STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2017-156
March 2017

FLORIDA STATE COLLEGE AT JACKSONVILLE

For the Fiscal Year Ended
June 30, 2016

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2015-16 fiscal year, Dr. Cynthia A. Bioteau served as President of Florida State College at Jacksonville and the following individuals served as Members of the Board of Trustees:

	County
Jim L. Mayo, Chair from 8-11-15	Nassau
Randle P. DeFoor, Vice Chair [a]	Duval
Candace T. Holloway, Vice Chair [a] from 8-11-15	Nassau
Thomas J. Majdanics, Chair to 8-10-15	Duval
Dr. Patricia F. White, Vice Chair to 8-10-15	Nassau
Karen E. Bowling	Duval
Latasha A. Fullwood	Duval
Thomas R. McGehee, Jr.	Duval
Vacant	Duval

[a] The Vice Chairs serve with equal rank and status on the Board. The purpose of the dual office is to assure leadership representation from each of the two counties served by the College.

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 Donald D. Hemmingway, CPA, and the audit was supervised by Randy R. Arend, CPA.

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

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FLORIDA STATE COLLEGE AT JACKSONVILLE

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Florida State College at Jacksonville (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 Florida State College at Jacksonville 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, 2016. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

AUDIT METHODOLOGY

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

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
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 Florida State College at Jacksonville, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida State College at Jacksonville and of its discretely presented component unit as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

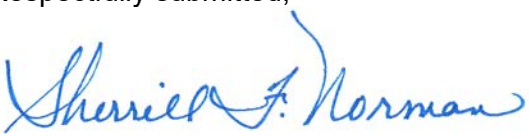
Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement 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 dated March 15, 2017, on our consideration of the Florida State College at Jacksonville'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 the Florida State College at Jacksonville's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

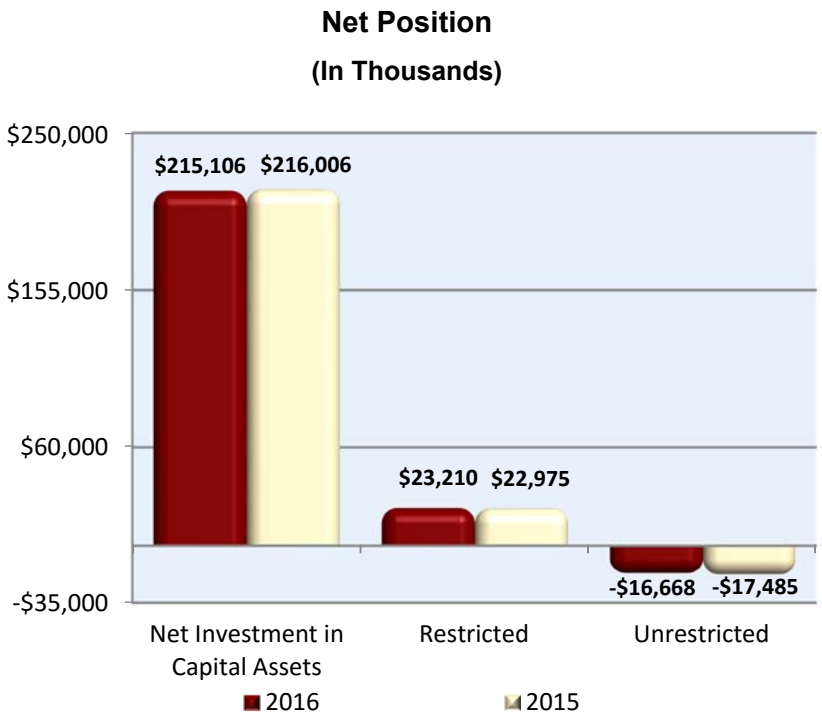
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2016, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2016, and June 30, 2015.

FINANCIAL HIGHLIGHTS

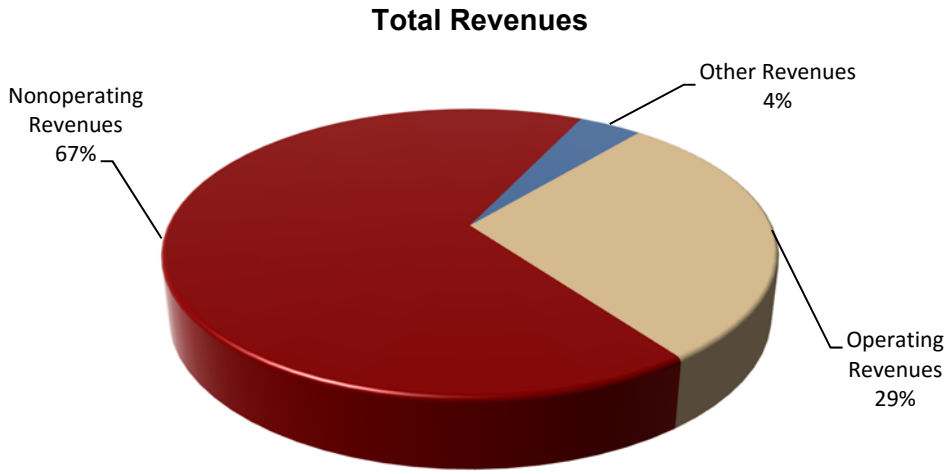
The College's assets totaled $288.1 million at June 30, 2016. This balance reflects a $0.1 million, or less than 1 percent, decrease as compared to the 2014-15 fiscal year, resulting primarily from a decrease in noncurrent investments offset by an increase in due from other governmental agencies for Federal student financial aid reimbursements. Liabilities increased by $12.7 million, or 22.3 percent, totaling $69.7 million at June 30, 2016, compared to $57 million at June 30, 2015. The growth in liabilities is the result of increases in net pension liability of $11.8 million and accounts payable of $2.3 million. The increase in liabilities was partially offset by a decrease of $11.1 million in deferred inflows of resources and an increase of $1.9 million in deferred outflows of resources. The College's net position increased by $0.2 million, resulting in a year-end balance of $221.6 million.

The College's operating revenues totaled $54 million for the 2015-16 fiscal year, representing a 3.5 percent increase compared to the 2014-15 fiscal year due mainly to increases in student tuition and fees, net of scholarship allowance, and other revenues. Operating expenses totaled $187.2 million for the 2015-16 fiscal year, representing a decrease of 3.8 percent as compared to the 2014-15 fiscal year.

Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College reported a deficit unrestricted net position of $16.7 million at June 30, 2016, as a result of recording long-term liabilities that will be financed and paid from future unrestricted appropriations. The College's comparative total net position by category for the fiscal years ended June 30, 2016, and June 30, 2015, is shown in the following graph:



The following chart provides a graphical presentation of College revenues by category for the 2015-16 fiscal year:



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 unit, Florida State College at Jacksonville Foundation, Inc. (Foundation). Based on the application of the criteria for determining component units, the Foundation is included within the College reporting entity as a 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)

	2016	2015
Assets		
Current Assets	$ 20,803	$ 16,730
Capital Assets, Net	216,672	218,200
Other Noncurrent Assets	50,577	53,271
Total Assets	288,052	288,201
Deferred Outflows of Resources	11,259	9,326
Liabilities		
Current Liabilities	10,127	7,325
Noncurrent Liabilities	59,600	49,673
Total Liabilities	69,727	56,998
Deferred Inflows of Resources	7,936	19,033
Net Position		
Net Investment in Capital Assets	215,106	216,006
Restricted	23,210	22,975
Unrestricted	(16,668)	(17,485)
Total Net Position	$ 221,648	$ 221,496

Total assets remained relatively consistent with the prior fiscal year. The increases of $1.9 million in deferred outflows of resources and $12.7 million in total liabilities, and the decrease of $11.1 million in deferred inflows of resources, are primarily due to pension activity during the 2015-16 fiscal year. The College's ending net position remained relatively consistent with the prior fiscal year, increasing only $0.2 million, or less than 1 percent.

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 2015-16 and 2014-15 fiscal years:

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

(In Thousands)

	2015-16	2014-15
Operating Revenues	$ 54,020	$ 52,170
Less, Operating Expenses	187,180	194,499
Operating Loss	(133,160)	(142,329)
Net Nonoperating Revenues	125,847	128,883
Loss Before Other Revenues	(7,313)	(13,446)
Other Revenues	7,465	7,238
Net Increase (Decrease) In Net Position	152	(6,208)
Net Position, Beginning of Year	221,496	271,687
Adjustment to Beginning Net Position (1)	-	(43,983)
Net Position, Beginning of Year, as Restated	221,496	227,704
Net Position, End of Year	$ 221,648	$ 221,496

Note: (1) Adjustment to beginning net position is 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 employer's proportionate share of the net pension liability of the defined benefit pension plans.

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2015-16 and 2014-15 fiscal years:

Operating Revenues
For the Fiscal Years

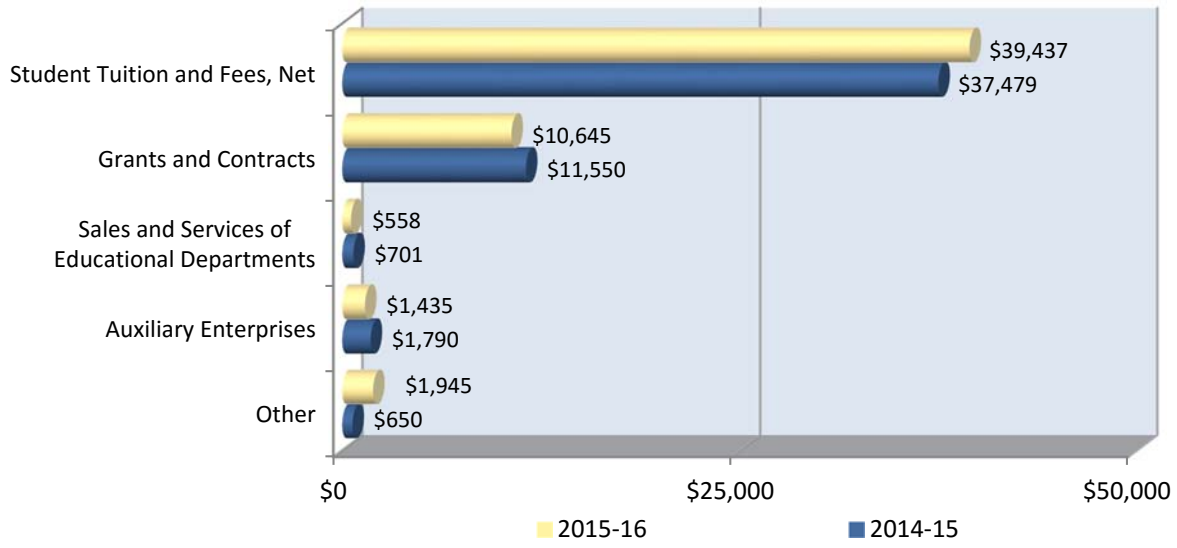
(In Thousands)

	2015-16	2014-15
Student Tuition and Fees, Net	$ 39,437	$ 37,479
Grants and Contracts	10,645	11,550
Sales and Services of Educational Departments	558	701
Auxiliary Enterprises	1,435	1,790
Other	1,945	650
Total Operating Revenues	$ 54,020	$ 52,170

The following chart presents the College's operating revenues for the 2015-16 and 2014-15 fiscal years:

Operating Revenues

(In Thousands)



College operating revenue changes were primarily the result of increases in student tuition and fees, net of scholarship allowances, and other operating revenues. Student tuition and fees, net of scholarship allowances, increased $2 million, or 5.2 percent compared to the prior fiscal year. Although student enrollment and student tuition and fee revenues decreased slightly, the increase was primarily due to a $2.5 million decrease in scholarship allowances. Other operating revenues increased $1.3 million primarily from revenues related to a new agreement to lease the College's excess educational broadband service capacity for providing commercial wireless broadband service.

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.

