

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2016-152
March 2016

SANTA FE COLLEGE

For the Fiscal Year Ended
June 30, 2015



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2014-15 fiscal year, Dr. Jackson N. Sasser served as President and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
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Jeffrey L. Oody, Vice Chair from 7-29-14	Bradford
Col. Arley W. McRae, Chair to 7-28-14	Bradford
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Robert C. Hudson	Alachua
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Caridad E. Lee	Alachua
G. Thomas Mallini	Alachua
Lisa M. Prevatt	Bradford

Note: ^a Confidential pursuant to Section 119.071(4), Florida Statutes.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit was supervised by Philip B. Ciano, CPA.

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

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

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

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 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. The results of our operational audit of the College are included in our report No. 2016-053.

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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

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

Emphasis of 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 Santa Fe College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 Santa Fe College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 17, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

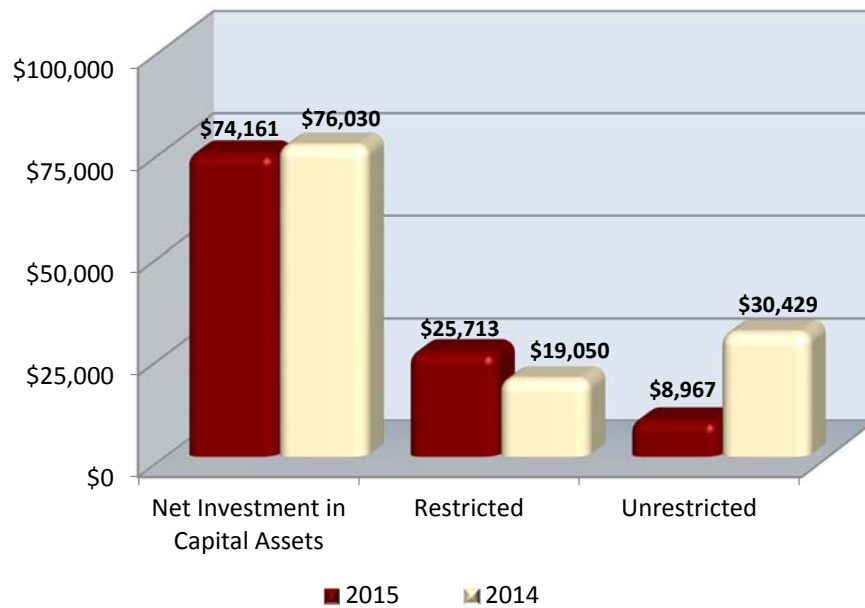
The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2015, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College and the Florida College System Risk Management Consortium (Consortium) for the fiscal years ended June 30, 2015, and June 30, 2014, and the College's component unit, the Santa Fe College Foundation, Inc., for the fiscal years ended December 31, 2014, and December 31, 2013. To better distinguish the activities of the College and Consortium within the primary government, the financial information related to the Consortium is separately identified.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$162.3 million at June 30, 2015. This balance reflects a \$5.4 million, or 3.4 percent, increase as compared to June 30, 2014, resulting primarily from an increase in amounts due from other governmental agencies. Deferred outflows of resources at June 30, 2015, totaled \$5.8 million. Liabilities increased by \$17.2 million, or 55 percent, totaling \$48.6 million at June 30, 2015, as compared to \$31.4 million at June 30, 2014. Deferred inflows of resources at June 30, 2015, totaled \$10.6 million. As a result, the College's net position decreased by \$16.7 million. The increase in liabilities, deferred outflows and inflows of resources, and decrease in net position were primarily due to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. This accounting standard requires the College, as a participating employer in the Florida Retirement System (FRS), to recognize its proportionate share of the collective net pension liabilities of the FRS and Health Insurance Subsidy (HIS) cost-sharing multiple-employer defined benefit plans. Changes in liabilities are recognized through the statement of revenues, expenses and changes in net position, or reported as deferred outflows or inflows of resources on the statement of net position, depending on the nature of the change. The initial adoption also resulted in an adjustment to beginning net position of \$22.6 million.

Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting the 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)



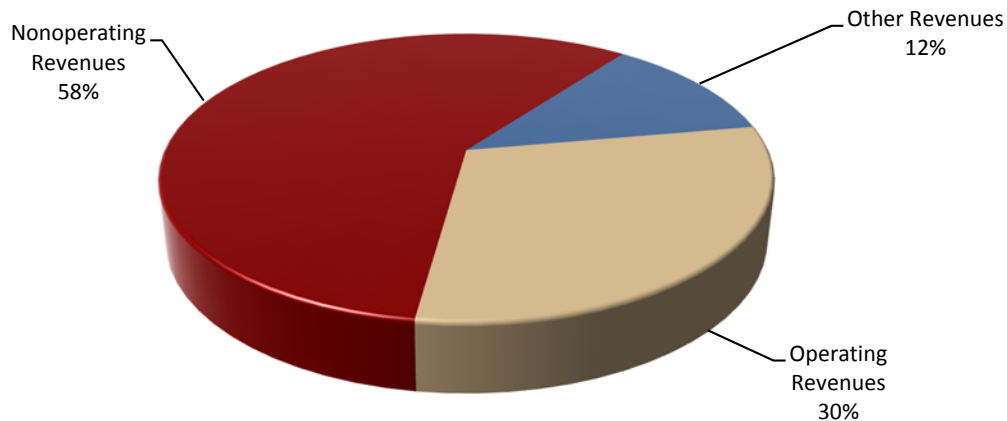
The College's net investment in capital assets represents capital assets, net of accumulated depreciation and outstanding debt principal attributable to the acquisition, construction, or improvement of those assets. The \$1.9 million, or 2.5 percent, decrease in net investment in capital assets compared to the prior fiscal year was primarily due to the excess depreciation expense over the additions to capital assets during the 2014-15 fiscal year.

Restricted net position is subject to externally imposed restrictions governing their use. The increase in restricted net position of \$6.7 million, or 35 percent, was primarily due to the increase in the amount of restricted expendable capital funding from the construction of new facilities as well as renovation and remodeling of existing structures. Variances from year to year for capital funding are expected based on the methods the State Legislature uses to allocate capital appropriations. Therefore, this portion of restricted net position will continue to fluctuate each year.

Unrestricted net position is not subject to externally imposed restrictions. The College reports liabilities for accrued leave, postemployment healthcare and life insurance benefits, and the College's proportionate share of the net pension liability for the FRS and HIS pension plans, totaling \$25.8 million; however, State appropriations fund only the portion of accrued leave and postemployment benefits that are paid in the current fiscal year (see the notes to financial statements for further details). Even with this reporting requirement, unrestricted net position has a positive balance.

As more fully described in the Operating Expenses and the Revenues sections which follow, College revenues and other support exceed expenses for the fiscal year ended June 30, 2015. The following chart provides a graphical presentation of College revenues by category for the 2014-15 fiscal year:

Total Revenues: College



Annual State appropriations are classified as nonoperating revenues according to generally accepted accounting principles, although State-appropriated funds are used to support the operations of the College. Nonoperating revenues, comprising 58 percent of total revenues, included State noncapital appropriations, Federal Pell Grant revenue, State scholarship revenue, revenues received from agreements between local school boards and the College for high school programs, and investment income; all of which supported operating expenses of the College. Operating revenues, comprising 30 percent of total revenues, consisted primarily of student tuition and fees, grants and contracts, sales and services of educational departments, and auxiliary enterprises. Other revenues, comprising 12 percent of total revenues, included State capital appropriations and capital grants, contracts, gifts, and fees designated for capital projects.

The component unit revenues exceeded expenses during the 2014 calendar year, resulting in an increase in net position of \$1.8 million, primarily due to an increase in unrealized investment appreciation of \$1.2 million, an increase in endowment contributions of \$339 thousand, and a decrease in contributions in support of the College of \$463 thousand for capital projects.

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:

Primary Government

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

equivalents, and investments with a corresponding liability representing that the assets are held in custody by the College for the Consortium.

Component Unit

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

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position

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

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

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

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

Condensed Statement of Net Position at

(In Thousands)

