

Report No. 2016-121  
March 2016

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

**COLLEGE OF CENTRAL FLORIDA**

For the Fiscal Year Ended  
June 30, 2015



Sherrill F. Norman, CPA  
Auditor General

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The team leader was Courtney J. Carlsen, CPA, and the audit was supervised by Denita K. Tyre, CPA.

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

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**COLLEGE OF CENTRAL FLORIDA**  
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# SUMMARY

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## SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the College of Central Florida (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

## SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

## AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the College of Central Florida and its officers with administrative and stewardship responsibilities for College operations had:

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2015. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

## AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA  
Auditor General

# 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 the College of Central Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended and discretely presented component units. The financial statements of The Appleton Cultural Center, Inc., a blended component unit, represents 1 percent or less of the assets, net position, and revenues, reported for the College of Central Florida. The financial statements of the discretely presented component unit 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 reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the blended and the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the College of Central Florida and of its discretely presented component unit as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

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

### ***Other Matter***

#### ***Required Supplementary Information***

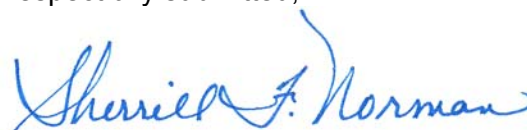
Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, Schedule of Funding Progress – Other Postemployment Benefits Plan, Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of the College of Central Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College of Central Florida's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 15, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2015, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2015, and June 30, 2014, which includes its blended component unit, The Appleton Cultural Center, Inc., for fiscal years ended December 31, 2014, and December 31, 2013. The MD&A also includes the financial activity of the College of Central Florida Foundation, Inc. (discretely presented component unit), for the fiscal years ended December 31, 2014, and December 31, 2013.

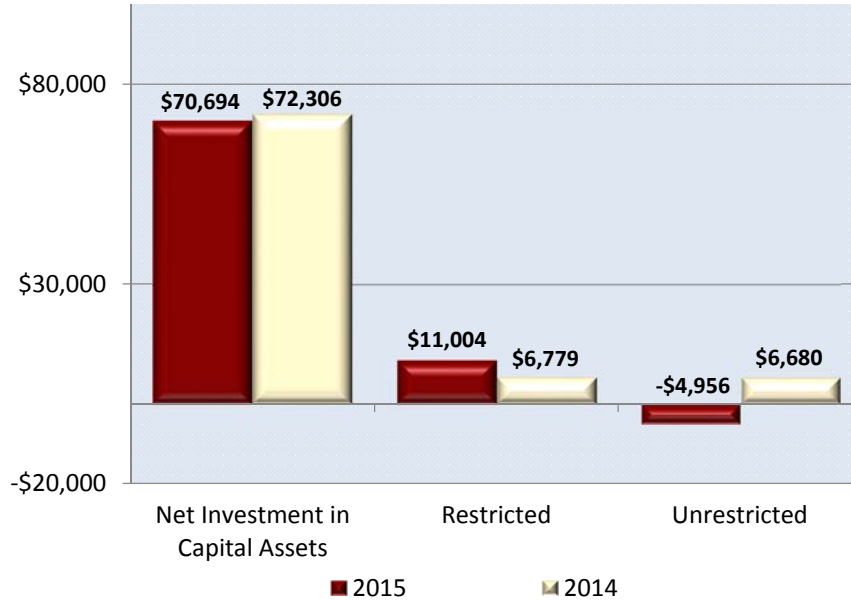
### **FINANCIAL HIGHLIGHTS**

The College's assets totaled \$96 million at June 30, 2015. This balance reflects a \$2.4 million, or 2.5 percent, increase as compared to the 2013-14 fiscal year. This is mainly due to the following factors: an increase in Public Education Capital Outlay (PECO) funds of \$3.6 million, an increase in cash and cash equivalents of \$1.4 million, and a decrease in net depreciable capital assets of \$3 million. Liabilities increased by \$8.4 million, or 107 percent, totaling \$16.3 million at June 30, 2015, compared to \$7.9 million at June 30, 2014. As a result, the College's net position decreased by \$9 million, resulting in a year-end balance of \$76.7 million. In recognizing the effects of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* on our financial statements deferred outflows of \$2.8 million and deferred inflows of \$5.8 million were recorded.

The College's operating revenues totaled \$13.2 million for the 2014-15 fiscal year, representing a 5 percent increase compared to the 2013-14 fiscal year. The increase was due mainly to an increase in federal grants and contracts of \$0.5 million. Operating expenses totaled \$60.2 million for the 2014-15 fiscal year, representing an increase of 3 percent as compared to the 2013-14 fiscal year. The increase in operating expenses was due mainly to an increase of \$1.5 million in personnel services and an increase of \$0.6 million in materials and supplies as compared to the 2013-14 fiscal year.

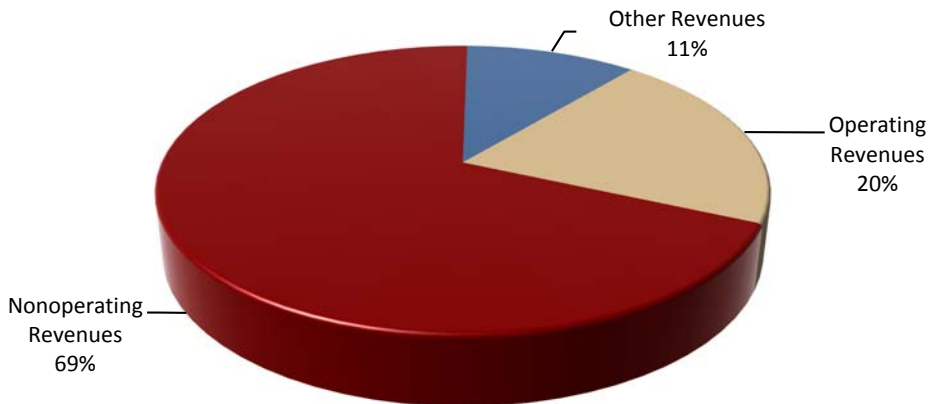
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2015, and June 30, 2014, is shown in the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

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



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

**Total Revenues: College**



**OVERVIEW OF FINANCIAL STATEMENTS**

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

- College of Central Florida (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- The Appleton Cultural Center, Inc. (Blended 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. Based on the application of the criteria for determining component units, The Appleton Cultural Center, Inc., is included within the College's reporting entity as a blended component unit.
- College of Central Florida Foundation, Inc. (Discretely Presented Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

### **The Statement of Net Position**

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

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

## Condensed Statement of Net Position at

(In Thousands)

	College		Component Unit	
	6-30-15	6-30-14	12-31-14	12-31-13
<b>Assets</b>				
Current Assets	\$ 16,633	\$ 12,630	\$ 2,542	\$ 2,180
Capital Assets, Net	71,693	73,798	21,046	21,205
Other Noncurrent Assets	7,656	7,190	68,345	65,975
<b>Total Assets</b>	<b>95,982</b>	<b>93,618</b>	<b>91,933</b>	<b>89,360</b>
<b>Deferred Outflows of Resources</b>	<b>2,824</b>	-	-	-
<b>Liabilities</b>				
Current Liabilities	3,342	3,570	672	868
Noncurrent Liabilities	12,910	4,283	2,357	2,578
<b>Total Liabilities</b>	<b>16,252</b>	<b>7,853</b>	<b>3,029</b>	<b>3,446</b>
<b>Deferred Inflows of Resources</b>	<b>5,812</b>	-	-	-
<b>Net Position</b>				
Net Investment in Capital Assets	70,694	72,306	19,681	19,575
Restricted	11,004	6,779	59,194	57,027
Unrestricted	(4,956)	6,680	10,029	9,312
<b>Total Net Position</b>	<b>\$ 76,742</b>	<b>\$ 85,765</b>	<b>\$ 88,904</b>	<b>\$ 85,914</b>
<b>Change in Net Position</b>	<b>\$ (9,023)</b>	<b>(10.5%)</b>	<b>\$ 2,990</b>	<b>3.5%</b>

The decrease in the College's net position primarily resulted from the implementation of GASB Statement No. 68, which reduced beginning net position \$13.1 million. Further information on the implementation of this reporting change can be found in Note 2 of the notes to financial statements.