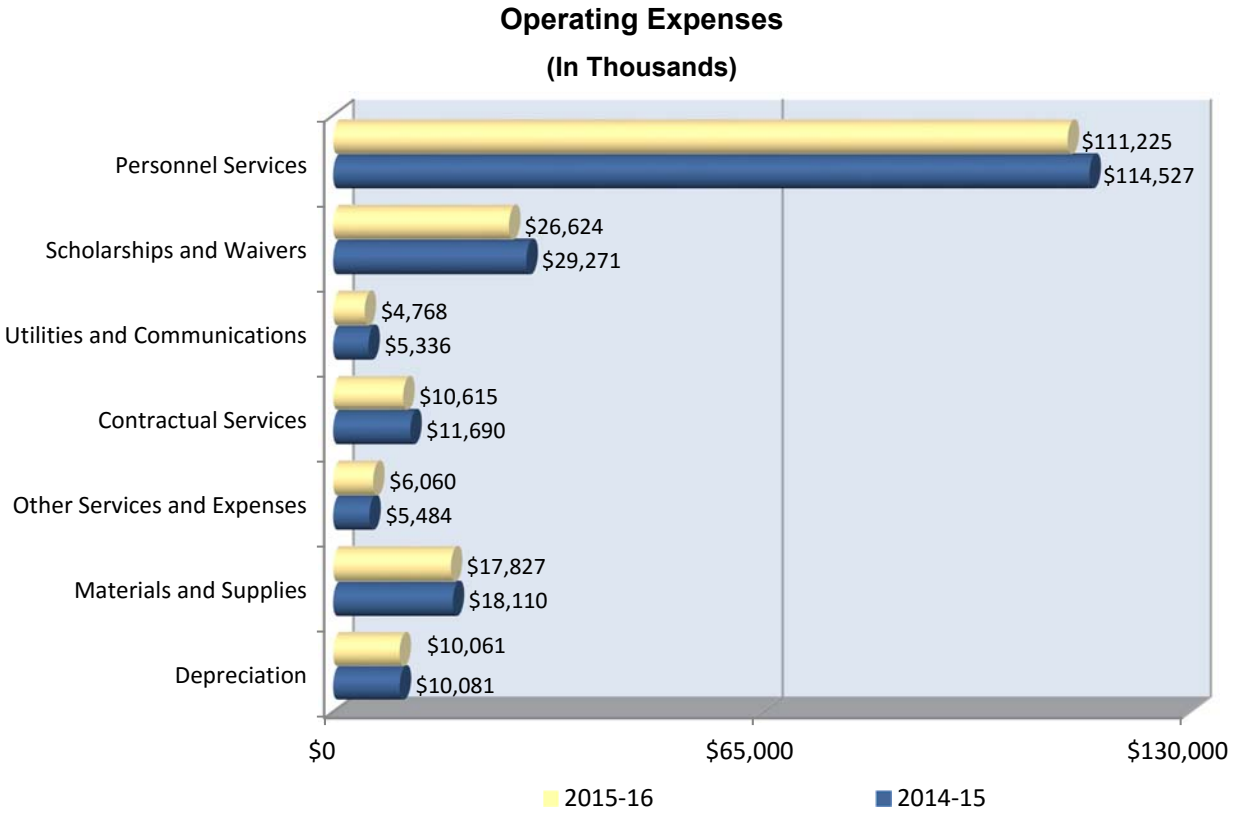
The following summarizes operating expenses by natural classification for the 2015-16 and 2014-15 fiscal years:

Operating Expenses
For the Fiscal Years

(In Thousands)

	2015-16	2014-15
Personnel Services	$ 111,225	$ 114,527
Scholarships and Waivers	26,624	29,271
Utilities and Communications	4,768	5,336
Contractual Services	10,615	11,690
Other Services and Expenses	6,060	5,484
Materials and Supplies	17,827	18,110
Depreciation	10,061	10,081
Total Operating Expenses	$ 187,180	$ 194,499

The following chart presents the College's operating expenses for the 2015-16 and 2014-15 fiscal years:



College operating expense decreased $7.3 million, or 3.8 percent, primarily as a result of decreases in personnel services expenses of $3.3 million and scholarships and waivers expenses of $2.6 million. The decrease in personnel services expenses was mainly related to a decrease in employee benefits expenses for pensions and compensated absences, and the decrease in scholarships and waivers expenses was mainly related to a decrease in student enrollment.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2015-16 and 2014-15 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2015-16	2014-15
State Noncapital Appropriations	$ 78,591	$ 77,363
Federal and State Student Financial Aid	45,702	50,220
Gifts and Grants	331	266
Investment Income	1,339	930
Other Nonoperating Revenues	17	171
Gain (Loss) on Disposal of Capital Assets	(17)	27
Interest on Capital Asset-Related Debt	(116)	(94)
Net Nonoperating Revenues	$ 125,847	$ 128,883

The decrease in net nonoperating revenues was primarily due to the decrease in Federal and State student financial aid revenues of $4.5 million.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2015-16 and 2014-15 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2015-16	2014-15
State Capital Appropriations	$ 2,629	$ 2,258
Capital Grants, Contracts, Gifts, and Fees	4,836	4,980
Total	$ 7,465	$ 7,238

The increase in other revenues was primarily due to an increase in State Public Educational Capital Outlay appropriations for maintenance and renovations of College facilities.

The Statement of Cash Flows

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the

operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes the College's cash flows for the 2015-16 and 2014-15 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2015-16	2014-15
Cash Provided (Used) by:		
Operating Activities	$ (125,082)	$ (138,421)
Noncapital Financing Activities	120,454	128,554
Capital and Related Financing Activities	63	(3,289)
Investing Activities	6,640	(926)
Net Increase (Decrease) in Cash and Cash Equivalents	2,075	(14,082)
Cash and Cash Equivalents, Beginning of Year	2,354	16,436
Cash and Cash Equivalents, End of Year	$ 4,429	$ 2,354

Major sources of funds came from State noncapital appropriations ($78.6 million), Federal Direct Loan program receipts ($52.9 million), Federal and State student financial aid ($43.7 million), net student tuition and fees ($38.6 million), grants and contracts ($10.6 million), and capital grants and gifts ($5.5 million). Major uses of funds were for payments to employees ($89.6 million), Federal Direct Loan program disbursements ($55 million), payments to suppliers ($33.9 million), payments for scholarships ($26.6 million), payments for employee benefits ($23.4 million), and payments for acquisition of capital assets ($7.6 million).