	Primary Government				Component Unit	
	College		Consortium (1)		12-31-14	12-31-13
	6-30-15	6-30-14	6-30-15	6-30-14		
Assets						
Current Assets	\$ 56,717	\$ 47,297	\$ 66,548	\$ 75,850	\$ 2,329	\$ 1,628
Capital Assets, Net	84,552	87,286	-	-	13,802	14,176
Other Noncurrent Assets	21,008	22,313	18,573	16,824	29,144	27,710
Total Assets	<u>162,277</u>	<u>156,896</u>	<u>85,121</u>	<u>92,674</u>	<u>45,275</u>	<u>43,514</u>
Deferred Outflows of Resources	<u>5,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities						
Current Liabilities	14,511	12,702	66,548	75,850	33	21
Noncurrent Liabilities	34,125	18,685	18,573	16,824	1,626	1,723
Total Liabilities	<u>48,636</u>	<u>31,387</u>	<u>85,121</u>	<u>92,674</u>	<u>1,659</u>	<u>1,744</u>
Deferred Inflows of Resources	<u>10,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position						
Net Investment in Capital Assets	74,161	76,030	-	-	13,802	14,176
Restricted	25,713	19,050	-	-	29,703	27,625
Unrestricted	8,967	30,429	-	-	111	(31)
Total Net Position	<u>\$ 108,841</u>	<u>\$ 125,509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,616</u>	<u>\$ 41,770</u>
Increase (Decrease) in Net Position	<u>\$ (16,668)</u>	(13.3%)	<u>\$ -</u>		<u>\$ 1,846</u>	4.4%

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

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

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

(In Thousands)

	College		Component Unit	
	6-30-15	6-30-14	12-31-14	12-31-13
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 25,864	\$ 24,041	\$ -	\$ -
Federal Grants and Contracts	2,763	2,896	-	-
State and Local Grants and Contracts	648	530	-	-
Nongovernmental Grants and Contracts	422	184	413	402
Sales and Services of Educational Departments	1,115	1,102	-	-
Auxiliary Enterprises	1,563	1,016	-	-
Other Operating Revenues	451	552	513	520
Total Operating Revenues	32,826	30,321	926	922
Less, Operating Expenses	103,998	106,271	2,060	1,868
Operating Loss	(71,172)	(75,950)	(1,134)	(946)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	36,078	35,452	-	-
Federal and State Grants	25,653	28,225	-	-
Gifts and Grants	1,920	1,505	-	-
Other Nonoperating Revenues	442	827	2,381	1,173
Nonoperating Expenses	(516)	(555)	-	-
Net Nonoperating Revenues	63,577	65,454	2,381	1,173
Income (Loss) Before Other Revenues or Expenses				
	(7,595)	(10,496)	1,247	227
State Capital Appropriations	9,096	1,781	-	-
Endowment Principal Additions	-	-	599	260
Capital Grants, Contracts, Gifts, and Fees	4,411	5,182	-	92
Contributions in Support of College	-	-	-	(463)
Net Increase (Decrease) In Net Position	5,912	(3,533)	1,846	116
Net Position, Beginning of Year	125,509	129,042	41,770	41,654
Adjustments to Beginning Net Position (1)	(22,580)	-	-	-
Net Position, Beginning of Year, as Restated	102,929	129,042	41,770	41,654
Net Position, End of Year	\$ 108,841	\$ 125,509	\$ 43,616	\$ 41,770

Note: (1) Adjustment to beginning net position 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.

Revenues

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

provide for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. College revenues increased \$7.1 million, or 6.9 percent, as compared to the prior year as a result of the following factors:

Operating Revenues

- Net student tuition and fee revenue increased by \$1.8 million, or 7.6 percent, as a result of a decrease in the scholarship allowance.
- Grants and contracts increased by \$223 thousand, or 6.2 percent, primarily due to an increase in nongovernmental grants.
- Auxiliary enterprise revenue increased by \$547 thousand, or 53.8 percent, as a result of the College entering into an inter-local agreement with the City of Gainesville for management services of the Gainesville Technology Entrepreneurship Center Incubator.

Nonoperating and Other Revenues and Gains

- State noncapital appropriations increased by \$626 thousand, or 1.8 percent, primarily due to increased funding in College Program funds.
- Federal and State grants revenue decreased by \$2.6 million, or 9.1 percent, due primarily to a decrease in Federal Pell Grant Program scholarship support.
- Investment income decreased by \$425 thousand, or 49.9 percent, principally due to decreases in interest rates.
- State capital appropriations increased by \$7.3 million, or 410.7 percent. This was due to increased Public Education Capital Outlay funding from the prior fiscal year for capital projects.
- Capital grants, contracts, gifts and fees decreased by \$771 thousand, or 14.9 percent, primarily due to decreases in fees both from enrollment decline and fee reduction.

Component unit revenues increased by \$1.5 million, or 59.6 percent, as compared to the prior fiscal year as a result of the following factors:

- Other nonoperating revenues increased \$1.2 million, or 103 percent, mainly from an increase in investment income, net of realized and unrealized gains or losses.
- Endowment principal additions increased \$339 thousand, or 130.4 percent, as a result of an increase in amounts designated by donors to be placed in permanent endowments.