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

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

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

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

(In Thousands)

	College		Component Unit	
	6-30-15	6-30-14	12-31-14	12-31-13
Operating Revenues	\$ 13,215	\$ 12,585	\$ 1,629	\$ 1,642
Less, Operating Expenses	60,216	58,481	3,103	3,151
<b>Operating Loss</b>	(47,001)	(45,896)	(1,474)	(1,509)
Net Nonoperating Revenues	44,135	43,805	3,845	9,203
<b>Income (Loss) Before Other Revenues</b>	(2,866)	(2,091)	2,371	7,694
Other Revenues	6,964	3,220	619	531
<b>Net Increase In Net Position</b>	4,098	1,129	2,990	8,225
Net Position, Beginning of Year	85,764	84,636	85,914	77,689
Adjustment to Beginning Net Position (1)	(13,120)	-	-	-
<b>Net Position, Beginning of Year, as Restated</b>	72,644	84,636	85,914	77,689
<b>Net Position, End of Year</b>	<u>\$ 76,742</u>	<u>\$ 85,765</u>	<u>\$ 88,904</u>	<u>\$ 85,914</u>

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

**Operating Revenues**

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

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

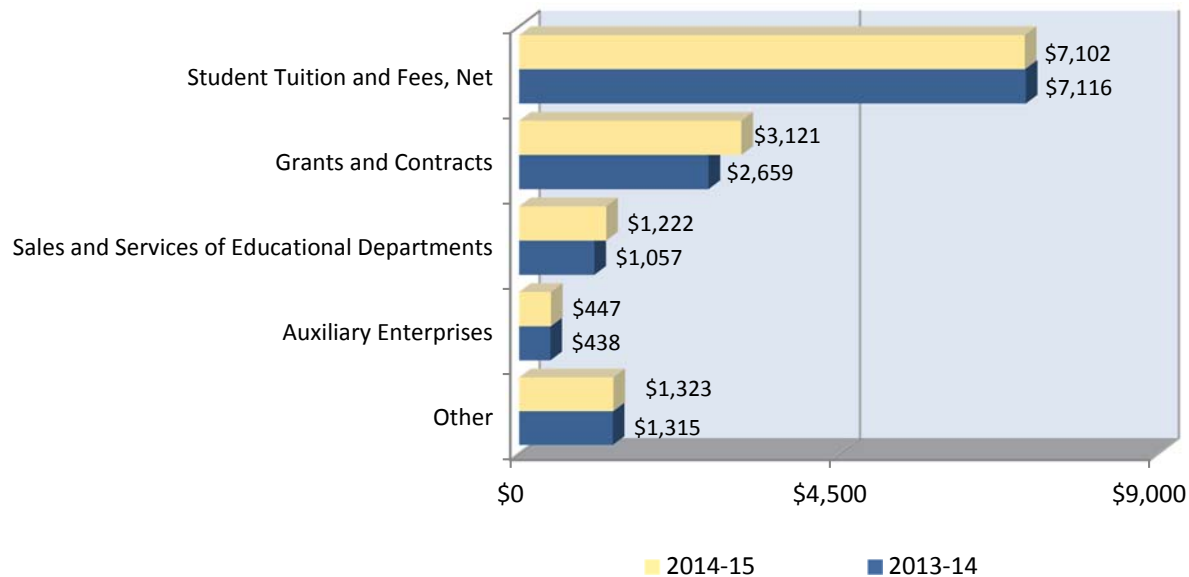
**Operating Revenues  
For the Fiscal Years Ended**

(In Thousands)

	College		Component Unit	
	6-30-15	6-30-14	12-31-14	12-31-13
Student Tuition and Fees, Net	\$ 7,102	\$ 7,116	\$ -	\$ -
Grants and Contracts	3,121	2,659	345	528
Sales and Services of Educational Departments	1,222	1,057	-	-
Auxiliary Enterprises	447	438	-	-
Other	1,323	1,315	1,284	1,114
<b>Total Operating Revenues</b>	<u>\$ 13,215</u>	<u>\$ 12,585</u>	<u>\$ 1,629</u>	<u>\$ 1,642</u>

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

**Operating Revenues: College**  
(In Thousands)



College operating revenue did not change significantly from the 2013-14 fiscal year to the 2014-15 fiscal year.

**Operating Expenses**

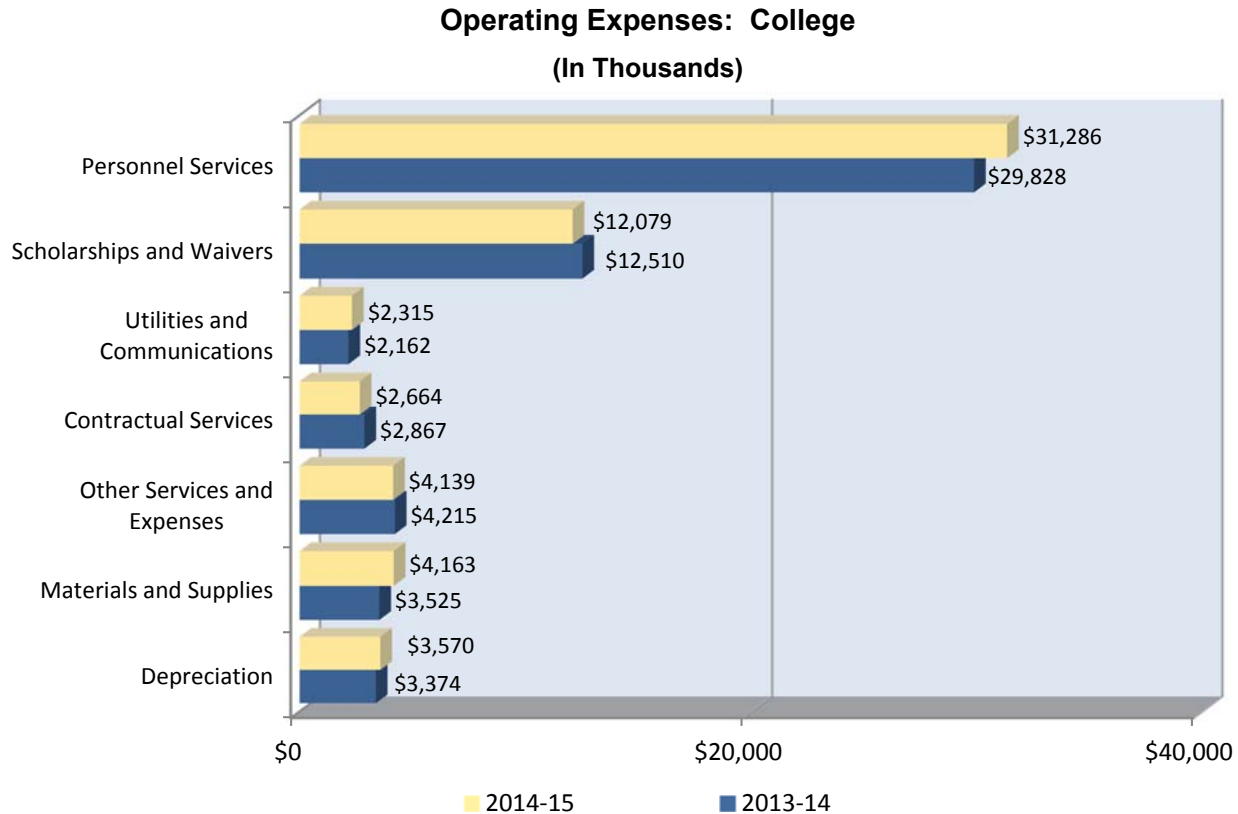
Expenses are categorized as operating or nonoperating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen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