The College's overall cash and cash equivalents increased $2.1 million, or 88.2 percent, as compared to the prior fiscal year. Changes in cash and cash equivalents were the result of the following factors:

- Operating activities used $13.3 million less in cash as compared to the prior year. The decrease was primarily the result of decreases in payments to employees of $7.2 million, in scholarships of $2.6 million and in payments to suppliers of $2 million, and an increase in other receipts of $1.1 million.
- Noncapital financing activities provided $8.1 million less cash as compared to the prior fiscal year. The decrease was primarily the result of reduction in Federal and State student financial aid receipts of $6.5 million.
- Capital and related financing activities provided $3.4 million more in cash as compared to the prior fiscal year. The increase was primarily the result of a $5.3 million decrease in payments for capital assets, offset by a $2.5 million increase in State appropriations.
- Investing activities provided $7.6 million more in cash as compared to the prior fiscal year. The increase resulted from increased receipts from sales and maturities of investments.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the College had $386.2 million in capital assets, less accumulated depreciation of $169.5 million, for net capital assets of $216.7 million. Depreciation charges for the current fiscal year totaled $10.1 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)

	2016	2015
Land	$ 12,001	$ 12,001
Capitalized Collections	89	89
Construction in Progress	17,235	11,404
Buildings	182,516	189,788
Other Structures and Improvements	1,568	1,918
Furniture, Machinery, and Equipment	3,263	3,000
Capital Assets, Net	$216,672	$218,200

State appropriations together with local funds are expected to finance the construction, renovation, and purchase of land and facilities. Additional information about the College's capital assets is presented in the notes to the financial statements.

Capital Expenses and Commitments

Major capital expenses through June 30, 2016, were incurred on the implementation of a new enterprise resource planning (ERP) system. The College's contractual commitment at June 30, 2016, is for the implementation of the ERP system, as follows:

	Amount (In Thousands)
Total Committed	$ 15,221
Completed to Date	(11,082)
Balance Committed	$ 4,139

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

Debt Administration

As of June 30, 2016, the College had $1.6 million in State Board of Education capital outlay bonds outstanding as compared to $2.2 million at the end of the prior fiscal year, a decrease of 28.6 percent. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, the College received only a modest increase in State funding for the 2016-17 fiscal year, including an increase in recurring State appropriations of $2.1 million and a performance-based funding appropriation of $2 million. As student enrollment is not anticipated to increase for the 2016-17 fiscal year, the College anticipates being able to maintain the present level of services without a tuition increase.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Associate Vice President of Finance, Florida State College at Jacksonville, 501 West State Street, Jacksonville, Florida 32202.

Florida State College at Jacksonville
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2016

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 761,474	$ 171,005
Restricted Cash and Cash Equivalents	3,030,353	821,514
Investments	3,692,606	-
Restricted Investments	38,149	-
Accounts Receivable, Net	5,265,324	-
Notes Receivable, Net	226,280	-
Due from Other Governmental Agencies	5,779,418	-
Due from College	-	76,380
Inventories	82,801	-
Prepaid Expenses	1,927,045	8,739
Total Current Assets	20,803,450	1,077,638
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	637,422	-
Investments	33,974,259	43,885,608
Restricted Investments	15,965,459	-
Depreciable Capital Assets, Net	187,346,860	-
Nondepreciable Capital Assets	29,324,972	-
Other Noncurrent Assets	-	8,355
Total Noncurrent Assets	267,248,972	43,893,963
TOTAL ASSETS	288,052,422	44,971,601
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	11,259,108	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,015,913	-
Salary and Payroll Taxes Payable	611,270	-
Due to Component Unit	76,380	-
Unearned Revenue	231,721	-
Estimated Insurance Claims Payable	500,308	-
Deposits Held for Others	2,247,098	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	678,000	-
Compensated Absences Payable	1,943,226	-
Net Pension Liability	823,093	-
Total Current Liabilities	10,127,009	-

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

June 30, 2016

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	888,000	-
Special Termination Benefits Payable	51,278	-
Compensated Absences Payable	12,028,476	-
Other Postemployment Benefits Payable	3,482,397	-
Net Pension Liability	43,150,135	-
Other Long-Term Liabilities	-	78,752
Total Noncurrent Liabilities	59,600,286	78,752
TOTAL LIABILITIES	69,727,295	78,752
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	7,936,606	-
NET POSITION		
Net Investment in Capital Assets	215,105,832	-
Restricted:		
Nonexpendable:		
Endowment	-	37,814,774
Expendable:		
Endowment	5,679,206	-
Grants and Loans	3,994,064	3,410,758
Scholarships	1,073	-
Capital Projects	13,497,533	-
Debt Service	38,149	-
Unrestricted	(16,668,228)	3,667,317
TOTAL NET POSITION	$ 221,647,629	$ 44,892,849

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

Florida State College at Jacksonville
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2016

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $21,995,141	$ 39,436,748	$ -
Federal Grants and Contracts	6,962,492	-
State and Local Grants and Contracts	2,443,518	-
Nongovernmental Grants and Contracts	1,238,785	-
Sales and Services of Educational Departments	557,757	-
Auxiliary Enterprises	1,435,450	7,363,866
Other Operating Revenues	1,945,600	932,029
Total Operating Revenues	54,020,350	8,295,895
EXPENSES		
Operating Expenses:		
Personnel Services	111,225,375	546,142
Scholarships and Waivers	26,624,030	832,228
Utilities and Communications	4,767,944	-
Contractual Services	10,614,748	7,025,728
Other Services and Expenses	6,060,154	1,227,282
Materials and Supplies	17,826,715	213,429
Depreciation	10,061,557	-
Total Operating Expenses	187,180,523	9,844,809
Operating Loss	(133,160,173)	(1,548,914)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	78,590,659	-
Federal and State Student Financial Aid	45,701,975	-
Gifts and Grants	331,307	-
Investment Income (Loss)	1,339,036	(73,975)
Other Nonoperating Revenues	16,534	-
Loss on Disposal of Capital Assets	(16,616)	-
Interest on Capital Asset-Related Debt	(115,721)	-
Net Nonoperating Revenues (Expenses)	125,847,174	(73,975)
Loss Before Other Revenues	(7,312,999)	(1,622,889)
State Capital Appropriations	2,629,449	-
Capital Grants, Contracts, Gifts, and Fees	4,835,540	-
Additions to Permanent Endowments	-	192,797
Total Other Revenues	7,464,989	192,797
Increase (Decrease) in Net Position	151,990	(1,430,092)
Net Position, Beginning of Year	221,495,639	46,322,941
Net Position, End of Year	$ 221,647,629	$ 44,892,849