Operating Expenses

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

The following summarizes operating expenses by natural classification for the College (none are reported for the Consortium) and its 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	\$ 59,096	\$ 59,322	\$ -	\$ -
Scholarships and Waivers	18,237	18,080	834	737
Utilities and Communications	2,398	2,478	-	-
Contractual Services	6,495	6,376	-	-
Other Services and Expenses	4,082	4,694	832	737
Materials and Supplies	7,848	8,401	-	-
Depreciation	5,842	6,920	394	394
Total Operating Expenses	\$ 103,998	\$ 106,271	\$ 2,060	\$ 1,868

College total operating expense decreased by \$2.3 million, or 2.1 percent, as compared to the prior fiscal year as a result of the following factors:

- The College provided salary increases of 2 percent to each employee's 2013-14 base salary and a non-recurring periodic salary supplement of \$500 to all full-time personnel. These increases were offset with the implementation of GASB Statement No. 68 that required the recording of a net pension expense credit adjustment totaling \$1.2 million. As a result, personnel services decreased by \$226 thousand, or 0.4 percent, from the prior fiscal year.
- Scholarships and waivers provided to students increased by \$157 thousand, or 0.9 percent, due to decreases in Federal Title IV financial aid and the State's Bright Futures Scholarship Program and increases in waiver expense with the addition of two out of state fee waivers for non-Florida resident Florida high school graduates and veterans. Scholarship expenses, similar to tuition and fees revenue, are also shown net of scholarship allowances (amounts received from other than students and third party payers).
- Utilities and communications decreased by \$80 thousand, or 3.2 percent, primarily due to a decrease in water, sewer and electrical consumption, offset by a slight increase in broadband expenses.
- Contractual services increased by \$119 thousand, or 1.9 percent, primarily due to an increase in institutional membership expenses.
- Other services and expenses decreased \$612 thousand, or 13 percent, primarily due to a decrease in the bad debt expense.
- Materials and supplies decreased by \$553 thousand, or 6.6 percent, which is attributable primarily to decreases in expenses for non-capitalized repairs and maintenance offset with slight increases in software expenses.
- Depreciation expense decreased by \$1.1 million, or 15.6 percent, as a result of several buildings and equipment reaching full depreciation in the 2014-15 fiscal year.

Total operating expenses for the component unit increased \$192 thousand, or 10.3 percent, primarily due to an increase in scholarships provided to students.

The Statement of Cash Flows

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

during a period. The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections. The statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows.
- Its ability to meet its financial obligations as they come due.
- Its need for external financing.

A summary of the College's and the Consortium's cash flows for the 2014-15 and 2013-14 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College

(In Thousands)

	College		Consortium	
	2014-15	2013-14	2014-15	2013-14
Cash Provided (Used) by:				
Operating Activities	\$ (65,292)	\$ (68,924)	\$ (7,554)	\$ 6,454
Noncapital Financing Activities	63,709	65,147	-	-
Capital and Related Financing Activities	818	3,985	-	-
Investing Activities	421	897	(71)	(43)
Net Increase (Decrease) in Cash and Cash Equivalents	(344)	1,105	(7,625)	6,411
Cash and Cash Equivalents, Beginning of Year	54,946	53,841	72,183	65,772
Cash and Cash Equivalents, End of Year	\$ 54,602	\$ 54,946	\$ 64,558	\$ 72,183

The College's cash and cash equivalents decreased during the 2014-15 fiscal year. The following discussion amplifies the overview of cash flows:

- Cash outflows for operating activities decreased \$3.6 million as compared to the prior fiscal year. The primary components of this change were increases in cash inflows from student tuition and fees of \$2.1 million, and other receipts of \$1.3 million, as well as increases in cash outflows of \$964 thousand for payments to employees and employee benefits. These cash outflows were offset by a decrease of \$1 million in cash outflows in payments to suppliers.
- The primary sources of cash inflows in noncapital financing activities are State noncapital appropriations (\$36.1 million), and Federal and State grants (\$25.7 million). Cash inflows from noncapital financing decreased \$1.4 million, as compared to the prior fiscal year, predominantly due to a decrease in Federal and State grants (\$2.6 million) offset by an increase in State noncapital appropriations (\$626 thousand) and Gifts and Contracts (\$415 thousand).
- The primary sources of cash inflows for capital and related financing activities are capital grants and gifts (\$4.1 million) and State capital appropriations (\$1.1 million). Net cash inflows for capital and related financing activities decreased \$3.2 million as compared to the prior fiscal year, primarily due to a decrease in State capital appropriations (\$314 thousand) and capital grants and gifts (\$1 million) as well as an increase in the purchase of capital assets (\$1.8 million).
- Cash inflows for investing activities of the College decreased by \$476 thousand primarily due to a decrease in investment income.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION
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Capital Assets

