has no intention of selling the agreement and has the ability to hold and meet the swap obligation. At June 30, 2015, the negative fair value of the swap agreement held by the Development Corporation was $3,154,294.

Credit Risk: As of June 30, 2015, the Development Corporation was not exposed to credit risk on its outstanding swap because of the negative fair value. However, should interest rates change and the fair value of the swap agreement becomes positive, the Development Corporation would be exposed to credit risk in the amount of the derivative's fair value.

Termination Risk: The Development Corporation or the counterparty may terminate the swap agreement if the other party fails to perform under the terms of the contract. If the swap agreement is terminated, the associated variable-rate bonds would no longer carry synthetic fixed interest rates. Also, if at the time of the termination the swap agreement has a negative fair value, the Development Corporation would be liable to the counterparty for a payment equal to the fair value of the swap agreement.

Rollover Risk: The Development Corporation is exposed to rollover risk on the swap since it matures prior to the associated debt. When the swap terminates, the Development Corporation will not realize the synthetic rate offered by the agreement.

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, College regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. 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 $2,122,479. The current portion of the compensated absences liability, $144,583, is the amount expected to be paid in the coming fiscal year, and is based on actual payouts for the last three years calculated as a percentage of those years' total compensated absences 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 certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the College are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined benefit plan (Plan). 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. Retirees are required to enroll in the Federal Medicare program

for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information 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 benefits and contributions can be amended by the Florida Legislature. The State has not advance-funded other postemployment benefit (OPEB) costs or the net OPEB obligation. Premiums necessary for funding the Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the General Appropriations Act. For the 2014-15 fiscal year, 20 retirees received postemployment healthcare benefits. The College provided required contributions of $70,000 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $147,000, which represents 1 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)	$ 389,000
Amortization of Unfunded Actuarial Accrued Liability	222,000
Interest on Normal Cost and Amortization	24,000
Annual Required Contribution	635,000
Interest on Net OPEB Obligation	111,000
Adjustment to Annual Required Contribution	(96,000)
Annual OPEB Cost (Expense)	650,000
Contribution Toward the OPEB Cost	(70,000)
Increase in Net OPEB Obligation	580,000
Net OPEB Obligation, Beginning of Year	2,780,000
Net OPEB Obligation, End of Year	$ 3,360,000

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012-13	$ 544,000	13.2%	$ 2,155,000
2013-14	696,000	10.2%	2,780,000
2014-15	650,000	10.8%	3,360,000

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $7,028,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $7,028,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $15,235,317 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 46.1 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 entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2015, and the College's 2014-15 fiscal year ARC. This method was selected because it is the same method used for the valuation of the Florida Retirement System. 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 and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.21 percent, 7.89 percent, and 7.59 percent for the first 3 years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 6.95 percent, 7.64 percent, and 7.75 percent for the first 3 years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 5 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2015, was 22 years.

Net Pension Liability. As a participating employer in the Florida Retirement System, the College recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2015, the College's proportionate share of the net pension liabilities totaled $3,684,315. Note 12 includes a complete discussion of defined benefit pension plans.

12. Retirement Plans – Defined Benefit Pension Plan

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 employed by the State and faculty and specified employees in the State university system.

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 pension expense totaled $470,474 for the 2014-15 fiscal year for the FRS Pension Plan and the HIS Pension Plan.

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* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of 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 credit service. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Special Risk Regular	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00
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:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	7.37
FRS, Senior Management Service	3.00	21.14
FRS, Special Risk	3.00	19.82
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 $656,496 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 $1,549,271 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 0.025391772 percent, which was an increase of 0.00552773 percent from its proportionate share measured as of June 30, 2013.

For the year ended June 30, 2015, the College recognized pension expense of $297,456. 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	$ -	$ 95,874
Change of assumptions	268,308	-
Net difference between projected and actual earnings on FRS pension plan investments	-	2,584,442
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	800,525	-
College FRS contributions subsequent to the measurement date	656,496	-
Total	$ 1,725,329	$ 2,680,316

The deferred outflows of resources related to pensions totaling $656,496, resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the 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	$ (462,533)
2017	(462,533)
2018	(462,533)
2019	(462,533)
2020	183,576
Thereafter	55,073
Total	$ (1,611,483)

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	$ 6,626,440	$ 1,549,271	$ (2,673,964)

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

Payables to the Pension Plan. At June 30, 2015, the College reported a payable of $43,893 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2015.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by $5. The payments are at least $30 but not more than $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan 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 $94,060 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2015, the College reported a liability of $2,135,044 for its proportionate share of the HIS Plan's net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within 1 year, net of the College's proportionate share of the pension 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 0.022834094 percent, which was an increase of 0.002047544 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 $173,018. In addition, the College reported deferred outflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources
Change of assumptions	$ 75,973
Net difference between projected and actual earnings on HIS pension plan investments	1,025
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	153,507
College contributions subsequent to the measurement date	94,060
Total	$ 324,565