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

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Florida State College at Jacksonville
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2016

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 38,617,861
Grants and Contracts	10,644,795
Payments to Suppliers	(33,912,608)
Payments for Utilities and Communications	(4,767,944)
Payments to Employees	(89,615,780)
Payments for Employee Benefits	(23,393,589)
Payments for Scholarships	(26,624,030)
Loans Issued to Students	(5,108,603)
Collection on Loans to Students	5,138,956
Auxiliary Enterprises	1,435,450
Sales and Services of Educational Departments	557,757
Other Receipts	1,945,600
Net Cash Used by Operating Activities	(125,082,135)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	78,590,659
Federal and State Student Financial Aid	43,684,611
Federal Direct Loan Program Receipts	52,852,809
Federal Direct Loan Program Disbursements	(55,005,294)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	331,307
Net Cash Provided by Noncapital Financing Activities	120,454,092
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,899,007
Capital Grants and Gifts	5,466,733
Proceeds from Sale of Capital Assets	16,534
Purchases of Capital Assets	(7,575,793)
Principal Paid on Capital Debt	(628,000)
Interest Paid on Capital Debt	(115,721)
Net Cash Provided by Capital and Related Financing Activities	62,760
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	35,787,246
Purchases of Investments	(30,199,219)
Investment Income	1,052,676
Net Cash Provided by Investing Activities	6,640,703
Net Increase in Cash and Cash Equivalents	2,075,420
Cash and Cash Equivalents, Beginning of Year	2,353,829
Cash and Cash Equivalents, End of Year	$ 4,429,249

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

For the Fiscal Year Ended June 30, 2016

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (133,160,173)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	10,061,557
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(899,244)
Loans to Students	30,353
Inventories	(4,797)
Prepaid Expenses	(55,245)
Accounts and Other Payables	1,220,288
Unearned Revenue	80,357
Deposits Held for Others	(182,408)
Special Termination Benefits Payable	(53,800)
Compensated Absences Payable	(947,351)
Other Postemployment Benefits Payable	25,445
Net Pension Liability	11,832,976
Deferred Outflows of Resources Related to Pensions	(1,933,489)
Deferred Inflows of Resources Related to Pensions	(11,096,604)
NET CASH USED BY OPERATING ACTIVITIES	$ (125,082,135)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 286,360
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (16,616)

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The governing body of Florida State College at Jacksonville, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education (SBE) rules. However, the Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and SBE rules. Geographic boundaries of the College correspond with those of Duval and Nassau Counties.

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the Executive Director, Florida State College at Jacksonville Foundation, Inc., 501 West State Street, Jacksonville, Florida 32202. The Foundation's financial statements also include the financial activity of its blended component unit, the Florida State College at Jacksonville Foundation Real Estate Holding, Inc. (Holding Company). The Holding Company is a subsidiary of the Foundation and was formed exclusively to hold title to certain real property, and to collect and transfer its income to the Foundation in support of the Foundation's mission. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2016.

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by

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

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

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

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

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, 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's accounting system identifies the specific amounts paid for tuition and fees from students and third parties (e.g., financial aid, scholarships, etc.). To the extent that third-party resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand and cash in demand accounts. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less to be cash equivalents.

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

Cash and Cash Equivalents – Discretely Presented Component Unit. The amount reported for the Foundation as cash and cash equivalents consists of cash in bank demand deposit accounts.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover deposits. The Foundation's cash deposits with the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, the Foundation may have amounts on deposit that exceed the FDIC insurance limit. The total amount of cash and cash equivalents held in bank demand deposit accounts was $992,519 at June 30, 2016.

Capital Assets. College capital assets consist of land, capitalized collections, construction in progress, buildings, other structures and improvements, and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of $5,000 for tangible personal property and $65,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
    - Computer Equipment – 3 years

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

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

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

2. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	$ (20,317,857)
Auxiliary Funds	3,649,629
Total	$ (16,668,228)

3. Investments

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

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

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

The College's investments at June 30, 2016, are reported as follows:

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
SBA Debt Service Accounts	$ 38,149	$ 38,149	$ -	$ -
United States Treasury Securities	16,712,357	16,712,357	-	-
Obligations of United States Government Agencies and Instrumentalities	15,533,260	15,533,260	-	-
Corporate Bonds and Notes	17,342,027	-	17,342,027	-
Mutual Funds:				
Equities	2,502,376	2,502,376	-	-
Bonds	1,371,588	-	1,371,588	-
Total investments by fair value level	53,499,757	$ 34,786,142	$ 18,713,615	$ -
Investments measured at amortized cost				
Money Market Funds	170,716			
Total investments measured at fair value	$ 53,670,473			

State Board of Administration Debt Service Accounts

The College reported investments totaling $38,149 at June 30, 2016, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of 6 months or less. The College relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Managed Investments

The College's investments at June 30, 2016, all of which are managed by a contracted investment management firm, include $3,887,651 of endowment fund investments and $49,782,822 of other College funds' investments. The following risks apply to the College's endowment fund and other College funds' investments.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy limits investments to a maximum average duration of the portfolio to no greater than 125 percent of the target benchmark's average duration. The policy also provides that the maximum effective maturity of an individual security will not be greater than 5 years, and the maximum average life of the portfolio will not be greater than 3 years. At June 30, 2016, the College had $32,245,617 in obligations of the United States government and its agencies, with

various call dates with final maturity dates between January 2017 and May 2041, having a weighted-average maturity of 3.33 years. Also, at June 30, 2016, the College had $17,342,027 in corporate securities, with various call dates with final maturity dates between October 2016 and May 2021, with weighted-average maturities of 2.54 years, and, for the $170,716 in money market funds, the average maturity was 51.5 days. The overall weighted-average life of the College's portfolio was 3.02 years as of June 30, 2016.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy addresses credit risk through the authorization of the following investments:

- United States Treasury bills, notes, bonds, strips, and other obligations whose principal and interest is fully guaranteed by the United States of America, any of its agencies or instrumentalities.
- Government Sponsored Enterprises: Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), Student Loan Marketing Association (SLMA), Financing Corporation (FICO), The Resolution Funding Corporation (REFCO), Farm Credit System Financial Assistance Corporation, the Federal Housing Finance Board, and all other government sponsored agencies and enterprises.
- Repurchase agreements that are collateralized by United States Treasury securities at 102 percent of cost.
- Certificates of deposit in State-certified qualified public depositories.
- Mortgage-backed securities guaranteed by the United States Government or a Federal agency.
- Money market funds, including, but not limited to, commercial paper, time deposits and bankers' acceptances, rated at least "A1/P1" or the equivalent by Standard & Poor's, Moody's Investors Service, and all other nationally recognized credit rating organizations.
- Corporate bonds and notes with at least an "A" rating.
- Money market funds registered with the Securities and Exchange Commission and only invested in securities with the highest credit quality rating from a nationally recognized rating company.
- Any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes, which maintains a similar investment objective.

