

SANTA FE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2014



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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Notes: (1) Board member served beyond the end of
term, May 31, 2013.
(2) Board member served beyond the end of
term, May 31, 2014.

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 audit team leader was Sheila B. Ginsberg, CPA, and the audit was supervised by Philip B. Ciano, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the College's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

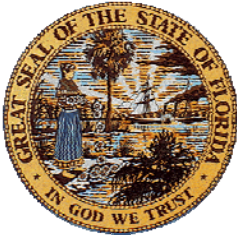
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2014. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent College records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



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AUDITOR GENERAL STATE OF FLORIDA

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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 Santa Fe College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Santa Fe College and of its discretely presented component unit as of June 30, 2014, 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, SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS 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 required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Santa Fe College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE 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 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 Santa Fe College's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
February 24, 2015

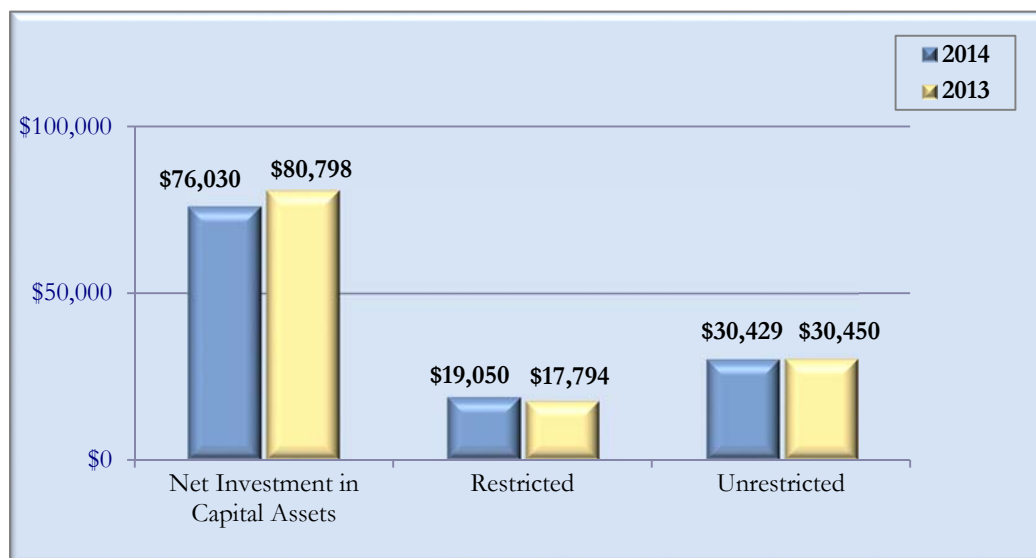
MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2014, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College and the Florida College System Risk Management Consortium (Consortium) for the fiscal years ended June 30, 2014, and June 30, 2013, and the College's component unit, the Santa Fe College Foundation, Inc., for the fiscal years ended December 31, 2013, and December 31, 2012. To better distinguish the activities of the College and Consortium within the primary government, the financial information relating to the Consortium is separately identified.

FINANCIAL HIGHLIGHTS

Net position represents the residual interest in the College's assets and after deducting liabilities. The College's net position decreased \$3.5 million during the 2013-14 fiscal year (compared to a \$4.3 million decrease the prior fiscal year) as a result of expenses exceeding revenues and other support. The College's comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

**Net Position: College
(In Thousands)**



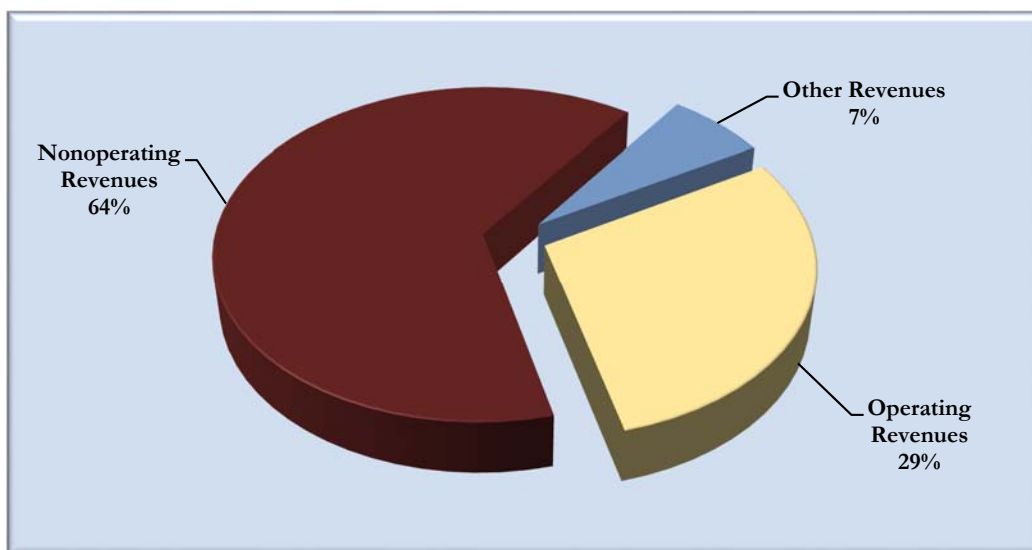
The College's net investment in capital assets represents capital assets, net of accumulated depreciation and outstanding debt principal attributable to the acquisition, construction, or improvement of those assets. The \$4.8 million, or 5.9 percent, decrease in net investment in capital assets compared to the prior fiscal year was primarily due to the excess depreciation expense over the additions to capital assets during the 2013-14 fiscal year.

Restricted net position is subject to externally imposed restrictions governing their use. The increase in restricted net position of \$1.3 million, or 7.1 percent, was primarily due to the increase in the amount of restricted expendable capital funding for the renovation and remodeling of existing structures. Variances from year to year for capital funding are expected based on the methods the State Legislature uses to allocate capital appropriations. Therefore, this portion of restricted net position will continue to fluctuate each year.

Unrestricted net position is not subject to externally imposed restrictions. The College reports liabilities for accrued leave and postemployment healthcare and life insurance benefits totaling \$9.2 million; however, State appropriations fund only the portion of accrued leave and postemployment benefits that are paid in the current fiscal year (see the notes to financial statements for further details). Even with this reporting requirement, unrestricted net assets have a positive balance.