The following summarizes operating expenses by natural classification for the College and its discretely presented component unit for the respective fiscal years ended:

**Operating Expenses  
For the Fiscal Years Ended**

	(In Thousands)			
	College		Component Unit	
	6-30-15	6-30-14	12-31-14	12-31-13
Personnel Services	\$ 31,286	\$ 29,828	\$ -	\$ -
Scholarships and Waivers	12,079	12,510	746	760
Utilities and Communications	2,315	2,162	-	-
Contractual Services	2,664	2,867	401	454
Other Services and Expenses	4,139	4,215	1,611	1,594
Materials and Supplies	4,163	3,525	187	182
Depreciation	3,570	3,374	158	161
<b>Total Operating Expenses</b>	<b>\$ 60,216</b>	<b>\$ 58,481</b>	<b>\$ 3,103</b>	<b>\$ 3,151</b>

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



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

- Personnel services increased by \$1.5 million when compared to the 2013-14 fiscal year due to an increase of \$0.6 million for instructional salaries during the 2014-15 fiscal year. The staff was also given a 4 percent raise reflected in the increase during the 2014-15 fiscal year.
- Materials and supplies increased by \$0.6 million when compared to the 2013-14 fiscal year due mainly to an increase in maintenance materials and renovation expenses for the 2014-15 fiscal year.

**Nonoperating Revenues and Expenses**

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

## Nonoperating Revenues (Expenses): College

(In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
State Noncapital Appropriations	\$ 22,844	\$ 21,163
Federal and State Student Financial Aid	20,735	22,195
Gifts and Grants	270	201
Investment Income, Net	128	83
Other Nonoperating Revenues	180	196
Interest on Capital Asset-Related Debt	<u>(22)</u>	<u>(33)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$ 44,135</u></b>	<b><u>\$ 43,805</u></b>

The College's nonoperating revenues and expenses remained nearly constant between the 2014-15 fiscal year and the 2013-14 fiscal year. The increase in State allocations for the College of Central Florida in Florida College System program and lottery funds for the 2014-15 fiscal year were offset by the decline in Federal and State student financial aid.

### **Other Revenues**

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

### Other Revenues: College

(In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
State Capital Appropriations	\$ 4,919	\$ 1,356
Capital Grants, Contracts, Gifts, and Fees	2,015	1,832
Other Revenues	<u>30</u>	<u>32</u>
<b>Total</b>	<b><u>\$ 6,964</u></b>	<b><u>\$ 3,220</u></b>

Changes in other revenues were the result of State capital appropriations increasing \$3.6 million, or 262.8 percent, from the 2013-14 fiscal year due mainly to an increase in PECO appropriations for the Levy Center construction.

### **The Statement of Cash Flows**

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes the College's cash flows for the 2014-15 and 2013-14 fiscal years:

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

	<u>2014-15</u>	<u>2013-14</u>
Cash Provided (Used) by:		
Operating Activities	\$ (44,621)	\$ (42,419)
Noncapital Financing Activities	44,120	43,845
Capital and Related Financing Activities	1,780	785
Investing Activities	161	208
	<hr/>	<hr/>
<b>Net Increase in Cash and Cash Equivalents</b>	1,440	2,419
Cash and Cash Equivalents, Beginning of Year	14,714	12,295
	<hr/>	<hr/>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 16,154</b>	<b>\$ 14,714</b>

Major sources of funds came from State noncapital appropriations (\$22.8 million), Federal and State student financial aid (\$21 million), Federal Direct Student Loan receipts (\$11.3 million), net student tuition and fees (\$7.2 million), grants and contracts (\$3.1 million) and capital grants and gifts (\$2 million). Major uses of funds were for payments of employee salaries and benefits (\$32 million), payments for scholarships (\$12.1 million), payments to suppliers (\$11.3 million), Federal Direct Student Loan disbursements (\$11.3 million), and payments for utilities and communications (\$2.3 million).

Changes in cash and cash equivalents were the result of the following factors:

- The College's cash outflow from operating activities increased \$2.2 million due to an increase in cash used for payments to employees and suppliers for the 2014-15 fiscal year.
- The College's cash inflows from noncapital financing activities remained nearly constant. Cash inflows for the Florida College System Program Fund (FCSPF) and Educational Enhancement Program Fund (Lottery) increased by \$1.6 million as compared to the 2013-14 fiscal year. Federal Pell Grant cash inflows decreased by \$1.4 million, which offset the increase in FCSPF and Lottery appropriations in the 2014-15 fiscal year.

<p><b>CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION</b></p>
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**Capital Assets**

At June 30, 2015, the College had \$131.6 million in capital assets, less accumulated depreciation of \$59.9 million, for net capital assets of \$71.7 million. Depreciation charges for the current fiscal year totaled \$3.6 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

### Capital Assets, Net at June 30: College

(In Thousands)

<u>Capital Assets</u>	<u>2015</u>	<u>2014</u>
Land	\$ 14,254	\$ 14,254
Construction in Progress	873	-
Buildings	52,361	54,752
Other Structures and Improvements	2,243	2,811
Furniture, Machinery, and Equipment	920	809
Assets Under Capital Lease	1,042	1,172
<b>Capital Assets, Net</b>	<b>\$ 71,693</b>	<b>\$ 73,798</b>

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

### Capital Expenses and Commitments

Major capital expenses through June 30, 2015, were incurred on the following projects:

- Levy Campus building with a total commitment of \$1,049,634, of which \$798,310 had been paid as of June 30, 2015.
- Building 4 ADA breezeway remodeling with a total commitment of \$761,490, of which \$74,829 had been paid as of June 30, 2015.

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

	<u>Amount</u> <u>(In Thousands)</u>
Total Committed	\$ 1,811
Completed to Date	<u>(873)</u>
<b>Balance Committed</b>	<b>\$ 938</b>

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

### Debt Administration

As of June 30, 2015, the College had \$1 million in long-term debt outstanding. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2015, and June 30, 2014:

### Long-Term Debt, at June 30: College

(In Thousands)

	<u>2015</u>	<u>2014</u>
SBE Capital Outlay Bonds	\$ 63	\$ 150
Capital Lease Payable	<u>935</u>	<u>1,342</u>
<b>Total</b>	<b>\$ 998</b>	<b>\$ 1,492</b>

During the 2014-15 fiscal year, the State Board of Education (SBE) issued the SBE Capital Outlay Refunding Bonds, Series 2014B. The College's portion of the Series 2014B bonds was \$63,000 and refunded \$65,000 in Series 2005A bonds, resulting in a debt service savings of \$2,000 from the refunding. During the 2014-15 fiscal year, bond debt principal repayments totaled \$85,000, and capital lease principal payments totaled \$406,636.

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

#### ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, a decrease in State funding is anticipated in the 2015-16 fiscal year. The Board of Trustees approved a budget with no increase in tuition and fee rates for the 2015-16 fiscal year.