United States government obligations are not considered to have credit risk. As of June 30, 2016, the College's investments in Federal agency obligations (Government Sponsored Enterprises) are rated AA+ by Standard & Poor's. Corporate debt securities have average credit quality ratings by Standard & Poor's of AA for endowment funds and A+ for other College funds.

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

of the United States, that has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States that is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or (3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The College's $32,245,617 of investments in obligations of the United States government agencies and instrumentalities, and $17,342,027 in corporate debt securities, are held by the safekeeping agent in the name of the College.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy provides that a maximum of 5 percent of the portfolio may be invested in securities of a single issuer. The United States government and government agency-backed securities are not subject to this limitation.

Investments – Discretely Presented Component Unit

Investments held by the Foundation at June 30, 2016, are reported at fair value as follows:

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Equities	$ 27,812,050	$ -	$ 27,812,050	$ -
Private Equity Funds (1)	6,144,519	-	-	6,144,519
Commonfund Fixed Income Fund	5,886,727	-	5,886,727	
Commonfund Intermediate Fixed Income Fund	3,288,021	-	3,288,021	-
Commonfund Commodities Fund	675,616	-	675,616	-
Real Property	55,000	-	-	55,000
Artwork	23,675	-	-	23,675
Total investments by fair value level	$ 43,885,608	$ -	$ 37,662,414	$ 6,223,194

Note: (1) The Foundation's investments in private equity funds contain various subscription agreements with the fund manager that require the Foundation to provide capital contributions when requested. The Foundation's investments in these funds represent the fair value of the funds as of March 31, 2016, plus additional capital contributed through June 30, 2016. During the 2015-16 fiscal year, the Foundation increased its total capital commitment subscriptions to $8,900,000, had provided required capital contributions as of June 30, 2016, of $6,098,625, and had future remaining required capital commitments of $2,801,375. Capital contributions are required from time to time without notice in varying amounts, and the Foundation anticipates being able to meet its future capital commitment obligations.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not specifically limit debt obligation maturities. However, as a means of managing the Foundation's exposure to fair value losses arising from increasing interest rates, the policy provides for diversifying fixed-income investments among maturities according to interest rate prospects. At June 30, 2016, the Foundation had investments of $9,174,748 in two fixed income funds, totaling $5,886,727 and $3,288,021, respectively, with weighted-average lives of 7.5 and 2.4 years, respectively.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy provides that no more than 15 percent of the corporate debt securities in the fixed-income portfolio may be rated below investment-grade. As of June 30, 2016, the Foundation's investments in fixed income funds are rated AA and A+ by Standard & Poor's.

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation's investment policy provides that the maximum amount invested in the securities of a single issuer may not exceed 5 percent of the total investments. Securities issued by the United States government and its agencies are not subject to this limitation.

4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a $1,427,840 allowance for doubtful accounts.

5. Notes Receivable

Notes receivable represent student loans made under the College's short-term loan program of $307,832. Notes receivable are reported net of a $81,552 allowance for doubtful notes.

6. Due From Other Governmental Agencies

The amount due from other governmental agencies consists of $4,034,761 of Federal student financial aid reimbursements, $962,328 of grants and contracts receivable, and $782,329 of Public Education Capital Outlay allocations due from the State for maintenance and renovations of College facilities.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2016, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 12,000,940	$ -	$ -	$ 12,000,940
Capitalized Collections	88,600	-	-	88,600
Construction in Progress	11,404,139	6,967,326	1,136,033	17,235,432
Total Nondepreciable Capital Assets	$ 23,493,679	$ 6,967,326	$ 1,136,033	$ 29,324,972
Depreciable Capital Assets:				
Buildings	$ 321,658,184	$ 425,336	$ -	$ 322,083,520
Other Structures and Improvements	6,137,019	-	-	6,137,019
Furniture, Machinery, and Equipment	31,034,222	2,293,127	4,744,173	28,583,176
Total Depreciable Capital Assets	358,829,425	2,718,463	4,744,173	356,803,715
Less, Accumulated Depreciation:				
Buildings	131,870,201	7,697,484	-	139,567,685
Other Structures and Improvements	4,218,962	349,915	-	4,568,877
Furniture, Machinery, and Equipment	28,033,690	2,014,158	4,727,555	25,320,293
Total Accumulated Depreciation	164,122,853	10,061,557	4,727,555	169,456,855
Total Depreciable Capital Assets, Net	$ 194,706,572	$ (7,343,094)	$ 16,618	$ 187,346,860

8. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2016, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 2,194,000	$ -	$ 628,000	$ 1,566,000	$ 678,000
Special Termination Benefits Payable	105,078	-	53,800	51,278	-
Compensated Absences Payable	14,919,053	1,369,254	2,316,605	13,971,702	1,943,226
Other Postemployment Benefits Payable	3,456,952	191,686	166,241	3,482,397	-
Net Pension Liability	32,140,252	16,740,830	4,907,854	43,973,228	823,093
Total Long-Term Liabilities	$ 52,815,335	$ 18,301,770	$ 8,072,500	$ 63,044,605	$ 3,444,319

Bonds Payable. The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.