As more fully described in the Operating Expenses and the Revenues sections which follow, College expenses exceeded revenues and other support for the fiscal year ended June 30, 2014. The following chart provides a graphical presentation of College revenues by category for the 2013-14 fiscal year:

Total Revenues: College



Annual State appropriations are classified as nonoperating revenues according to generally accepted accounting principles, although State-appropriated funds are used to support the operations of the College. Nonoperating revenues, comprising of 64 percent of total revenues, included State noncapital appropriations, Federal Pell Grant revenue, State scholarship revenue, revenues received from agreements between local school boards and the College for high school programs, and investment income; all of which supported operating expenses of the College. Operating revenues, comprising 29 percent of total revenues, consisted primarily of student tuition and fees, grants and contracts, sales and services of educational departments, and auxiliary enterprises. Other revenues, comprising 7 percent of total revenues, include State capital appropriations and capital grants, contracts, gifts, and fees designated for capital projects.

The component unit revenues exceeded expenses during the 2014 calendar year, resulting in an increase in net position of \$116 thousand, compared to a \$1.9 million increase in the prior fiscal year, primarily due a decline in unrealized investment appreciation of \$816 thousand, a decrease in endowment contributions of \$371 thousand, and an increase in contributions in support of the College of \$463 thousand for capital projects. Other nonoperating revenue of \$1.2 million included an unrealized appreciation of \$131 thousand in the market value of the Foundation's investment portfolio.

OVERVIEW OF FINANCIAL STATEMENTS

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

Primary Government

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

Component Unit

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

THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

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

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

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

**Condensed Statement of Net Position at
(In Thousands)**

	Primary Government				Component Unit	
	College		Consortium (1)			
	6-30-14	6-30-13	6-30-14	6-30-13	12-31-13	12-31-12
Assets						
Current Assets	\$ 47,297	\$ 48,736	\$ 75,850	\$ 68,952	\$ 1,628	\$ 1,857
Capital Assets, Net	87,286	92,918			14,176	14,488
Other Noncurrent Assets	22,313	20,823	16,824	17,297	27,710	27,232
Total Assets	<u>156,896</u>	<u>162,477</u>	<u>92,674</u>	<u>86,249</u>	<u>43,514</u>	<u>43,577</u>
Liabilities						
Current Liabilities	12,702	14,099	75,850	68,952	21	26
Noncurrent Liabilities	18,685	19,336	16,824	17,297	1,723	1,897
Total Liabilities	<u>31,387</u>	<u>33,435</u>	<u>92,674</u>	<u>86,249</u>	<u>1,744</u>	<u>1,923</u>
Net Position						
Net Investment in						
Capital Assets	76,030	80,798			14,176	14,488
Restricted	19,050	17,794			27,625	26,495
Unrestricted	30,429	30,450			(31)	671
Total Net Position	<u>\$ 125,509</u>	<u>\$ 129,042</u>	<u>\$</u>	<u>\$</u>	<u>\$ 41,770</u>	<u>\$ 41,654</u>
Increase (Decrease) in						
 Net Position	<u>\$ (3,533)</u>	(2.7) %	<u>\$</u>		<u>\$ 116</u>	0.3 %

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

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

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

	College		Component Unit	
	6-30-14	6-30-13	12-31-13	12-31-12
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 24,041	\$ 25,450	\$	\$
Federal Grants and Contracts	2,896	3,415		
State and Local Grants and Contracts	530	2,165		
Nongovernmental Grants and Contracts	184	101	402	267
Sales and Services of Educational Departments	1,102	985		
Auxiliary Enterprises	1,016	929		
Other Operating Revenues	552	524	520	467
Total Operating Revenues	30,321	33,569	922	734
Less, Operating Expenses	106,271	106,505	1,868	1,782
Operating Loss	(75,950)	(72,936)	(946)	(1,048)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	35,452	34,263		
Federal and State Grants	28,225	29,883		
Gifts and Grants	1,505			
Other Nonoperating Revenues	827	69	1,173	2,139
Nonoperating Expenses	(555)	(588)		
Net Nonoperating Revenues	65,454	63,627	1,173	2,139
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(10,496)	(9,309)	227	1,091
State Capital Appropriations	1,781	449		
Endowment Principal Additions			260	631
Capital Grants, Contracts, Gifts, and Fees	5,182	4,536	92	142
Contributions in Support of College			(463)	
Increase (Decrease) in Net Position	(3,533)	(4,324)	116	1,864
Net Position, Beginning of Year	129,042	133,366	41,654	39,790
Net Position, End of Year	\$ 125,509	\$ 129,042	\$ 41,770	\$ 41,654

Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value. Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain grants, and investment income, are defined by GASB as nonoperating. College total revenues increased \$524 thousand, or 0.5 percent, as compared to the prior fiscal year as a result of the following factors:

Operating Revenues:

- Net student tuition and fee revenue decreased by \$1.4 million, or 5.5 percent, as a result of a decrease in fee paying student enrollments.
- Federal grants and contracts revenue decreased by \$519 thousand, or 15.2 percent, as a result of decreases in the Economic Adjustment Assistance grant and the ARRA – Health Information Technology Professionals in Healthcare grant.

- State and local grants and contracts revenue decreased by \$1.6 million, or 75.5 percent, due to a decrease in local contract revenue.

Nonoperating and Other Revenues and Gains:

- State noncapital appropriations increased by \$1.2 million, or 3.5 percent, primarily due to increased funding in College Program funds.
- Federal and State grants revenue decreased by \$1.7 million, or 5.5 percent, due primarily to a decrease in Federal Pell Grant Program scholarship support.
- Gifts and grants revenues increased \$1.5 million and consist of dual enrollment revenues received from local school districts.
- Other nonoperating revenues increased by \$758 thousand principally due to the increase in investment income.
- State capital appropriations increased by \$1.3 million, or 296.7 percent. This was due to increased Public Education Capital Outlay funding for capital projects.
- Capital grants, contracts, gifts and fees increased by \$646 thousand, or 14.2 percent, primarily due to capital contributions.

Component unit revenues decreased by \$1.2 million, or 32.9 percent, as compared to the prior fiscal year as a result of the following factors:

- Operating revenues increased by \$188 thousand, or 25.6 percent, as a result of an increase in contributions of cash and investments.
- Other nonoperating revenues decreased \$966 thousand, or 45.2 percent, mainly from a decrease in investment income, net of realized and unrealized gain or losses.
- Endowment principal additions decreased \$371 thousand, or 58.8 percent, as a result of a decrease in amounts designated by donors to be placed in permanent endowments.