The deferred outflows of resources totaling $94,060 was related to pensions resulting from College contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2016	$ 37,269
2017	37,269
2018	37,269
2019	37,269
2020	37,014
Thereafter	44,415
Total	$ 230,505

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	4.29 percent

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

While an experience study had not been completed for the 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	$ 2,428,439	$ 2,135,044	$ 1,890,142

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 University 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 Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2014-15 fiscal year were 6.3 percent of gross compensation for the FRS regular class.

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.

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 $165,287 for the fiscal year ended June 30, 2015.

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in 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 university 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 administrative costs, less a small amount used to cover administrative costs, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the College to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The College's contributions to the Program totaled $599,734 and employee contributions totaled $422,123 for the 2014-15 fiscal year.

14. Construction Commitments

The College's major construction commitments at June 30, 2015, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Library - HVAC/Air Conditioning	$ 2,853,084	$ 1,234,653	$ 1,618,431
Natural Sciences - HVAC	775,391	210,400	564,991
Hydronic Piping Replacement	492,802	490,127	2,675
Palmer B - Roof/HVAC	94,041	7,851	86,190
Total	$ 4,215,318	$ 1,943,031	$ 2,272,287

15. Operating Lease Commitments

The College leased land under an operating lease, which expires in 2056. This leased asset and the related commitments are not reported on the College's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from this lease agreement are contingent upon future appropriations. The lease is between New College of Florida and the Sarasota-Manatee Airport Authority. Every fifth year the annual lease payment is adjusted based on the Consumer Price Index. Future minimum lease commitments for this noncancelable operating lease are as follows:

Fiscal Year Ending June 30	Amount
2016	$ 93,541
2017	93,541
2018	93,541
2019	93,541
2020	93,541
2021-2025	467,705
2026-2030	467,705
2031-2035	467,705
2036-2040	467,705
2041-2045	467,705
2046-2050	467,705
2051-2055	467,705
2056	93,541
Total Minimum Payments Required	$ 3,835,181

16. 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. Pursuant to Section 1001.72(2), Florida Statutes, the College participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2014-15 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $54 million for named windstorm and flood losses. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person, and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

Pursuant to Section 110.123, Florida Statutes, College employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

17. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, research, 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 research and 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	$ 9,998,434
Research	636,425
Academic Support	2,547,170
Student Services	3,576,091
Institutional Support	6,046,556
Operation and Maintenance of Plant	4,161,289
Scholarships, Fellowships, and Waivers	1,031,124
Depreciation	3,387,380
Auxiliary Enterprises	6,840,852
Total Operating Expenses	$ 38,225,321

18. Blended Component Unit

The College has one blended component unit as discussed in Note 1. The following financial information is presented net of eliminations for the College's blended component unit:

Condensed Statement of Net Position

	New College of Florida Development Corporation	College	Eliminations	Total
Assets:				
Due From College/ Blended CU	$ 3,444,741	$ -	$ (3,444,741)	$ -
Other Current Assets	1,682,274	17,497,347	(1,682,274)	17,497,347
Capital Assets, Net	-	76,290,698	-	76,290,698
Other Noncurrent Assets	22,605,608	169,446	(22,605,608)	169,446
Total Assets	27,732,623	93,957,491	(27,732,623)	93,957,491
Deferred Outflows of Resources	3,154,294	2,049,894	-	5,204,188
Liabilities:				
Due To College/ Blended CU	-	3,444,741	(3,444,741)	-
Other Current Liabilities	1,073,177	2,467,606	-	3,540,783
Noncurrent Liabilities	29,512,551	33,233,872	(24,287,882)	38,458,541
Total Liabilities	30,585,728	39,146,219	(27,732,623)	41,999,324
Deferred Inflows of Resources	-	2,680,316	-	2,680,316
Net Position:				
Net Investment in Capital Assets	-	49,182,441	-	49,182,441
Restricted - Expendable	301,189	5,009,277	-	5,310,466
Unrestricted	-	(10,868)	-	(10,868)
Total Net Position	$ 301,189	$ 54,180,850	$ -	$ 54,482,039