The College had the following bonds payable at June 30, 2016:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2014B, Refunding	$ 1,566,000	2 - 5	2020

Annual requirements to amortize all bonded debt outstanding as of June 30, 2016, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds		
	Principal	Interest	Total
2017	$ 678,000	$ 75,690	$ 753,690
2018	717,000	41,790	758,790
2019	84,000	5,940	89,940
2020	87,000	1,740	88,740
Total	$ 1,566,000	$ 125,160	$ 1,691,160

Special Termination Benefits Payable. Effective July 1, 2004, the Board of Trustees established a severance pay plan that is available to certain College administrative employees. The plan provides that once certain eligibility guidelines are met, benefit day credits of one-half to one full day are accrued for each month of service payable at various percentages in conjunction with the employee's daily rate of pay at the time of separation. The severance pay plan benefit is not available to an eligible employee until the date of separation from the College, and must be paid as a one-time lump-sum payment. At June 30, 2016, a liability for accrued plan benefits of $51,278 for 2 employees was reported by the College as Special Termination Benefits Payable.

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2016, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $13,971,702. The current portion of the compensated absences liability, $1,943,226, is the amount expected to be paid in the coming fiscal year, and represents the College's estimate of leave payments plus benefits for retirements, separations, and Deferred Retirement Option Program (DROP) participants during the 2016-17 fiscal year based on an average of actual payments over the previous 7 years.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for other postemployment benefits provided by the Florida College System Risk Management Consortium (Consortium).

Plan Description. The College contributes to an agent multiple-employer defined benefit plan administered by the Consortium for postemployment benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Other Postemployment Benefits Plan (OPEB Plan) at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The College does

not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone report and the OPEB Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. OPEB Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend OPEB Plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2015-16 fiscal year, 109 retirees received OPEB benefits. The College provided required contributions of $166,241 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 $890,146, which represents 1.4 percent of covered payroll.

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

Description	Amount
Normal Cost (Service Cost for One Year)	$ 99,298
Amortization of Unfunded Actuarial Accrued Liability	81,841
Annual Required Contribution	181,139
Interest on Net OPEB Obligation	138,278
Adjustment to Annual Required Contribution	(127,731)
Annual OPEB Cost (Expense)	191,686
Contribution Toward the OPEB Cost	(166,241)
Increase in Net OPEB Obligation	25,445
Net OPEB Obligation, Beginning of Year	3,456,952
Net OPEB Obligation, End of Year	$ 3,482,397

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2016, and for the 2 preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2013-14	$ 655,999	102.3%	$ 3,165,938
2014-15	695,916	58.2%	3,456,952
2015-16	191,686	86.7%	3,482,397

Funded Status and Funding Progress. As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was $2,214,951, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $2,214,951 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $63,664,710 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.5 percent.

Actuarial valuations for an OPEB 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. Actuarially determined amounts regarding the funded status of the OPEB 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 OPEB 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 OPEB 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 calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, 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.

The College's OPEB actuarial valuation as of July 1, 2015, used the entry age normal actuarial cost method to estimate the actuarial accrued liability as of June 30, 2016, and the College's 2015-16 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year, an inflation rate of 2.6 percent, and an annual healthcare cost trend rate of 7.5 percent pre-Medicare and 5.5 percent Medicare for the 2015-16 fiscal year, reduced by decrements to an ultimate rate of 5 percent in 2020 for pre-Medicare and 5 percent in 2017 for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2016 was 21 years.

9. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

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

The College's FRS and HIS pension expense totaled $3,134,512 for the fiscal year ended June 30, 2016.

FRS Pension Plan

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class* (SMSC) – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

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

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

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were:

Class	Percent of Gross Salary	
	Employee	Employer (1)
FRS, Regular	3.00	7.26
FRS, Senior Management Service	3.00	21.43
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 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 $3,290,587 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the College reported a liability of $21,547,385 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The College's proportionate share of the net pension liability was based on the College's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the College's proportionate share was 0.166822668 percent, which was a decrease of 0.009634302 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of $1,638,236. 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	$ 2,274,766	$ 511,038
Change of assumptions	1,430,172	-
Net difference between projected and actual earnings on FRS Plan investments	-	5,145,155
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	1,446,072	1,264,439
College FRS contributions subsequent to the measurement date	3,290,587	-
Total	$ 8,441,597	$ 6,920,632

The deferred outflows of resources related to pensions totaling $3,290,587, resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. 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
2017	$ (1,606,842)
2018	(1,606,842)
2019	(1,606,842)
2020	2,638,072
2021	355,642
Thereafter	57,190
Total	$ (1,769,622)

Actuarial Assumptions. The total pension liability in the July 1, 2015, 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, 2015, 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%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real Estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
Total	100%			
Assumed inflation - Mean		2.6%		1.9%

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:

	Decrease (6.65%)	Discount Rate (7.65%)	Increase (8.65%)
College's proportionate share of the net pension liability	$ 55,834,148	$ 21,547,385	$ (6,984,833)

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled $1,041,043 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the College reported a net pension liability of $22,425,843 for its proportionate share of the net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within 1 year, net of the College's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2015, and the total pension liability used to

calculate the net pension liability was determined by applying update procedures to the HIS Plan actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the College's proportionate share was 0.219895113 percent, which was a decrease of 0.008695507 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of $1,496,276. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 1,764,328	$ -
Net difference between projected and actual earnings on HIS Plan investments	12,140	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	-	1,015,974
College contributions subsequent to the measurement date	1,041,043	-
Total	$ 2,817,511	$ 1,015,974

The deferred outflows of resources totaling $1,041,043, resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. 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
2017	$ 156,001
2018	156,001
2019	156,002
2020	153,536
2021	152,350
Thereafter	(13,396)
Total	$ 760,494

Actuarial Assumptions. The total pension liability at July 1, 2015, determined by applying update procedures to the actuarial valuation at July 1, 2014, used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.80 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 actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.8 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used to determine the total pension liability decreased from 4.29 percent from the prior measurement date.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 3.8 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate:

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
College's proportionate share of the net pension liability	$ 25,553,204	$ 22,425,843	$ 19,818,093

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.

10. Retirement Plans – Defined Contribution Pension Plans

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

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

Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2015-16 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The College's Investment Plan pension expense totaled $1,050,015 for the fiscal year ended June 30, 2016.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes 5.15 percent of the participant's salary to the participant's account, 2.65 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover the administrative costs, for a total of 7.8 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by

the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The College's contributions to the Program totaled $687,206 and employee contributions totaled $264,310 for the 2015-16 fiscal year.