#### 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 Francis J. Mazur III, MS-CIS, CPA, Vice President of Administration and Finance, College of Central Florida, 3001 SW College Road, Ocala, Florida 34474.

# BASIC FINANCIAL STATEMENTS

## College of Central Florida A Component Unit of the State of Florida Statement of Net Position

June 30, 2015

	<u>College</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 9,894,259	\$ 1,269,181
Restricted Cash and Cash Equivalents	186,299	1,188,768
Restricted Investments	188,550	-
Accounts Receivable, Net	985,664	-
Due from Other Governmental Agencies	4,753,469	-
Due from Component Unit	187,622	-
Inventories	36,264	-
Prepaid Expenses	378,559	31,503
Other Assets	22,283	52,409
<b>Total Current Assets</b>	<u>16,632,969</u>	<u>2,541,861</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	6,073,741	556,562
Investments	-	1,314,959
Restricted Investments	1,920	2,069,856
Endowed Investments	600,000	63,526,514
Land and Property Held for Investment	-	345,851
Due from Component Unit	980,343	-
Depreciable Capital Assets, Net	56,565,230	3,587,567
Nondepreciable Capital Assets	15,127,496	17,458,905
Other Assets	-	531,659
<b>Total Noncurrent Assets</b>	<u>79,348,730</u>	<u>89,391,873</u>
<b>TOTAL ASSETS</b>	<u>95,981,699</u>	<u>91,933,734</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	<u>2,824,278</u>	<u>-</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	553,130	78,000
Accrued Interest Payable	-	4,849
Salary and Payroll Taxes Payable	1,363,178	-
Due to Other Governmental Agencies	308,300	-
Due to College	-	251,832
Unearned Revenue	54,303	37,945
Deposits Held for Others	158,017	54,216
Line of Credit Payable	-	13,573
Long-Term Liabilities - Current Portion:		
Bonds Payable	46,000	115,000
Loan Payable to College	-	100,000
Capital Lease Payable	412,118	-
Compensated Absences Payable	241,835	-
Net Pension Liability	205,239	-
Other Long-Term Liabilities	-	16,421
<b>Total Current Liabilities</b>	<u>3,342,120</u>	<u>671,836</u>

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

**June 30, 2015**

	<b>College</b>	<b>Component Unit</b>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds Payable	\$ 17,000	\$ 1,250,006
Loan Payable to College	-	980,343
Capital Lease Payable	522,970	-
Compensated Absences Payable	3,026,208	-
Other Postemployment Benefits Payable	266,028	-
Net Pension Liability	9,077,220	-
Other Long-Term Liabilities	-	127,075
<b>Total Noncurrent Liabilities</b>	<b>12,909,426</b>	<b>2,357,424</b>
<b>TOTAL LIABILITIES</b>	<b>16,251,546</b>	<b>3,029,260</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	5,812,338	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	70,694,638	19,681,466
Restricted:		
Nonexpendable:		
Endowment	600,000	56,182,167
Expendable:		
Endowment	184,825	3,011,354
Grants and Loans	644,190	-
Scholarships	10,212	-
Capital Projects	9,562,748	-
Debt Service	1,920	-
Unrestricted	(4,956,440)	10,029,487
<b>TOTAL NET POSITION</b>	<b>\$ 76,742,093</b>	<b>\$ 88,904,474</b>

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

**College of Central Florida**  
**A Component Unit of the State of Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2015**

	<u>College</u>	<u>Component Unit</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$10,203,925	\$ 7,102,408	\$ -
Federal Grants and Contracts	2,842,005	-
State and Local Grants and Contracts	75,558	-
Nongovernmental Grants and Contracts	202,926	344,860
Sales and Services of Educational Departments	1,221,618	-
Auxiliary Enterprises	447,216	-
Other Operating Revenues	1,322,858	1,283,687
<b>Total Operating Revenues</b>	<b>13,214,589</b>	<b>1,628,547</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	31,286,383	-
Scholarships and Waivers	12,078,429	745,315
Utilities and Communications	2,314,802	-
Contractual Services	2,663,666	400,956
Other Services and Expenses	4,139,263	1,610,556
Materials and Supplies	4,163,163	187,347
Depreciation	3,570,094	158,436
<b>Total Operating Expenses</b>	<b>60,215,800</b>	<b>3,102,610</b>
<b>Operating Loss</b>	<b>(47,001,211)</b>	<b>(1,474,063)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	22,843,866	-
Federal and State Student Financial Aid	20,734,457	-
Gifts and Grants	270,141	-
Investment Income, Net	127,924	3,588,127
Other Nonoperating Revenues	180,214	351,627
Interest on Capital Asset-Related Debt	(21,792)	-
Other Nonoperating Expenses	-	(94,933)
<b>Net Nonoperating Revenues</b>	<b>44,134,810</b>	<b>3,844,821</b>
<b>Income (Loss) Before Other Revenues</b>	<b>(2,866,401)</b>	<b>2,370,758</b>
State Capital Appropriations	4,918,727	-
Capital Grants, Contracts, Gifts, and Fees	2,015,023	-
Additions to Endowments	-	619,794
Other Revenues	30,700	-
<b>Total Other Revenues</b>	<b>6,964,450</b>	<b>619,794</b>
<b>Increase in Net Position</b>	<b>4,098,049</b>	<b>2,990,552</b>
Net Position, Beginning of Year	85,764,502	85,913,922
Adjustment to Beginning Net Position	(13,120,458)	-
<b>Net Position, Beginning of Year, as Restated</b>	<b>72,644,044</b>	<b>85,913,922</b>
<b>Net Position, End of Year</b>	<b>\$ 76,742,093</b>	<b>\$ 88,904,474</b>

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

**College of Central Florida  
A Component Unit of the State of Florida  
Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2015**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 7,189,834
Grants and Contracts	3,070,265
Payments to Suppliers	(11,291,077)
Payments for Utilities and Communications	(2,314,802)
Payments to Employees	(26,022,059)
Payments for Employee Benefits	(5,937,338)
Payments for Scholarships	(12,078,429)
Auxiliary Enterprises	447,216
Sales and Service of Educational Departments	1,221,618
Other Receipts	1,093,350
	<b>(44,621,422)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	22,843,866
Federal and State Student Financial Aid	21,004,597
Federal Direct Loan Program Receipts	11,313,400
Federal Direct Loan Program Disbursements	(11,313,400)
Other Nonoperating Receipts	271,468
	<b>44,119,931</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	1,744,239
Capital Grants and Gifts	2,015,023
Proceeds from Sale of Capital Assets	12,083
Purchases of Capital Assets	(1,477,456)
Principal Paid on Capital Debt and Leases	(491,636)
Interest Paid on Capital Debt and Leases	(21,792)
	<b>1,780,461</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from the Sale of Investments	46,065
Investment Income	115,425
	<b>161,490</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>1,440,460</b>
Cash and Cash Equivalents, Beginning of Year	14,713,839
<b>Cash and Cash Equivalents, End of Year</b>	<b>16,154,299</b>

**College of Central Florida**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows (Continued)**  
**For the Fiscal Year Ended June 30, 2015**