Operating Expenses

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

Operating expenses for the College (none are reported for the Consortium) and its component unit for the respective fiscal years ended are presented in the following table:

**Operating Expenses
For the Fiscal Years Ended
(In Thousands)**

	College		Component Unit	
	6-30-14	6-30-13	12-31-13	12-31-12
Personnel Services	\$ 59,322	\$ 57,379	\$	\$
Scholarships and Waivers	18,080	19,912	737	643
Utilities and Communications	2,478	2,495		
Contractual Services	6,376	5,818		
Other Services and Expenses	4,694	5,109	737	745
Materials and Supplies	8,401	7,723		
Depreciation	6,920	8,069	394	394
Total Operating Expenses	\$ 106,271	\$ 106,505	\$ 1,868	\$ 1,782

College total operating expenses decreased by \$234 thousand, or 0.2 percent, as compared to the prior fiscal year as a result of the following factors:

- The College provided salary increases of 5 percent to each employee's 2012-13 base salary. These increases were partially offset by a reduction of approximately \$724 thousand in part-time instructional staff salaries and benefits as a result of a decrease in student enrollments. As a result, personnel services expenses increased \$1.9 million, or 3.4 percent, from the prior fiscal year.
- Scholarships and waivers provided to students decreased by \$1.8 million, or 9.2 percent, due to decreases in Federal Title IV financial aid and the State's Bright Futures Scholarship Program.
- Utilities and communication decreased by \$17 thousand, or 0.7 percent, primarily due to a decrease in water and sewer consumption offset by a slight increase in electrical and broadband expenses.
- Contractual services increased by \$558 thousand, or 9.6 percent, primarily due to increased services for temporary employees and other contracted non-personnel services.
- Other services and expenses decreased \$ 415 thousand, or 8.1 percent, primarily due to a decrease in repairs and maintenance expenses of \$116 thousand.
- Materials and supplies increased by \$678 thousand, or 8.8 percent, which is attributable primarily to an increase in expenses for equipment and a slight increase in purchases of educational materials and supplies.
- Depreciation expense decreased by \$1.1 million, or 14.2 percent, as a result of several buildings and equipment reaching full depreciation in the 2013-14 fiscal year.

Total operating expenses for the component unit increased \$86 thousand primarily due to an increase in scholarships provided to students.

THE STATEMENT OF CASH FLOWS

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. 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. 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 statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows.

- Its ability to meet its obligations as they come due.
- Its need for external financing.

A summary of the College's and the Consortium's cash flows for the 2013-14 and 2012-13 fiscal years is presented in the following table:

**Condensed Statement of Cash Flows: College
(In Thousands)**

	College		Consortium	
	2013-14	2012-13	2013-14	2012-13
Cash Provided (Used) by:				
Operating Activities	\$ (68,924)	\$ (62,642)	\$ 6,454	\$ (5,710)
Noncapital Financing Activities	65,147	64,159		
Capital and Related Financing Activities	3,985	5,509		
Investing Activities	897	219	(43)	172
Net Increase (Decrease) in Cash and Cash Equivalents	1,105	7,245	6,411	(5,538)
Cash and Cash Equivalents, Beginning of Year	53,841	46,596	65,772	71,310
Cash and Cash Equivalents, End of Year	\$ 54,946	\$ 53,841	\$ 72,183	\$ 65,772

The College's cash and cash equivalents increased during the 2013-14 fiscal year. The following discussion amplifies the overview of cash flows:

- Cash outflows for operating activities increased \$6.3 million as compared to the prior fiscal year. The primary components of this change were decreases in cash inflows from student tuition and fees of \$2.7 million, and grants and contracts of \$2 million, as well as increases in cash outflows of \$1.8 million for payments to employees and employee benefits, and \$828 thousand for payments to suppliers. These cash outflows were partially offset by a decrease of \$1.8 million in cash outflows in payments for scholarships.
- The primary sources of cash inflows in noncapital financing activities are State noncapital appropriations (\$35.5 million), Federal and State grants (\$28.2 million), and Federal Direct Loan Program receipts (\$27.2 million). The use of cash in noncapital financing activities is Federal Direct Loan Program disbursements (\$27.2 million). Cash inflows from noncapital financing increased by \$988 thousand, as compared to the prior fiscal year, predominantly due to an increase in State noncapital appropriations.
- The primary sources of cash inflows for capital and related financing activities are State capital appropriations (\$1.5 million) and capital grants and gifts (\$5.2 million). Net cash inflows for capital and related financing activities decreased \$1.5 million as compared to the prior fiscal year, primarily due to a decrease in State capital appropriations and capital grants and gifts.
- Cash inflows for investing activities of the College increased by \$463 thousand primarily due to an increase in investment income.

**CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS,
AND DEBT ADMINISTRATION**

CAPITAL ASSETS

At June 30, 2014, the College had \$185.7 million in capital assets, less accumulated depreciation of \$98.4 million, for net capital assets of \$87.3 million. Depreciation charges for the current fiscal year totaled \$6.9 million. The following table summarizes the College's capital assets activity for the fiscal year ending June 30, 2014:

Capital Assets, Net at June 30: College
(In Thousands)

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 5,110	\$	\$	\$ 5,110
Artwork and Artifacts	18			18
Buildings	139,438	702		140,140
Other Structures and Improvements	30,544	458	36	30,966
Furniture, Machinery, and Equipment	9,040	708	395	9,353
Construction in Progress	698	608	1,159	147
Total	184,848	2,476	1,590	185,734
Less, Accumulated Depreciation:				
Buildings	59,083	4,583		63,666
Other Structures and Improvements	24,929	1,730	36	26,623
Furniture, Machinery, and Equipment	7,918	607	366	8,159
Total Accumulated Depreciation	91,930	6,920	402	98,448
Capital Assets, Net	\$ 92,918	\$ (4,444)	\$ 1,188	\$ 87,286

The component unit had \$19.1 million in capital assets, less accumulated depreciation of \$4.9 million, for net capital assets of \$14.2 million. Depreciation charges for the current fiscal year totaled \$394 thousand. Details of the component unit's capital assets activity for the fiscal year ended December 31, 2013, are shown in the following table:

Capital Assets, Net at December 31: Component Unit
(In Thousands)

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 3,622	\$	\$	\$ 3,622
Art Collection	391	82		473
Equipment		4		4
Land and Buildings Held for Investment	2,068			2,068
Buildings and Improvements	11,931		4	11,927
Film Costs (Depreciable)	962			962
Total	18,974	86	4	19,056
Less, Accumulated Depreciation	4,486	394		4,880
Capital Assets, Net	\$ 14,488	\$ (308)	\$ 4	\$ 14,176

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

CAPITAL EXPENSES AND COMMITMENTS

Capital expenses through June 30, 2014, included renovations of buildings D, I, R, V, and X (\$437 thousand), reroofing of buildings E, M, and RA (\$391 thousand), and a new zoo enclosure (\$164 thousand).