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

The Local Annuity Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. The College contributes 10.6 percent of the employee's salary and employees contribute 3 percent of the employee's salary to the Local Annuity Program. Additionally, the participants may contribute, by salary reduction, an additional amount not to exceed the percentage contributed by the employer. These contributions are invested in the companies selected by the participant to create a fund for the purchase of annuities at retirement.

The College's contributions to the Local Annuity Program totaled $50,770 and employee contributions totaled $14,369 for the 2015-16 fiscal year.

11. Contractual Commitments

On October 31, 2014, the College contracted for the purchase of a new ERP system. The contract with the system implementer is for a fixed fee of $15,221,432.

The College's contractual commitment at June 30, 2016, is as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
ERP System Implementer (1)	$ 15,221,432	$ 11,081,659	$ 4,139,773

Note: (1) The construction in progress of $17,235,432 reported in Note 7 includes the initial software costs for the ERP system of $3,330,490 and College employee salaries of $2,401,777. These costs are not included in the completed to date amount for the system implementer because they were paid in full to the software vendor and to College employees.

12. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), a self-insured program, and commercially purchased insurance.

Consortium. The College provided coverage for health and hospitalization through the Consortium, which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of

the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts.

Self-Insured Program. The Board has established an individual self-insured program to provide workers' compensation coverage for its employees. The College's liability was limited by excess insurance to $500,000 per occurrence for the 2015-16 fiscal year. The program administrator has been approved by the Florida Department of Financial Services, Office of Insurance Regulation. An actuarial review has determined a present value of estimated outstanding losses, including incurred but not reported claims, in the amount of $355,979 discounted at a rate of 3 percent at June 30, 2016.

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

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
2014-15	$ 303,380	$ 313,425	$ (262,716)	$ 354,089
2015-16	354,089	222,262	(220,372)	355,979

Settled claims arising from the risks associated with the self-insured program have not exceeded coverage in any of the past 3 fiscal years. Additionally, the College reported $144,329 in estimated insurance claims payable associated with its self-insured dental program.

Commercially Purchased Insurance. The College's insurance coverage for property, boiler and machinery, general liability, automobile liability, employee faithful performance, employee benefits liability, errors and omissions, and student professional liability was obtained through commercially purchased insurance. The College has also reserved $3.8 million of its unrestricted net position in recognition of its 2 percent wind and hail property damage deductible in the event of major damage.

Settled claims arising from these risks have not exceeded coverage in any of the past 3 fiscal years.

13. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 59,790,155
Public Services	120,490
Academic Support	24,835,483
Student Services	13,857,269
Institutional Support	24,591,770
Operation and Maintenance of Plant	26,703,501
Scholarships and Waivers	26,624,030
Depreciation	10,061,557
Auxiliary Enterprises	596,268
Total Operating Expenses	$ 187,180,523

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]
7/1/2011	$ -	$ 7,638,240	$ 7,638,240	0%	$ 75,280,000	10.1%
7/1/2013	-	5,288,964	5,288,964	0%	78,339,937	6.8%
7/1/2015	-	2,214,951	2,214,951	0%	63,664,710	3.5%

Note: (1) The OPEB actuarial valuation used the entry age cost actuarial method to estimate the actuarial accrued liability.

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

	2015 (1)	**2014** (1)	**2013** (1)
College's proportion of the FRS net pension liability	0.166822668%	0.176456970%	0.164149500%
College's proportionate share of the FRS net pension liability	$ 21,547,385	$ 10,766,471	$ 28,257,435
College's covered-employee payroll (2)	$ 75,901,140	$ 79,318,686	$ 78,081,652
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	28.39%	13.57%	36.19%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%	88.54%

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

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of College Contributions – Florida Retirement System Pension Plan

	2016 (1)	**2015** (1)	**2014** (1)
Contractually required FRS contribution	$ 3,290,587	$ 4,067,278	$ 3,865,156
FRS contributions in relation to the contractually required contribution	(3,290,587)	(4,067,278)	(3,865,156)
FRS contribution deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll (2)	$ 71,270,974	$ 75,901,140	$ 79,318,686
FRS contributions as a percentage of covered-employee payroll	4.62%	5.36%	4.87%

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

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

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

	2015 (1)	**2014** (1)	**2013** (1)
College's proportion of the HIS net pension liability	0.219895113%	0.228590620%	0.234015258%
College's proportionate share of the HIS net pension liability	$ 22,425,843	$ 21,373,781	$ 20,374,105
College's covered-employee payroll (2)	$ 75,901,140	$ 79,318,686	$ 78,081,652
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	29.55%	26.95%	26.09%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	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

	2016 (1)	**2015** (1)	**2014** (1)
Contractually required HIS contribution	$ 1,041,043	$ 840,576	$ 783,075
HIS contributions in relation to the contractually required HIS contribution	(1,041,043)	(840,576)	(783,075)
HIS contribution deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll (2)	$ 71,270,974	$ 75,901,140	$ 79,318,686
HIS contributions as a percentage of covered-employee payroll	1.46%	1.11%	0.99%

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.

1. Schedule of Funding Progress – Other Postemployment Benefit Plan

The July 1, 2015, unfunded actuarial accrued liability of $2,214,951 was lower than the July 1, 2013, liability of $5,288,964 as a result of the following:

- Demographic assumptions (rates of withdrawals, retirement, disability and mortality) were revised to be consistent with those used for the valuation on pension liabilities of the Florida Retirement System (FRS).
- The assumed rates of participation in the Plan were adjusted to reflect current experience.
- The assumed per capita costs of healthcare were updated.
- The assumed rates of healthcare inflation used to project the per capita healthcare costs were revised to reflect recent experience.
- The general payroll growth rate and salary scale assumptions were revised to be consistent with the rates used by the FRS.
- The method for amortizing the unfunded accrued liability was changed to 30 years, open.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 4.29 percent to 3.80 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 the Florida State College at Jacksonville, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 15, 2017, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

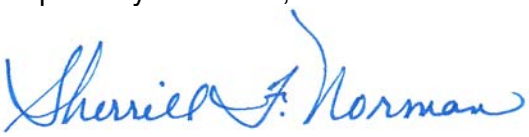
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 15, 2017