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (47,001,211)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	3,570,094
Changes in Assets, Liabilities, Deferred Outflows of Resources,	
and Deferred Inflows of Resources:	
Receivables, Net	283,122
Due from Other Governmental Agencies	(139,259)
Inventories	7,440
Prepaid Expenses	(84,474)
Accounts Payable	(375,421)
Salaries and Payroll Taxes Payable	155,653
Unearned Revenue	(50,224)
Deposits Held for Others	(158,475)
Compensated Absences Payable	(17,164)
Other Postemployment Benefits Payable	38,436
Deferred Outflows of Resources Related to Pensions	(1,462,710)
Deferred Inflows of Resources Related to Pensions	5,812,338
Net Pension Liability	(5,199,567)
	<b>(44,621,422)</b>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND  
CAPITAL FINANCING ACTIVITIES**

Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 26,373
Losses from the disposal of capital assets were recognized as a decrease to other nonoperating revenues on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (12,559)
The State Board of Education (SBE) issued \$63,000 in SBE Capital Outlay Bonds, Series 2014B, to refund \$65,000 in SBE Capital Outlay Bonds, Series 2005A. The new debt and defeasance of the old debt were recorded as an increase and a decrease respectively, to bonds payable on the statement of net position; however, because the proceeds of the new debt were immediately placed into an irrevocable trust for the defeasance of the old debt, the transaction did not affect cash and cash equivalents.	\$ 2,000

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

# **NOTES TO FINANCIAL STATEMENTS**

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## **1. Summary of Significant Accounting Policies**

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

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

**Blended Component Unit.** Although it is legally separate from the College, The Appleton Cultural Center, Inc. (Center) is included within the College's reporting entity as a blended component unit because management of the College has operational responsibility of the Center. The main purpose of the component unit is to provide financial support to the Appleton Museum, which is a department of the primary government.

The Center was audited by other auditors pursuant to Section 1004.70(6), Florida Statutes, and the audited financial statements are available to the public at the College. The financial data blended within the College's accompanying financial statements was derived from the Center's audited financial statements for the fiscal year ended December 31, 2014. Condensed financial statements for the College's blended component unit are shown in a subsequent note.

**Discretely Presented Component Unit.** Based on the application of the criteria for determining component units, the College of Central Florida 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, 2014.

The Foundation is also a direct-support organization, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, is financially accountable to the College. The Foundation

is managed independently, outside the College's budgeting process, and its powers generally are vested in a governing board pursuant to various State statutes. The Foundation receives, holds, invests, and administers property, and makes expenses to or for the benefit of the College.

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

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

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

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

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College calculated its scholarship allowances by tracking actual recorded amounts of tuition and fees paid by scholarship revenues in each scholarship account. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenues.

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 - College.** The amount reported as cash and cash equivalents consists of cash on hand, cash in demand deposit accounts, and highly liquid investments. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury Special Purpose Investment Account (SPIA) and State Board of Administration (SBA) Florida PRIME investment pools to be cash equivalents. College demand deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2015, the College reported as cash equivalents at fair value \$3,159,277 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, had an effective duration of 2.67 years and fair value factor of 1.0013 at June 30, 2015. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2015, the College reported as cash equivalents \$1,941,029 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 34 days

as of June 30, 2015. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

**Cash and Cash Equivalents – Discretely Presented Component Unit.** The amount reported for the Foundation as cash and cash equivalents consists of cash, certificates of deposit, money market accounts, and highly liquid fixed income investments with original maturities of three months or less.

Custodial Credit Risk. Cash deposits in excess of Federal Depositors Insurance Corporation (FDIC) limits at individual financial institutions and cash held in money market accounts are uninsured. Management does not consider this risk significant. Certain investments are held in brokerage house investment accounts that are not insured by the FDIC. The total amount of cash and cash equivalents held by depositories and the bank balances amounted to \$2,979,701, of which \$2,449,824 was uninsured at December 31, 2014.

**Capital Assets - College.** College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and assets under capital lease. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$50,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 10 or 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
  - Computer Equipment – 3 years
  - Vehicles, Office Machines, and Educational Equipment – 5 years
  - Furniture – 3 to 7 years
- Assets Under Capital Lease – 20 years

**Capital Assets – Discretely Presented Component Unit.** The Foundation's land, buildings, and equipment are stated at cost except for donated property, which is stated at fair market value on the date of donation, and is net of accumulated depreciation of \$2,515,988. The Foundation depreciates buildings and equipment using the straight-line method over estimated lives ranging from 5 years for most equipment to 40 years for buildings.

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

**Pensions.** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance

Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

## 2. Reporting Change

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

## 3. Adjustment to Beginning Net Position

The beginning net position of the College, was decreased by \$13,120,458 due to the adoption of a new GASB Pronouncement, Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires the College to recognize its proportionate share of the net pension liabilities and related pension amounts of the cost-sharing multiple-employer FRS and HIS defined benefit plans.

## 4. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (8,094,894)
Auxiliary Funds	3,138,454
<b>Total</b>	<b>\$ (4,956,440)</b>

## 5. Investments

The Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the State Board of Administration (SBA); Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; and other investments approved by the Board of Trustees as authorized by law. 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 College's investments at June 30, 2015, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
College:	
SBA Debt Service Accounts	\$ 1,920
The Appleton Cultural Center, Inc.	
Ridgeworth Mutual Fund - U.S. Government Securities	788,550
<b>Total College Investments</b>	<b>\$ 790,470</b>

### **State Board of Administration Debt Service Accounts**

The College reported investments totaling \$1,920 at June 30, 2015, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

### **The Appleton Cultural Center, Inc.**

Investments of the Center (blended component unit) totaling \$788,550 are carried at market value and consist of mutual funds invested in U.S. Government securities. A \$600,000 nonexpendable principal balance is maintained in the Center's Fine Arts Endowment Program Fund while the remaining \$188,550 current portion is classified as restricted.

### **Discretely Presented Component Unit**

Investments of the Foundation include endowed investments of \$63,526,514 in United States Government securities, and corporate debt securities and equities, reported at fair value based on quoted market prices; non-endowed investments of \$3,384,815, held for various unrestricted and restricted purposes, reported at fair value; and real estate holdings of \$345,851, reported at fair market value at the date of gift.

Endowed investments are managed by bank trust departments and investment brokerage houses. The Foundation has established an investment policy for its endowed investments and has investment managers who are required to oversee the management of the portfolios pursuant to its investment policy. The Foundation has a separate investment policy pertaining to the Appleton Museum Family Endowment and the Edith Marie Appleton Endowment, which are managed and governed by a trust company with

oversight by the Appleton family. The following information is presented for the Appleton Museum Family Endowment portfolio, the Edith Marie Appleton Endowment portfolio, and other endowed investments:

<u>Investment</u>	<u>Weighted-Average Maturity or Duration (Years)</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Appleton Museum Family Endowment:			
Government/Corporate Bonds	7.3	AA	\$ 2,547,466
TIPS	2.88	AAA	343,843
High Yield Bonds	5.49	Unrated	683,790
Equities	(1)	(1)	9,058,390
Global Real Estate	(1)	(1)	803,363
Commodities	(1)	(1)	515,384
Total Appleton Museum Family Endowment			<u>13,952,236</u>
Edith Marie Appleton Endowment:			
Government/Corporate Bonds	7.3	AA	782,028
TIPS	2.88	AAA	103,554
High Yield Bonds	5.49	Unrated	206,482
Equities	(1)	(1)	2,782,552
Global Real Estate	(1)	(1)	242,261
Commodities	(1)	(1)	139,956
Total Edith Marie Appleton Endowment			<u>4,256,833</u>
Other Endowed Investments:			
Investment Grade Fixed Income	2.62	AA	7,412,440
Non-Investment Grade Fixed Income	4.02	B	2,698,530
Investment Bonds	5.38	BBB	1,727,915
Equities	(1)	(1)	22,847,456
Balance Funds	(1)	(1)	6,131,207
Hedge Funds	(1)	(1)	4,499,897
Total Other Endowed Investments			<u>45,317,445</u>
<b>Total Endowment Investments</b>			<u><u>\$ 63,526,514</u></u>

Note: (1) Disclosure of maturity/duration or credit quality is not required.