The College has \$2.3 million in construction contract commitments at June 30, 2014. The contract commitments are for projects that include the construction of classrooms and lab renovations, zoo animal exhibits, college signage and various telecommunications, utility, reroofing and energy management projects. State capital appropriations together with local funds are expected to finance the construction and renovation of facilities. The College's construction commitments at June 30, 2014, are as follows:

	Amount (In Thousands)
Total Committed	\$ 3,723
Completed to Date	<u>1,396</u>
Balance Committed	<u>\$ 2,327</u>

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

DEBT ADMINISTRATION

At fiscal year end, the College had \$11.3 million in outstanding capital outlay bonds payable versus \$12.1 million at the end of the prior fiscal year, a decrease of 6.6 percent. Proceeds from bonds are used to construct and renovate College facilities. During the 2013-14 fiscal year, there were no bond sales and debt repayments totaled \$605 thousand for the State Board of Education Capital Improvement Revenue bonds; and \$260 thousand for State Board of Education (SBE) bonds. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2014, and June 30, 2013:

Long-Term Debt, at June 30: College (In Thousands)		
	2014	2013
SBE Capital Outlay Bonds	\$ 330	\$ 590
Capital Improvement Revenue Bonds	<u>10,925</u>	<u>11,530</u>
Total	<u>\$ 11,255</u>	<u>\$ 12,120</u>

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Santa Fe College's economic condition is closely tied to that of the State of Florida. The College's current financial and capital plans indicate that additional financial resources will be necessary to maintain its present level of services. Thirty-four percent of the College's planned recurring 2013-14 operating funds are received through State noncapital appropriations. State allocations for the 2013-14 fiscal years were slightly higher than the 2012-13 fiscal year allocation. While the revenue projections for the State continue to be positive, the demands for State resources continues to grow and, therefore, the College does not anticipate a major increase or decrease in State appropriations in the future. The College continues to designate reserves in excess of the statutory level to be utilized as needed for maintaining operations during the upcoming fiscal year.

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

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

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 Ginger Gibson, CPA, Vice President for Administrative Affairs/CFO, Santa Fe College, 3000 Northwest 83rd Street, Gainesville, Florida 32606.

BASIC FINANCIAL STATEMENTS

SANTA FE COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET POSITION June 30, 2014

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 35,535,406	\$ 527,548
Restricted Cash and Cash Equivalents	4,309,336	641,392
Investments	1,125,952	12,164
Restricted Investments		447,129
Accounts Receivable, Net	3,819,461	
Notes Receivable	7,639	
Due from Other Governmental Agencies	2,208,518	
Due from Component Unit	131,966	
Inventories	68,083	
Prepaid Expenses	90,488	
Risk Management Consortium:		
Restricted Cash and Cash Equivalents	72,183,476	
Restricted Investments	3,666,888	
Total Current Assets	123,147,213	1,628,233
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	15,100,586	
Investments	7,203,210	457,680
Restricted Investments	9,503	4,388,813
Endowment Investments		22,863,459
Depreciable Capital Assets, Net	82,010,528	8,007,177
Nondepreciable Capital Assets	5,274,999	6,168,365
Risk Management Consortium:		
Restricted Deposit	4,709,257	
Restricted Investments	12,115,223	
Total Noncurrent Assets	126,423,306	41,885,494
TOTAL ASSETS	249,570,519	43,513,727
LIABILITIES		
Current Liabilities:		
Accounts Payable	974,870	20,474
Salary and Payroll Taxes Payable	4,209,974	
Retainage Payable	93,186	
Due to Other Governmental Agencies	14,145	
Unearned Revenue	4,795,642	
Deposits Held for Others	877,105	
Long-Term Liabilities - Current Portion:		
Bonds Payable	860,000	
Compensated Absences Payable	877,305	
Risk Management Consortium:		
Deposits Held for Others	75,850,364	
Total Current Liabilities	88,552,591	20,474

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2014

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	\$ 10,395,000	\$
Compensated Absences Payable	7,799,685	
Other Postemployment Benefits Payable	489,667	
Other Noncurrent Liabilities		1,723,000
Risk Management Consortium:		
Deposits Held in Custody	16,824,480	
Total Noncurrent Liabilities	<u>35,508,832</u>	<u>1,723,000</u>
TOTAL LIABILITIES	<u>124,061,423</u>	<u>1,743,474</u>
NET POSITION		
Net Investment in Capital Assets	\$ 76,030,527	\$ 14,175,542
Restricted:		
Nonexpendable:		
Endowment		23,290,875
Expendable:		
Grants	1,985,654	
Loans	531,875	
Scholarships		1,372,986
Capital Projects	16,522,828	
Debt Service	9,503	
Other		2,962,308
Unrestricted	<u>30,428,709</u>	<u>(31,458)</u>
TOTAL NET POSITION	<u>\$ 125,509,096</u>	<u>\$ 41,770,253</u>

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

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2014

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$11,546,973	\$ 24,040,700	\$
Federal Grants and Contracts	2,896,462	
State and Local Grants and Contracts	529,955	
Nongovernmental Grants and Contracts	183,748	401,654
Sales and Services of Educational Departments	1,102,836	
Auxiliary Enterprises	1,015,837	
Other Operating Revenues	552,058	520,052
Total Operating Revenues	<u>30,321,596</u>	<u>921,706</u>
EXPENSES		
Operating Expenses:		
Personnel Services	59,321,997	
Scholarships and Waivers	18,079,635	736,507
Utilities and Communications	2,478,520	
Contractual Services	6,376,315	
Other Services and Expenses	4,693,599	737,456
Materials and Supplies	8,400,894	
Depreciation	6,920,446	394,353
Total Operating Expenses	<u>106,271,406</u>	<u>1,868,316</u>
Operating Loss	<u>(75,949,810)</u>	<u>(946,610)</u>
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	35,452,128	
Federal and State Grants	28,224,688	
Gifts and Grants	1,505,543	
Investment Income	851,669	1,173,638
Gain on Disposal of Capital Assets	11,839	
Other Nonoperating Expenses	(36,873)	
Interest on Capital Asset-Related Debt	(554,925)	
Net Nonoperating Revenues	<u>65,454,069</u>	<u>1,173,638</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>(10,495,741)</u>	<u>227,028</u>
State Capital Appropriations	1,780,942	
Endowment Principal Additions		259,948
Capital Grants, Contracts, Gifts, and Fees	5,181,272	92,600
Contributions in Support of the College		(462,853)
Total Other Revenues (Expenses)	<u>6,962,214</u>	<u>(110,305)</u>
Increase (Decrease) in Net Position	(3,533,527)	116,723
Net Position, Beginning of Year	<u>129,042,623</u>	<u>41,653,530</u>
Net Position, End of Year	<u>\$ 125,509,096</u>	<u>\$ 41,770,253</u>