At June 30, 2015, the College had \$187.6 million in capital assets, less accumulated depreciation of \$103 million, for net capital assets of \$84.6 million. Depreciation charges for the current fiscal year totaled \$5.8 million. The following table summarizes the College's capital assets activity for the fiscal year ending June 30, 2015:

Capital Assets, Net at June 30: College

<u>Capital Assets</u>	(In Thousands)			
	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 5,110	\$ 7	\$ -	\$ 5,117
Artwork and Artifacts	18	-	-	18
Buildings	140,140	-	-	140,140
Other Structures and Improvements	30,966	92	44	31,014
Furniture, Machinery, and Equipment	9,353	805	1,189	8,969
Construction in Progress	147	2,296	92	2,351
Total	185,734	3,200	1,325	187,609
Less, Accumulated Depreciation:				
Buildings	63,666	3,390	-	67,056
Other Structures and Improvements	26,623	1,728	44	28,307
Furniture, Machinery, and Equipment	8,159	724	1,189	7,694
Total Accumulated Depreciation	98,448	5,842	1,233	103,057
Capital Assets, Net	\$ 87,286	\$ (2,642)	\$ 92	\$ 84,552

The component unit had \$19.1 million in capital assets, less accumulated depreciation of \$5.3 million, for net capital assets of \$13.8 million. Depreciation charges for the current fiscal year totaled \$394 thousand. Details of the component unit's capital assets activity for the fiscal year ended December 31, 2014, are shown in the following table:

Capital Assets, Net at December 31: Component Unit

	(In Thousands)			
<u>Capital Assets</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land	\$ 3,622	\$ -	\$ -	\$ 3,622
Art Collection	473	-	-	473
Equipment	4	-	-	4
Land and Buildings Held for Investment	2,068	14	-	2,082
Buildings and Improvements	11,927	6	-	11,933
Film Costs (Depreciable)	962	-	-	962
Total	19,056	20	-	19,076
Less, Accumulated Depreciation:	4,880	394	-	5,274
Capital Assets, Net	\$ 14,176	\$ (374)	\$ -	\$ 13,802

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

Capital Expenses and Commitments

Capital expenses through June 30, 2015, included renovations of buildings C and T (\$66 thousand), signage (\$1.4 million), and renewable energy accessible lab (\$850 thousand).

The College has \$699 thousand in construction contract commitments at June 30, 2015. The contract commitments are for projects that include the construction of the Law Enforcement and Emergency Medical Technician facility, college signage, renewable energy accessible lab, and various street resurfacing projects. State capital appropriations together with local funds are expected to finance the construction and renovation of facilities. The College's construction commitments at June 30, 2015, are as follows:

Major Capital Additions: College

(In Thousands)	
Total Committed	\$ 3,050
Completed to Date	<u>2,351</u>
Balance Committed	<u>\$ 699</u>

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

Debt Administration

At fiscal year end, the College had \$10.4 million in outstanding capital outlay bonds payable versus \$11.3 million at the end of the prior fiscal year, a decrease of 7.7 percent. Proceeds from bonds were used to construct and renovate College facilities. During the 2014-15 fiscal year, there was a bond refunding on \$100 thousand of State Board of Education (SBE) bonds. Debt payments totaled \$630 thousand for the Capital Improvement Revenue bonds and \$230 thousand for SBE bonds. 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)

	2015	2014
SBE Capital Outlay Bonds	\$ 96	\$ 330
Capital Improvement Revenue Bonds	10,295	10,925
Total	\$ 10,391	\$ 11,255

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College’s economic condition is closely tied to that of the State of Florida. The College’s current financial and capital plans indicate that additional financial resources will be necessary to maintain its present level of services. Forty-nine percent of the College’s planned recurring 2015-16 operating funds are received through State noncapital appropriations. State allocations for the 2015-16 fiscal years were slightly higher than the 2014-15 fiscal year allocation. While the revenue projections for the State continue to be positive, the demands for State resources continues to grow and, therefore, the College does not anticipate a major increase or decrease in State appropriations in the future. The College continues to designate reserves in excess of the statutory level to be utilized as needed for maintaining operations during the upcoming fiscal year.