Non-endowed investments are invested separately and managed in accordance with the Foundation's Board of Directors approval for non-endowed investments. The following information is presented for the Foundation's non-endowed investments:

<u>Investment</u>	<u>Weighted-Average Maturity or Duration (Years)</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Non-Endowed Investments:			
Investment Grade Fixed Income	1.26	AA	\$ 3,169,018
Non-Investment Grade Fixed Income	4.02	B	116,854
Investment Bonds	5.38	BBB	98,943
<b>Total Non-Endowed Investments</b>			<u><u>\$ 3,384,815</u></u>

The following risks apply to the Foundation's investments:

*Interest Rate Risk:* Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The weighted-average-maturity method is used to determine the interest rate risk for the Appleton Museum Family Endowment and the Edith Marie Appleton Endowment, and the duration method is used for the other endowed investments.

*Credit Risk:* Credit risk relates to the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings for debt securities are shown in the above schedule. Investment ratings are from Moody's Investors Services, Inc., Standard & Poor's, and Fitch. SEI Investments Management Corporation manages the other endowed investments and seeks "real return" for the portfolio. Fixed income securities managed by SEI Investments Management Corporation may invest in debt securities of any credit quality and with a broad range of maturities.

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

- Appleton Museum Family Endowment and Edith Marie Appleton Endowment – All investments are held in a counterparty account for the Northern Trust Company, a trust department, as custodian for the above referenced client account.
- Other Endowed Investments – All investments are managed by SEI Investments Management Corporation and are held in counterparty accounts as custodian for the Foundation.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. Disclosure of any issuer of investments that in the aggregate is 5% or more of the portfolio is required to be disclosed as a concentration of credit risk. As of December 31, 2014, there were no concentrations of credit risk.

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment. The Foundation investment risk exposure is as follows:

- Appleton Museum Family Endowment and Edith Marie Appleton Endowment – Both portfolios include exposure to international equity securities. Fluctuating exchange rates will have an impact on the performance of those investments. No investments are completed with the sole intent to profit from changes in foreign currency exchange rates.
- Other Endowed Investments – The investments managed by SEI Investments Management Corporation are not exposed to this type of risk.

## **6. Accounts Receivable**

Accounts receivable primarily consists of student fee deferrals and are reported net of a \$91,468 allowance for doubtful accounts.

## **7. Due From Other Governmental Agencies**

The amount due from other governmental agencies primarily consists of \$4,140,497 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$344,751 due from the Federal government for reimbursement of grant expenditures.

## 8. Due From Component Unit

The College's financial statements are reported for the fiscal year ended June 30, 2015, and the financial statements of the Foundation (discretely presented component unit) are reported for the fiscal year ended December 31, 2014. Accordingly, on the statement of net position, the amount (current) due from component unit of \$187,622 reported by the College does not agree with the amount (current) due to the College of \$251,832 and loan payable to the College of \$100,000 reported by the Foundation. However, on the statement of net position, the amount (noncurrent) due from component unit reported by the College pursuant to a limited pledge agreement as explained in note 10, agrees with the amount (noncurrent) loan payable to the College reported by the Foundation of \$980,343. This is because any advances to the Foundation were completed before December 31, 2014.

## 9. Capital Assets

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 14,254,357	\$ -	\$ -	\$ 14,254,357
Construction in Progress	-	873,139	-	873,139
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 14,254,357</b>	<b>\$ 873,139</b>	<b>\$ -</b>	<b>\$ 15,127,496</b>
Depreciable Capital Assets:				
Buildings	\$ 96,381,616	\$ -	\$ -	\$ 96,381,616
Other Structures and Improvements	10,751,829	-	-	\$ 10,751,829
Furniture, Machinery, and Equipment	7,176,705	604,317	1,059,446	6,721,576
Assets Under Capital Lease	2,604,386	-	-	2,604,386
<b>Total Depreciable Capital Assets</b>	<b>116,914,536</b>	<b>604,317</b>	<b>1,059,446</b>	<b>116,459,407</b>
Less, Accumulated Depreciation:				
Buildings	41,629,635	2,391,177	-	44,020,812
Other Structures and Improvements	7,941,494	567,056	-	8,508,550
Furniture, Machinery, and Equipment	6,367,430	481,642	1,046,887	5,802,185
Assets Under Capital Lease	1,432,411	130,219	-	1,562,630
<b>Total Accumulated Depreciation</b>	<b>57,370,970</b>	<b>3,570,094</b>	<b>1,046,887</b>	<b>59,894,177</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 59,543,566</b>	<b>\$ (2,965,777)</b>	<b>\$ 12,559</b>	<b>\$ 56,565,230</b>

Capital asset activity of the Foundation (discretely presented component unit) for the fiscal year ended December 31, 2014, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 459,640	\$ -	\$ -	\$ 459,640
Works of Art and Historical Treasures	16,999,265	-	-	16,999,265
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 17,458,905</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,458,905</b>
Depreciable Capital Assets:				
Buildings	\$ 6,063,065	\$ -	\$ -	\$ 6,063,065
Furniture, Machinery, and Equipment	40,490	-	-	40,490
<b>Total Depreciable Capital Assets</b>	<b>6,103,555</b>	<b>-</b>	<b>-</b>	<b>6,103,555</b>
Less, Accumulated Depreciation:				
Buildings	2,322,279	156,003	-	2,478,282
Furniture, Machinery, and Equipment	35,273	2,433	-	37,706
<b>Total Accumulated Depreciation</b>	<b>2,357,552</b>	<b>158,436</b>	<b>-</b>	<b>2,515,988</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 3,746,003</b>	<b>\$ (158,436)</b>	<b>\$ -</b>	<b>\$ 3,587,567</b>

## 10. Long-Term Liabilities

Long-term liabilities of the College at June 30, 2015, include bonds payable, capital lease payable, compensated absences payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2015, 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	\$ 150,000	\$ 63,000	\$ 150,000	\$ 63,000	\$ 46,000
Capital Lease Payable	1,341,724	-	406,636	935,088	412,118
Compensated Absences Payable	3,285,208	372,555	389,720	3,268,043	241,835
Other Postemployment Benefits Payable	227,592	59,457	21,021	266,028	-
Net Pension Liability (1)	14,482,026	1,974,339	7,173,906	9,282,459	205,239
<b>Total Long-Term Liabilities</b>	<b>\$ 19,486,550</b>	<b>\$ 2,469,351</b>	<b>\$ 8,141,283</b>	<b>\$ 13,814,618</b>	<b>\$ 905,192</b>

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

Long-term liabilities of the Foundation (discretely presented component unit) consist of industrial revenue bonds payable, loan payable to College, and other long-term liabilities. The long-term liabilities activity for the Foundation for the fiscal year ended December 31, 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>
Industrial Revenue Bonds					
Student Housing Bonds	\$ 160,000	\$ -	\$ 160,000	\$ -	\$ -
Enterprise Center Revenue Bonds	1,470,006	-	105,000	1,365,006	115,000
Loan Payable to College	1,180,343	-	100,000	1,080,343	100,000
Other Long-Term Liabilities	149,161	-	5,665	143,496	16,421
<b>Total Long-Term Liabilities</b>	<b>\$ 2,959,510</b>	<b>\$ -</b>	<b>\$ 370,665</b>	<b>\$ 2,588,845</b>	<b>\$ 231,421</b>

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

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rate (Percent)</u>	<u>Annual Maturity To</u>
SBE Capital Outlay Bonds:			
Series 2014B	\$ 63,000	5	2017
<b>Total</b>	<b>\$ 63,000</b>		

On December 2, 2014, the SBE issued \$129,880,000 in SBE Capital Outlay Bonds, Series 2014-B. The College's portion of the bonds, \$63,000, was used to refund \$65,000 of outstanding SBE Capital Outlay Bonds, Series 2005-A. The proceeds of the bond issue were deposited in a trust fund with the SBA to provide for all future debt service payments on the bonds. The assets with the SBA and the liability for the refunded bonds are not included on the College's statement of net position. As a result of the refunding, the College had a debt service savings of \$2,000.