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

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014

	<u>College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 24,326,956
Grants and Contracts	3,766,061
Payments to Suppliers	(19,472,360)
Payments for Utilities and Communications	(2,478,520)
Payments to Employees	(48,268,361)
Payments for Employee Benefits	(10,830,431)
Payments for Scholarships	(18,079,635)
Collection on Loans to Students	53,913
Loans Issued to Students	(32,712)
Auxiliary Enterprises	997,472
Sales and Service of Educational Departments	1,102,836
Other Operating Disbursements	(9,485)
Risk Management Consortium:	
Other Receipts	6,454,375
Net Cash Used by Operating Activities	<u>(62,469,891)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	35,452,128
Federal and State Grants	28,224,688
Gifts and Contracts	1,505,543
Federal Direct Loan Program Receipts	27,159,854
Federal Direct Loan Program Disbursements	(27,158,115)
Other Nonoperating Disbursements	(36,873)
Net Cash Provided by Noncapital Financing Activities	<u>65,147,225</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,453,207
Capital Grants and Gifts	5,133,461
Proceeds from Sale of Capital Assets	40,231
Purchases of Capital Assets	(1,222,163)
Principal Paid on Capital Debt	(865,000)
Interest Paid on Capital Debt	(554,925)
Net Cash Provided by Capital and Related Financing Activities	<u>3,984,811</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	13,093,937
Purchase of Investments	(13,034,519)
Investment Income	837,539
Risk Management Consortium:	
Proceeds from the Sales and Maturities of Investments	13,497,880
Purchase of Investments	(13,541,219)
Net Cash Provided by Investing Activities	<u>853,618</u>
Net Increase in Cash and Cash Equivalents	7,515,763
Cash and Cash Equivalents, Beginning of Year	<u>119,613,041</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 127,128,804</u></u>

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

	<u>College</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (75,949,810)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	6,920,446
Changes in Assets and Liabilities:	
Accounts Receivables, Net	1,362,085
Notes Receivables	21,201
Due from Other Governmental Agencies	25,190
Due from Component Unit	(117,300)
Inventories	(1,551)
Prepaid Expenses	(26,475)
Accounts Payable	(175,957)
Salary and Payroll Taxes Payable	(102,066)
Due to Other Governmental Agencies	1,911
Unearned Revenue	(848,067)
Deposits Held for Others	(359,144)
Compensated Absences Payable	270,256
Other Postemployment Benefits Payable	55,015
Risk Management Consortium:	
Restricted Deposit	28,139
Deposits Held for Others	6,426,236
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (62,469,891)</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND	
CAPITAL AND RELATED 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.	\$ 14,130
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 119,495

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

**SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2013.

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

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

pursuant to various State statutes. The Foundation receives, holds, invests, and administers property, and makes expenditures to or for the benefit of the College.

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

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

Basis of Accounting. Basis of accounting refers to when revenues, expenses, assets, and liabilities 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, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities 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 grants, 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.

**SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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 differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College identifies within its accounting system amounts paid for tuition and fees from grants, loans, or other nonthird-party financial aid sources. The total amount of these payments is deducted from student tuition and fees.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents for the College consists of cash on hand, cash in demand accounts, and cash invested with the State Treasury Special Purpose Investment Account (SPIA) and the State Board of Administration (SBA) Florida PRIME investment pools. For reporting cash flows, the College and Consortium consider all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College and the Consortium consider amounts invested in the State Treasury SPIA and SBA Florida PRIME investment pools to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2014, the College and the Consortium reported as cash equivalents at fair value \$38,029,911 and \$66,130,677, respectively, in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's and had an effective duration of 2.57 years and a fair value factor of 1.0074 at June 30, 2014. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2014, the College and the Consortium reported as cash equivalents of \$13,022,884 and \$5,497,196, respectively, in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2014, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

to maturity (WAM) of 40 days as of June 30, 2014. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

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

- Buildings – 40 years
- Other Structures and Improvements, Portables – 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, and Educational Equipment – 5 years
 - Furniture, Pianos – 7 years

Capital Assets - Component Unit. Property and equipment acquisitions of the College's component unit are recorded at cost, if purchased. Contributed property and equipment are recorded at estimated value, as determined by the donor or the component unit, at the date of receipt. Capitalized assets have a useful life greater than one year and an original cost of \$500 or greater. Buildings and equipment, not held for investment, are depreciated using the straight-line method, based on a 40 year useful life for buildings, 5 to 7 years useful life for equipment, and 10 years for film production costs. Land and buildings held as investments are recorded at fair market value, based on comparable sales in the market, as of December 31, 2013. Changes in fair value during the reporting period are recorded as investment income or loss.

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

2. RESTRICTED DEPOSIT

Pursuant to a collateral agreement, the Consortium has a \$4,709,257 collateral deposit held by an insurance company (company) for workers' compensation insurance claims. Although the Consortium is required to reimburse the company for claims paid, the company is authorized to use the collateral to pay any and all of the Consortium's obligations owed under the agreement. The deposit is held by the company in an interest bearing account; however, the deposit is exposed to custodial credit risk because it is not covered by depository insurance and is uncollateralized. The Consortium does not have a policy for custodial credit risk.

**SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

3. INVESTMENTS

College and Consortium

The College's Board of Trustees and the Consortium have adopted written investment policies providing that surplus funds of the College and the Consortium shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the State Board of Administration (SBA); 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; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education (SBE) Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments.

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

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

The College's and the Consortium's investments at June 30, 2014, are reported at fair value, as follows:

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Investment Type	Fair Value	Modified Average Duration (in Years)
<u>College</u>		
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 78,453	(1)
State Board of Administration Debt Service Accounts	9,503	(2)
United States Treasury Notes	5,337,882	1.970
Obligations of United States Government-Sponsored Enterprises	1,210,854	1.090
Corporate Note	200,204	2.663
Mortgage-Backed Pass-Throughs	375,817	3.520
Commercial Paper	1,024,609	0.190
Money Market Mutual Funds	101,343	(1)
Total College Investments	8,338,665	
Portfolio Modified Average Duration - College		1.700
<u>Consortium</u>		
State Board of Administration Fund B Surplus Funds Trust Fund	115,349	(1)
United States Treasury Notes	2,993,688	3.120
Obligations of United States Government-Sponsored Enterprises	4,093,237	1.820
Corporate Notes	4,863,209	2.720
Mortgage-Backed Pass-Throughs	861,066	4.390
Commercial Paper	1,299,126	0.310
Money Market Mutual Funds	1,556,436	(1)
Total Consortium Investments	15,782,111	
Portfolio Modified Average Duration - Consortium		2.640
Total Investments - College and Consortium	\$ 24,120,776	

Note: (1) The College and Consortium opted to use the weighted-average maturity interest rate risk method for the money market mutual funds (40 days) and the State Board of Administration Fund B Surplus Funds Trust Fund (2.86 years).