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

	New College of Florida Development Corporation	College	Eliminations	Total
Operating Revenues	$ 1,312,872	$ 9,107,059	$ -	$ 10,419,931
Depreciation Expense	-	(3,387,380)	-	(3,387,380)
Other Operating Expenses	(17,819)	(34,820,122)	-	(34,837,941)
Operating Income (Loss)	1,295,053	(29,100,443)	-	(27,805,390)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	-	24,072,306	-	24,072,306
Interest Expense	(1,297,644)	-	-	(1,297,644)
Other Nonoperating Expense	-	(62,955)	-	(62,955)
Net Nonoperating Revenues (Expenses)	(1,297,644)	24,009,351	-	22,711,707
Other Revenues	-	5,313,797	-	5,313,797
Increase (Decrease) in Net Position	(2,591)	222,705	-	220,114
Net Position, Beginning of Year	303,780	58,552,963	-	58,856,743
Adjustment to Beginning Net Position (1)	-	(4,594,818)	-	(4,594,818)
Net Position, Beginning of Year, as Restated	303,780	53,958,145	-	54,261,925
Net Position, End of Year	$ 301,189	$ 54,180,850	$ -	$ 54,482,039

Note (1): Adjustment due to implementation of GASB Statement No. 68.

Condensed Statement of Cash Flows

	New College of Florida Development Corporation	College	Eliminations	Total
Net Cash Provided (Used) by:				
Operating Activities	$ 2,016,998	$(25,964,454)	$ -	$(23,947,456)
Noncapital Financing Activities	-	23,913,355	-	23,913,355
Capital and Related Financing Activities	(2,018,678)	364,825	-	(1,653,853)
Investing Activities	-	1,850,058	-	1,850,058
Net Increase (Decrease) in Cash and Cash Equivalents	(1,680)	163,784	-	162,104
Cash and Cash Equivalents, Beginning of Year	1,680	1,173,797	-	1,175,477
Cash and Cash Equivalents, End of Year	$ -	$ 1,337,581	$ -	$ 1,337,581

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	$ -	$ 4,409,000	$ 4,409,000	0%	$ 13,286,081	33.2%
7/1/2011	-	5,575,000	5,575,000	0%	13,419,429	41.5%
7/1/2013	-	7,028,000	7,028,000	0%	14,126,788	49.7%

Note: (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.

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

	2014 (1)	**2013** (1)
College's proportion of the FRS net pension liability	0.025391772%	0.019864042%
College's proportionate share of the FRS net pension liability	$ 1,549,271	$ 3,419,486
College's covered-employee payroll (2)	$ 14,276,629	$ 13,288,324
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	10.85%	25.73%
FRS Plan fiduciary net position as a percentage of the FRS 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, State university system optional retirement program members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of College Contributions – Florida Retirement System Pension Plan

	2015 (1)	**2014** (1)
Contractually required FRS contribution	$ 656,496	$ 556,188
FRS contributions in relation to the contractually required contribution	(656,496)	(556,188)
FRS contribution deficiency (excess)	$ -	$ -
College's covered-employee payroll (2)	$ 15,302,021	$ 14,276,629
FRS contributions as a percentage of covered-employee payroll	4.29%	3.90%

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, State university system optional retirement program members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

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

	2014 (1)	**2013** (1)
College's proportion of the HIS net pension liability	0.022834094%	0.020786550%
College's proportionate share of the HIS net pension liability	$ 2,135,044	$ 1,809,742
College's covered-employee payroll (2)	$ 6,641,607	$ 6,011,544
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	32.15%	30.10%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	0.99%	1.78%

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

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

Schedule of College Contributions –
Health Insurance Subsidy Pension Plan

	2015 (1)	**2014** (1)
Contractually required HIS contribution	$ 94,060	$ 78,222
HIS contributions in relation to the contractually required HIS contribution	(94,060)	(78,222)
HIS contribution deficiency (excess)	$ -	$ -
College's covered-employee payroll (2)	$ 7,215,699	$ 6,641,607
HIS contributions as a percentage of covered-employee payroll	1.30%	1.18%

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Schedule of Funding Progress – Other Postemployment Benefits Plan

The July 1, 2013, unfunded actuarial accrued liability of $7,028,000 was significantly higher than the July 1, 2011, liability of $5,575,000 primarily as a result of a lower than expected increase in retiree contribution rates, an implicit subsidy resulting from less than the full cost of coverage now being paid by participants in four HMO plans, changes in demographic data and assumptions, and certain trend assumptions.

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

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

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 4.63 percent to 4.29 percent.

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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 New College of Florida, 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 16, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and discretely presented component units, 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.

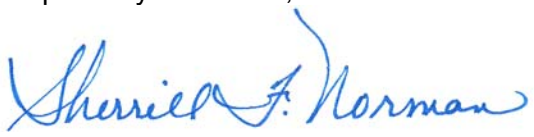
Compliance and Other Matters

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 16, 2016