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

<u>Fiscal Year Ending June 30</u>	<u>SBE Capital Outlay Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	46,000	3,404	49,404
2017	17,000	850	17,850
<b>Total</b>	<b>\$ 63,000</b>	<b>\$ 4,254</b>	<b>\$ 67,254</b>

**Bonds Payable - Foundation.** In May 2003, the Foundation issued \$2 million tax-exempt Industrial Development Revenue Bonds, Series 2003A1, through the Florida Development Finance Corporation to construct a 25,400 square foot office building known as the Enterprise Center, for lease on the Ocala Campus of the College. The bonds are secured by a first mortgage on real property, first lien on personal property, and assignment of rents, contracts, and leases. The interest rate is fixed at 4.125 percent

annually through 2015 and may be adjusted for each subsequent five-year period through June 2, 2023. Annual requirements to amortize the Enterprise Center Revenue Bonds, Series 2003A1 are as follows:

<b>Fiscal Year Ending December 31</b>	<b>Enterprise Center Revenue Bonds, Series 2003A1</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 115,000	\$ 54,934	\$ 169,934
2016	130,000	49,888	179,888
2017	145,000	44,111	189,111
2018	155,000	37,855	192,855
2019	165,000	31,180	196,180
2020-2023	655,006	50,528	705,534
<b>Total</b>	<b>\$ 1,365,006</b>	<b>\$ 268,496</b>	<b>\$ 1,633,502</b>

**Loan Payable to College - Foundation.** On January 1, 1994, the College entered into a limited pledge agreement with the Foundation (discretely presented component unit) to assist the Foundation with unfunded debt service payments associated with the Foundation's financing of a student housing facility. In December 2003, the Foundation legally obligated itself to the College in the form of an uncollateralized, noninterest bearing advance for amounts provided by the College. During the Foundation's fiscal year ended December 31, 2014, the payable to the College was decreased \$100,000 for the payment made to the College from the Foundation for the repayment of the loan.

Annual requirements to amortize the outstanding loan as of December 31, 2014, are as follows.

<b>Fiscal Year Ending December 31</b>	<b>Amount</b>
2015	\$ 100,000
2016	100,000
2017	100,000
2018	100,000
2019	100,000
2020-2024	580,343
<b>Total</b>	<b>\$ 1,080,343</b>

**Capital Lease Payable.** The College acquired energy saving equipment in the amount of \$2,604,386 under a capital lease agreement. The stated interest rate is 1.34 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2015, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 422,123
2017	422,123
2018	105,531
<b>Total Minimum Payments</b>	949,777
Less, Amount Representing Interest	14,689
<b>Present Value of Minimum Payments</b>	<u>\$ 935,088</u>

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2015, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$3,268,043. The current portion of the compensated absences liability, \$241,835, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

**Other Postemployment Benefits Payable.** The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for other postemployment benefits administered 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 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 State has not advance-funded other postemployment benefit (OPEB) costs or the net OPEB obligation. Premiums necessary for funding the Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the General Appropriations Act. For the 2014-15 fiscal year, 54 retirees received other postemployment healthcare benefits and 60 retirees received other postemployment life insurance benefits. The College provided required contributions of \$21,021 toward

the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$263,420, which represents 1.54 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:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 38,276
Amortization of Unfunded Actuarial Accrued Liability	19,663
<b>Annual Required Contribution</b>	57,939
Interest on Net OPEB Obligation	9,104
Adjustment to Annual Required Contribution	(7,586)
<b>Annual OPEB Cost (Expense)</b>	59,457
Contribution Toward the OPEB Cost	(21,021)
<b>Increase in Net OPEB Obligation</b>	38,436
Net OPEB Obligation, Beginning of Year	227,592
<b>Net OPEB Obligation, End of Year</b>	<u>\$ 266,028</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, 2015, and for the 2 preceding fiscal years were as follows:

<u>Fiscal Year</u>	<b>Percentage of</b>		
	<u>Annual</u>	<u>Annual</u>	<u>Net OPEB</u>
	<u>OPEB Cost</u>	<u>OPEB Cost</u>	<u>Obligation</u>
		<u>Contributed</u>	
2012-13	\$ 53,367	32.2%	\$ 199,841
2013-14	56,766	51.1%	227,592
2014-15	59,457	35.4%	266,028

*Funded Status and Funding Progress.* As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$558,684, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$558,684, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$17,137,604 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.26 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts

determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The College's OPEB actuarial valuation as of July 1, 2013, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2015, and the College's 2014-15 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, an inflation rate of 3 percent, and an annual healthcare cost trend rate of 7.5 percent pre-Medicare and 6.0 percent Medicare for the 2014-15 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 3 years pre-Medicare and 2 years Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2015 was 22 years.

## **11. Retirement Plans – Defined Benefit Pension Plans**

### **General Information about the Florida Retirement System (FRS)**

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

Essentially all regular employees of the College are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further

action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The College's FRS and HIS pension expense totaled \$755,552 for the 2014-15 fiscal year.

### **FRS Pension Plan**

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

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

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

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

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

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

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

*Contributions.* The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were:

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

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The College's contributions to the Plan totaled \$1,341,346 for the fiscal year ended June 30, 2015.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2015, the College reported a liability of \$3,168,748 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the College's proportionate share was

0.051934163 percent, which was an increase of 0.003104046 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of \$384,277. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 196,092
Change of assumptions	548,774	-
Net difference between projected and actual earnings on FRS pension plan investments	-	5,285,996
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	449,528	-
College FRS contributions subsequent to the measurement date	1,341,346	-
<b>Total</b>	<b>\$ 2,339,648</b>	<b>\$ 5,482,088</b>

The deferred outflows of resources related to pensions totaling \$1,341,346 resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (1,170,139)
2017	(1,170,139)
2018	(1,170,139)
2019	(1,170,139)
2020	151,360
Thereafter	45,410
<b>Total</b>	<b>\$ (4,483,786)</b>

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

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

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

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

*Discount Rate.* The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

*Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
College's proportionate share of the net pension liability	<u>\$ 13,553,155</u>	<u>\$ 3,168,748</u>	<u>\$ (5,469,098)</u>

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

## **HIS Pension Plan**

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

*Benefits Provided.* For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

*Contributions.* The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled \$264,145 for the fiscal year ended June 30, 2015.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2015, the College reported a liability of \$6,113,711 for its proportionate share of the net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within one year, net of the College's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the College's proportionate share was 0.065385575 percent, which was a decrease of 0.004405034 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of \$371,275. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 217,550	\$ -
Net difference between projected and actual earnings on HIS pension plan investments	2,935	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	-	330,250
College contributions subsequent to the measurement date	264,145	-
<b>Total</b>	<b>\$ 484,630</b>	<b>\$ 330,250</b>

The deferred outflows of resources totaling \$264,145 was related to pensions resulting from College contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (17,444)
2017	(17,444)
2018	(17,444)
2019	(17,444)
2020	(18,177)
Thereafter	(21,812)
<b>Total</b>	<b>\$ (109,765)</b>

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

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

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

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

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

*Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 4.29 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	<u>1% Decrease (3.29%)</u>	<u>Current Discount Rate (4.29%)</u>	<u>1% Increase (5.29%)</u>
College's proportionate share of the net pension liability	\$ 6,953,851	\$ 6,113,711	\$ 5,412,434

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

## 12. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Plan members. Allocations to the Investment Plan member accounts during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension

Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5 year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

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

The College's Investment Plan pension expense totaled \$368,380 for the fiscal year ended June 30, 2015.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes 5.14 percent of the participant's salary to the participant's account, 2.54 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover the administrative costs, for a total of 7.69 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The College's contributions to the Program totaled \$77,489 and employee contributions totaled \$31,297 for the 2014-15 fiscal year.