(2) Investments in United States Treasury securities with maturity dates of 6 months or less.

State Board of Administration (SBA) Fund B Surplus Funds Trust Fund. The Fund B Surplus Funds Trust Fund (Fund B) is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, and is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME investment pool, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B on December 4, 2007. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

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At June 30, 2014, the College and the Consortium reported investments at fair value of \$78,453 and \$115,349, respectively, in Fund B. The investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.84438408 at June 30, 2014. The weighted-average life (WAL) of Fund B at June 30, 2014, was 2.86 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2014. WAL measures the sensitivity of Fund B to interest rate changes. The College's and the Consortium's investments in Fund B are unrated.

State Board of Administration (SBA) Debt Service Accounts. The College reported investments totaling \$9,503 at June 30, 2014, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk or 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.

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

Interest Rate Risk: Interest Rate Risk is the risk that changing interest rates will adversely affect the fair value of an investment. The investment policies of the College and the Consortium limit the maximum average duration of their investment portfolios to no greater than 120 percent of the target benchmarks' average duration:

- College: Merrill Lynch 1-3 Year U.S. Treasury Index
- Consortium: Merrill Lynch 1-5 Year U.S. Treasury Index

At June 30, 2013, the Merrill Lynch 1-3 and 1-5 Year U.S. Treasury Indexes' modified average durations were 1.93 and 2.72 years, respectively. Recognizing that market volatility is a function of duration, the investment policies of the College and the Consortium also state that the portfolios are to be maintained as short- to intermediary-term duration portfolios. The maximum duration of floating rate and individual securities is five years from date of purchase. Furthermore, the investment policies are designed to limit principal fluctuation so that no more than 20 percent of the College's and 45 percent of the Consortium's portfolios have an effective duration greater than three years. An additional objective is to provide sufficient liquidity and stability of principal, so that no less than 10 percent of the portfolios have an effective duration of one year or less.

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

- Repurchase agreements must be fully collateralized at 102 percent by United States Treasuries.
- Asset-backed securities must, at minimum, be rated "AAA" by either Standard & Poor's or Moody's Investors Service (Moody's) for the Consortium; such securities are not an authorized investment for the College.

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- Money market instruments including, but not limited to, commercial paper, time deposits, and banker's acceptances, at the time of purchase must, at a minimum, be rated "A1/P1" or the equivalent by Standard & Poor's and/or Moody's and all other nationally recognized credit rating organizations.
- Corporate bonds and notes must have at least an "AAA" rating for the College by at least two of the following three credit rating organizations: Standard & Poor's, Moody's, or Fitch; and at least a "BBB" rating for the Consortium by two of the following three credit rating organizations: Standard & Poor's, Moody's, or Fitch.
- Money market funds must be registered with the SEC with the highest credit quality rating from a nationally recognized rating company.
- A total quality rating of 8 or higher for the College and 7 or higher for the Consortium must be maintained using the following scale:
 - United States Government Fully Guaranteed 10
 - Government-Sponsored Enterprises 9
 - "AAA" – Rated Securities 8
 - "AA" – Rated Securities 7
 - "A" – Rated Securities 6
 - "BBB" – Rated Securities (Consortium only) 5

As of June 30, 2014, using the above scale, the College's and the Consortium's total quality ratings were 9.30 and 8.08, respectively.

At June 30, 2014, the investments of the College and the Consortium in obligations of the United States Government and Government-sponsored enterprises, corporate notes, mortgage-backed pass-throughs, commercial paper, money market mutual funds, and State Board of Administration Fund B Surplus Funds Trust Fund accounts were rated by Standard & Poor's as follows:

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Investment Type	Fair Value	Credit Quality Rating
<u>College</u>		
Obligations of United States Government and Government-Sponsored Enterprises	\$ 6,548,736	AA+
Corporate Note	\$ 200,204	AAA
Mortgage-Backed Pass-Throughs	\$ 375,817	AA+
Commercial Paper	\$ 1,024,609	A-1 to A-1+
Money Market Mutual Funds	\$ 101,343	AAAm
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 78,453	Not Rated
<u>Consortium</u>		
Obligations of United States Government and Government-Sponsored Enterprises	\$ 7,086,925	AA+
Corporate Notes	\$ 4,863,209	A- to AAA
Mortgage-Backed Pass-Throughs	\$ 861,066	AA+
Commercial Paper	\$ 1,299,126	A-1
Money Market Mutual Funds	\$ 1,556,436	AAAm
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 115,349	Not Rated

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments purchased on behalf of the College pursuant to Section 218.415, Florida Statutes, must be properly earmarked and: (1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the College's interest in the security; (2) if in a book entry form, the investment must be held for the credit of the College by a depository chartered by the Federal Government, the State, or any other State or territory of the United States that has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States that is authorized to accept and execute trusts and is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or (3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. Investment policies of the College and the Consortium require that all securities purchased be properly designated as an asset of the College or the Consortium and held in safekeeping by a third-party custodial bank or other third-party custodial institution. The College's and the Consortium's investments are held by a safekeeping agent in the name of the College or the Consortium.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investment in a single issuer. The investment policies of the College and the Consortium provide that a

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maximum of five percent of the portfolios may be invested in securities of a single issuer, excluding United States Government, government agencies, and government-sponsored enterprise securities.

Component Unit Investments

Investments held by the College's component unit (Foundation) at December 31, 2013, were reported at fair value as follows:

Investment Type	Fair Value	Investment Maturities (In Years)				
		Less than 1	1-2	3-5	6-10	More Than 10
Investment in Debt Obligations:						
Domestic Bonds	\$ 15,578,217	\$ 459,292	\$ 818,202	\$ 3,478,922	\$ 3,899,111	\$ 6,922,690
Other Investments:						
Corporate Stocks	8,391,976					
Mutual Funds	2,673,300					
Limited Partnerships	1,255,170					
Preferred Stocks	168,480					
Municipals	95,638					
Government Backed	6,464					
Total Other Investments	12,591,028					
Total Component Unit Investments	\$ 28,169,245					

There was a \$131,275 unrealized gain in the fair value of investments during the fiscal year ended December 31, 2013. The carrying value of investments at December 31, 2013, includes all material changes in fair value, including unrealized gains and (losses) that occurred both during the current year and previous years.

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

Interest Rate Risk: The Foundation's investment policy does not limit debt obligation maturities. However, the Foundation manages its exposure to fair value losses arising from increasing interest rates through the segmented-time distribution method.

Credit Risk: The Foundation's investment policy limits investments to investment grade securities (BBB or higher) issued by banks, corporations, or the Federal Government. Those securities listed at below investment grade have been downgraded subsequent to purchase. In each case the Foundation's Board of Directors, through its Finance Committee, has determined that the downgraded security has a reasonable expectation of recovery and has elected to maintain its position. The policy provides that 20 percent of the total investment in securities may be made in preferred corporate securities. Obligations of United States government agencies and instrumentalities, certificates of deposit, and domestic equities do not require disclosure of credit quality. Domestic bonds held by the Foundation at December 31, 2013, were rated by nationally recognized rating agencies (e.g., Moody's Investors Service) as follows:

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Investment Type	Fair Value	Credit Quality Ratings
Domestic Bonds	\$ 552,666	Aaa/AAA
	1,608,978	Aa/A
	4,224,446	A/A
	8,947,537	Baa/BBB
	244,590	Not Rated
Total Domestic Bonds	\$ 15,578,217	

Custodial Credit Risk: The Foundation has no formal policy on custodial credit risk. However, all investments are issued in the Foundation's name.

Concentration of Credit Risk: Composition of the Foundation's investment portfolio is limited by its investment policy, which restricts investment in any one issue to no more than five percent of the value of the entire portfolio.

4. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, Title IV Federal grant and State Bright Futures program repayments due from students, agency billings, investment income, and commissions and rent due from vendors under contracts for food, vending, and bookstore operations. The receivables for students are reported net of a \$773,872 allowance for uncollectible student accounts. Other receivables are considered to be fully collectible.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$1,655,243 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$253,860 of Federal grant allocations due from the Federal Government primarily for Work Force Development, Federal Work-Study grants, and cybersecurity program development.

6. DUE FROM COMPONENT UNIT

The \$131,966 reported as due from the component unit primarily consists of the remaining amount owed to the College by the Foundation for donor contributed and matching funds. The College's financial statements are reported for the fiscal year ended June 30, 2014. The College's component unit's financial statements are reported for the calendar year ended December 31, 2013; accordingly, there is no amount reported as due to the College by the Foundation.

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7. CAPITAL ASSETS

Capital assets activity of the College for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 5,109,819	\$	\$	\$ 5,109,819
Artwork and Artifacts	18,000			18,000
Construction in Progress	698,236	607,626	1,158,682	147,180
Total Nondepreciable Capital Assets	\$ 5,826,055	\$ 607,626	\$ 1,158,682	\$ 5,274,999
Depreciable Capital Assets:				
Buildings	\$ 139,438,584	\$ 701,491	\$	\$ 140,140,075
Other Structures and Improvements	30,544,345	457,191	35,532	30,966,004
Furniture, Machinery, and Equipment	9,039,514	708,459	394,716	9,353,257
Total Depreciable Capital Assets	179,022,443	1,867,141	430,248	180,459,336
Less, Accumulated Depreciation:				
Buildings	59,083,847	4,582,856		63,666,703
Other Structures and Improvements	24,927,459	1,730,747	35,532	26,622,674
Furniture, Machinery, and Equipment	7,918,912	606,843	366,324	8,159,431
Total Accumulated Depreciation	91,930,218	6,920,446	401,856	98,448,808
Total Depreciable Capital Assets, Net	\$ 87,092,225	\$ (5,053,305)	\$ 28,392	\$ 82,010,528

Capital assets activity of the College's component unit for the fiscal year ended December 31, 2013, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 3,622,393	\$	\$	\$ 3,622,393
Art Collection	391,018	82,375		473,393
Equipment		4,375		4,375
Land Held for Investment	191,500			191,500
Buildings Held for Investment	1,876,704			1,876,704
Total Nondepreciable Capital Assets	\$ 6,081,615	\$ 86,750	\$	\$ 6,168,365
Depreciable Capital Assets:				
Buildings and Improvements	\$ 11,930,493	\$	\$ 4,375	\$ 11,926,118
Film Costs	961,992			961,992
Total Depreciable Capital Assets	12,892,485		4,375	12,888,110
Less, Accumulated Depreciation:				
Buildings and Improvements	4,197,983	298,154		4,496,137
Film Costs	288,597	96,199		384,796
Total Accumulated Depreciation	4,486,580	394,353		4,880,933
Total Depreciable Capital Assets, Net	\$ 8,405,905	\$ (394,353)	\$ 4,375	\$ 8,007,177

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8. UNEARNED REVENUE

Unearned revenue includes Public Education Capital Outlay appropriations for which the College had not yet received approval to spend from the Florida Department of Education, as well as student tuition fees, and grant and rent revenue received prior to the fiscal year end related to subsequent accounting periods. As of June 30, 2014, the College reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 4,219,169
State Capital Appropriations	360,180
Grant Revenue	202,071
Rent Revenue	14,222
Total Unearned Revenue	\$ 4,795,642

9. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2014, include bonds payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2014, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable	\$ 12,120,000	\$	\$ 865,000	\$ 11,255,000	\$ 860,000
Compensated Absences Payable	8,406,734	1,118,450	848,194	8,676,990	877,305
Other Postemployment Benefits Payable	434,652	90,145	35,130	489,667	
Total Long-Term Liabilities	\$ 20,961,386	\$ 1,208,595	\$ 1,748,324	\$ 20,421,657	\$ 1,737,305

Bonds Payable. Various bonds were issued to finance capital outlay projects of the College. The following is a description of the bonded debt issues:

- State Board of Education (SBE) Capital Outlay Bonds. 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 State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.
- Capital Improvement Revenue Bonds, Series 2006A. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and Section 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Section 1009.23(11), Florida Statutes, by the Series 2006A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2006A bonds. The Series 2006A bonds constitute the first series of bonds to be issued pursuant to a Master Authorizing Resolution. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all colleges participating in any series of bonds then outstanding. The Series 2006A bonds will share the lien of such additional bonds on the Series 2006A pledged revenues and on the revenues pledged by the colleges

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participating in such additional bonds. The bonds were issued for new construction and renovation and remodeling of educational facilities.

The College had the following bonds payable outstanding at June 30, 2014:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2005A	\$ 150,000	5.0	2017
Series 2011A	180,000	5.0	2015
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2006A	10,925,000	3.5 - 5.0	2027
Total Bonds Payable	\$ 11,255,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
SBE Capital Outlay Bonds:			
2015	\$ 230,000	\$ 16,500	\$ 246,500
2016	50,000	5,000	55,000
2017	50,000	2,500	52,500
subtotal	330,000	24,000	354,000
Capital Improvement Revenue Bonds:			
2015	630,000	501,225	1,131,225
2016	655,000	476,025	1,131,025
2017	680,000	449,825	1,129,825
2018	715,000	415,825	1,130,825
2019	750,000	380,075	1,130,075
2020-2024	4,345,000	1,299,625	5,644,625
2025-2027	3,150,000	238,550	3,388,550
subtotal	10,925,000	3,761,150	14,686,150
Total Bonds Payable	\$ 11,255,000	\$ 3,785,150	\$ 15,040,150

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, 2014, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled

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\$8,676,990. The current portion of the compensated absences liability, \$877,305, is the amount expected to be paid in the coming fiscal year based upon the College's prior experience.