### **13. Construction Commitments**

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

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Levy Campus Building	\$ 1,049,634	\$ 798,310	\$ 251,324
Building 4 ADA Breezeway Remodeling	761,490	74,829	686,661
Total	<u>\$ 1,811,124</u>	<u>\$ 873,139</u>	<u>\$ 937,985</u>

#### 14. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to \$150 million to February 28, 2015, and up to \$200 million from March 1, 2015, for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

#### 15. Functional Distribution Of Operating Expenses

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 19,243,538
Academic Support	4,332,347
Student Services	5,124,725
Institutional Support	9,779,687
Operation and Maintenance of Plant	5,456,336
Scholarships and Waivers	12,078,429
Depreciation	3,570,094
Auxiliary Enterprises	630,644
<b>Total Operating Expenses</b>	<u><u>\$ 60,215,800</u></u>

## 16. Blended Component Unit

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

### Condensed Statement of Net Position

	<b>Blended Component Unit</b>		
	<b>The Appleton Cultural Center, Inc. 12/31/2014</b>	<b>College 6/30/2015</b>	<b>Total Primary Government</b>
<b>Assets:</b>			
Other Current Assets	\$ 188,650	\$ 16,444,319	\$ 16,632,969
Capital Assets, Net	-	71,692,726	71,692,726
Other Noncurrent Assets	600,000	7,056,004	7,656,004
<b>Total Assets</b>	<b>788,650</b>	<b>95,193,049</b>	<b>95,981,699</b>
<b>Deferred Outflows of Resources</b>	<b>-</b>	<b>2,824,278</b>	<b>2,824,278</b>
<b>Liabilities:</b>			
Other Current Liabilities	3,825	3,338,295	3,342,120
Noncurrent Liabilities	-	12,909,426	12,909,426
<b>Total Liabilities</b>	<b>3,825</b>	<b>16,247,721</b>	<b>16,251,546</b>
<b>Deferred Inflows of Resources</b>	<b>-</b>	<b>5,812,338</b>	<b>5,812,338</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	-	70,694,638	70,694,638
Restricted - Nonexpendable	600,000	-	600,000
Restricted - Expendable	184,825	10,219,070	10,403,895
Unrestricted	-	(4,956,440)	(4,956,440)
<b>Total Net Position</b>	<b>\$ 784,825</b>	<b>\$ 75,957,268</b>	<b>\$ 76,742,093</b>

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

	Blended Component Unit		Total Primary Government
	The Appleton Cultural Center, Inc. 12/31/2014	College 6/30/2015	
Operating Revenues	\$ 5,359	\$ 13,209,230	\$ 13,214,589
Depreciation Expense	-	(3,570,094)	(3,570,094)
Other Operating Expenses	(3,825)	(56,641,881)	(56,645,706)
<b>Operating Income (Loss)</b>	<b>1,534</b>	<b>(47,002,745)</b>	<b>(47,001,211)</b>
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	26,373	44,130,229	44,156,602
Interest Expense	-	(21,792)	(21,792)
<b>Net Nonoperating Revenues</b>	<b>26,373</b>	<b>44,108,437</b>	<b>44,134,810</b>
Other Revenues	-	6,964,450	6,964,450
<b>Increase in Net Position</b>	<b>27,907</b>	<b>4,070,142</b>	<b>4,098,049</b>
Net Position, Beginning of Year	756,918	85,007,584	85,764,502
Adjustment to Beginning Net Position	-	(13,120,458)	(13,120,458)
<b>Net Position, Beginning of Year, as Restated</b>	<b>756,918</b>	<b>71,887,126</b>	<b>72,644,044</b>
<b>Net Position, End of Year</b>	<b>\$ 784,825</b>	<b>\$ 75,957,268</b>	<b>\$ 76,742,093</b>

## Condensed Statement of Cash Flows

	Blended Component Unit		Total Primary Government
	The Appleton Cultural Center, 12/31/2014	College 6/30/2015	
Net Cash Provided (Used) by:			
Operating Activities	\$ (8,515)	\$ (44,612,907)	\$ (44,621,422)
Noncapital Financing Activities	-	44,119,931	44,119,931
Capital and Related Financing Activities	-	1,780,461	1,780,461
Investing Activities	8,515	152,975	161,490
<b>Net Increase in Cash and Cash Equivalents</b>	<b>-</b>	<b>1,440,460</b>	<b>1,440,460</b>
Cash and Cash Equivalents, Beginning of Year	100	14,713,739	14,713,839
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 100</b>	<b>\$ 16,154,199</b>	<b>\$ 16,154,299</b>

## **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	\$ -	\$ 168,293	\$ 168,293	0%	\$ 17,874,831	0.94%
7/1/2011	-	324,567	324,567	0%	17,161,943	1.89%
7/1/2013	-	558,864	558,864	0%	16,795,383	3.33%

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

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

	2014 (1)	2013 (1)
College's proportion of the FRS net pension liability	0.051934163%	0.048830117%
College's proportionate share of the FRS net pension liability	\$ 3,168,748	\$ 8,405,836
College's covered-employee payroll (2)	\$ 20,483,450	\$ 21,448,007
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	15.47%	39.19%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

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

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

**Schedule of College Contributions –  
Florida Retirement System Pension Plan**

	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required FRS contribution	\$ 1,341,346	\$ 1,137,579
FRS contributions in relation to the contractually required contribution	<u>(1,341,346)</u>	<u>(1,137,579)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 21,971,078	\$ 20,483,450
FRS contributions as a percentage of covered-employee payroll	6.11%	5.55%

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

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

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

	<u>2014 (1)</u>	<u>2013 (1)</u>
College's proportion of the HIS net pension liability	0.065385575%	0.069790609%
College's proportionate share of the HIS net pension liability	\$ 6,113,711	\$ 6,076,190
College's covered-employee payroll (2)	\$ 20,483,450	\$ 21,448,007
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	29.85%	28.33%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

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

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

**Schedule of College Contributions –  
Health Insurance Subsidy Pension Plan**

	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required HIS contribution	\$ 264,145	\$ 223,989
HIS contributions in relation to the contractually required HIS contribution	<u>(264,145)</u>	<u>(223,989)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 21,971,078	\$ 20,483,450
HIS contributions as a percentage of covered-employee payroll	1.20%	1.09%

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

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

### **1. Schedule of Funding Progress – Other Postemployment Benefit Plan**

The July 1, 2013, unfunded actuarial accrued liability of \$558,864 increased by 72 percent from the July 1, 2011, liability of \$324,567 primarily as a result of:

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

### **2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan**

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

### **3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan**

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the College of Central Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 15, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and discretely presented component units, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 15, 2016