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

Plan Description. The College contributes to an agent, multiple-employer, defined-benefit plan (Plan) administered by the Consortium for postemployment benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the Plan, and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 101 retirees received other postemployment healthcare benefits, and 62 retirees received postemployment life insurance benefits. The College provided \$35,130 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$598,392, which represent 1.7 percent of covered payroll.

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

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<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 58,094
Amortization of Unfunded Actuarial Accrued Liability	<u>29,153</u>
Annual Required Contribution	87,247
Interest on Net OPEB Obligation	17,386
Adjustment to Annual Required Contribution	<u>(14,488)</u>
Annual OPEB Cost (Expense)	90,145
Contribution Toward the OPEB Cost	<u>(35,130)</u>
Increase in Net OPEB Obligation	55,015
Net OPEB Obligation, Beginning of Year	<u>434,652</u>
Net OPEB Obligation, End of Year	<u><u>\$ 489,667</u></u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2014, and for the two preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011-12	\$ 112,188	(17.8)%	\$ 319,076
2012-13	120,978	4.5 %	434,652
2013-14	90,145	39.0%	489,667

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$874,575 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$874,575 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$35,632,325 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.45 percent.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the

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employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2013, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the College's 2013-14 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy plus inflation. The actuarial assumptions also included a payroll growth rate of 4 percent per year, an inflation rate of 3 percent per year, and an annual healthcare cost trend rate of 8.5 percent pre-Medicare and 6.25 percent Medicare for the 2013-14 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 5 years for pre-Medicare and 4 years for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2014, was 23 years.

10. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans 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 and death benefits, and annual cost-of-living adjustments.

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 employer. An employee may participate in DROP for a period not to exceed 60 months after electing to

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participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

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. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Florida Retirement System, Special Risk	3.00	19.06
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$2,093,846, \$2,221,622, and \$3,196,649, respectively, which were equal to the required contributions for each fiscal year.

There were 123 College participants in the Investment Plan during the 2013-14 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled \$523,624, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services' Web site

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

(www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Division of Retirement's Web Site (www.frs.myflorida.com).

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 eight 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, on behalf of the participant, 7.34 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 86 College participants during the 2013-14 fiscal year. The College's contributions to the Program totaled \$402,851 and employee contributions totaled \$164,757 for the 2013-14 fiscal year.

Senior Management Service Class Local Annuity Program. Section 121.055, 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 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. College employees in eligible positions make an irrevocable election to participate in the Local Annuity Program in lieu of the Senior Management Service Class of the FRS, and purchase retirement and death benefits through contracts with participating provider companies. The College contributes 9.65 percent and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by salary deduction, an additional amount not to exceed the percentage contributed by the College. These contributions are invested in the companies selected by the employee to create a fund for the purchase of annuities at retirement.

As of June 30, 2014, four employees opted to participate in the Local Annuity Program. The College's contributions to the Local Annuity Program totaled \$92,695 and employee contributions totaled \$12,807 during the 2013-14 fiscal year.

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

11. CONSTRUCTION CONTRACT COMMITMENTS

The College's capitalized and noncapitalized construction contract commitments at June 30, 2014, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Capitalized:			
Entrance Signs Projects:			
Engineer	\$ 99,017	\$ 80,065	\$ 18,952
Construction Manager	732,991	9,755	723,236
Renewable Energy Accessible Lab:			
Engineer	847,699	52,660	795,039
Construction Manager	55,263		55,263
Construction EMT, Law Enforcement Labs & Library:			
Architect	4,700	4,700	
Total Capitalized Projects	1,739,670	147,180	1,592,490
NonCapitalized:			
Buildings A,B,E,F ADA Door Hardware Replacement:			
General Contractor	83,181		83,181
Buildings J,V Air Handler Upgrade:			
Engineer	31,969	25,055	6,914
General Contractor	231,975	146,739	85,236
Buildings D,I,R,V,X Renovations:			
Architect	23,963	9,585	14,378
Engineer	66,130	46,726	19,404
Construction Manager	493,244	380,602	112,642
Building K Classrooms Renovations:			
General Contractor	69,185		69,185
Buildings E,M,RA Roofing:			
Engineer	25,290	25,037	253
Construction Manager	467,398	365,908	101,490
Buildings A,E,F,H,I,K,R Upgrade Legacy Building to WebCtrl:			
General Contractor	99,970	50,273	49,697
Zoo Enclosure:			
Engineer	12,756	11,991	765
Construction Manager	138,770	73,825	64,945
General Contractor	78,170	77,920	250
Andrews Center V Flooring:			
General Contractor	48,370		48,370
Buildings RA,S,X Concrete Work:			
General Contractor	26,913	25,258	1,655
Energy Education Through Animation Project:			
Engineer	36,740	10,010	26,730
Video Surveillance Installation:			
General Contractor	49,722		49,722
Total Noncapitalized Projects	1,983,746	1,248,929	734,817
Total Construction Contract Commitments	\$ 3,723,416	\$ 1,396,109	\$ 2,327,307

SANTA FE COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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), 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 from commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage for property insurance of up to \$125 million to February 28, 2014, and up to \$150 million from March 1, 2014. Insurance coverage obtained through the Consortium included health and hospitalization, life, dental, vision, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three 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:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 33,819,377
Public Services	1,126,630
Academic Support	8,177,381
Student Services	11,500,521
Institutional Support	13,534,372
Operation and Maintenance of Plant	12,796,978
Scholarships and Waivers	18,159,403
Depreciation	6,920,466
Auxiliary Enterprises	236,278
Total Operating Expenses	\$ 106,271,406

**SANTA FE COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 504,898	\$ 504,898	0%	\$ 42,603,913	1.19%
7/1/2011	-	913,031	913,031	0%	45,323,385	2.01%
7/1/2013	-	874,575	874,575	0%	35,632,325	2.45%

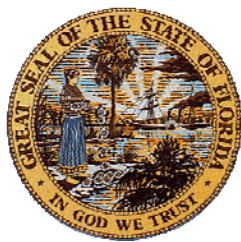
Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the actuarial accrued liability.

**SANTA FE COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2013, unfunded actuarial accrued liability of \$874,575 decreased by 4.2 percent from the July 1, 2011, liability of \$913,031 primarily due to:

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



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

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

Report on the Financial Statements

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 Santa Fe College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 24, 2015, 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the result 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,



David W. Martin, CPA
Tallahassee, Florida
February 24, 2015