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

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

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Administrative Affairs/CFO, Santa Fe College, 3000 Northwest 83rd Street, Gainesville, Florida, 32606.

BASIC FINANCIAL STATEMENTS

Santa Fe College A Component Unit of the State of Florida Statement of Net Position

June 30, 2015

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 35,798,881	\$ 342,940
Restricted Cash and Cash Equivalents	5,144,588	500,222
Investments	965,536	33,449
Restricted Investments	-	1,434,387
Accounts Receivable, Net	4,095,321	18,338
Notes Receivable	4,436	-
Due from Other Governmental Agencies	10,465,499	-
Due from Component Unit	79,156	-
Inventories	96,634	-
Prepaid Expenses	62,341	-
Deposits Receivable	5,000	-
Risk Management Consortium:		
Restricted Cash and Cash Equivalents	64,558,075	-
Restricted Investments	1,989,809	-
Total Current Assets	<u>123,265,276</u>	<u>2,329,336</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	13,658,457	-
Investments	7,347,034	457,392
Restricted Investments	3,030	5,135,160
Endowment Investments	-	23,551,149
Depreciable Capital Assets, Net	77,066,509	7,619,224
Nondepreciable Capital Assets	7,485,411	6,183,113
Risk Management Consortium:		
Restricted Deposit	4,709,257	-
Restricted Investments	13,863,756	-
Total Noncurrent Assets	<u>124,133,454</u>	<u>42,946,038</u>
TOTAL ASSETS	<u>247,398,730</u>	<u>45,275,374</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	5,848,929	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,682,965	33,124
Salary and Payroll Taxes Payable	4,433,549	-
Retainage Payable	136,496	-
Due to Other Governmental Agencies	3,502	-
Unearned Revenue	5,221,786	-
Deposits Held for Others	1,011,662	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	725,000	-
Compensated Absences Payable	877,710	-
Net Pension Liability	418,766	-
Risk Management Consortium:		
Deposits Held for Others	66,547,884	-
Total Current Liabilities	<u>81,059,320</u>	<u>33,124</u>

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

June 30, 2015

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	9,666,000	-
Compensated Absences Payable	7,754,443	-
Other Postemployment Benefits Payable	519,573	-
Net Pension Liability	16,184,946	-
Other Noncurrent Liabilities	-	1,626,631
Risk Management Consortium:		
Deposits Held in Custody	18,573,013	-
Total Noncurrent Liabilities	52,697,975	1,626,631
TOTAL LIABILITIES	133,757,295	1,659,755
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	10,649,373	-
NET POSITION		
Net Investment in Capital Assets	74,160,920	13,802,337
Restricted:		
Nonexpendable:		
Endowment	-	24,562,076
Expendable:		
Grants	2,011,613	-
Loans	504,331	-
Scholarships	-	1,287,201
Capital Projects	23,194,184	-
Debt Service	3,030	-
Other	-	3,853,263
Unrestricted	8,966,913	110,742
TOTAL NET POSITION	\$ 108,840,991	\$ 43,615,619

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

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

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$9,473,612	\$ 25,864,032	\$ -
Federal Grants and Contracts	2,762,874	-
State and Local Grants and Contracts	647,764	-
Nongovernmental Grants and Contracts	422,582	412,887
Sales and Services of Educational Departments	1,115,105	-
Auxiliary Enterprises	1,562,967	-
Other Operating Revenues	450,750	513,539
Total Operating Revenues	32,826,074	926,426
EXPENSES		
Operating Expenses:		
Personnel Services	59,095,669	-
Scholarships and Waivers	18,236,738	833,578
Utilities and Communications	2,398,453	-
Contractual Services	6,494,968	-
Other Services and Expenses	4,081,903	832,062
Materials and Supplies	7,848,294	-
Depreciation	5,841,924	394,353
Total Operating Expenses	103,997,949	2,059,993
Operating Loss	(71,171,875)	(1,133,567)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	36,078,418	-
Federal and State Grants	25,652,848	-
Gifts, Grants, and Contracts	1,920,419	-
Investment Income	426,889	2,380,203
Gain on Disposal of Capital Assets	14,788	-
Interest on Capital Asset-Related Debt	(515,225)	-
Other Nonoperating Expenses	(1,154)	-
Net Nonoperating Revenues	63,576,983	2,380,203
Income (Loss) Before Other Revenues	(7,594,892)	1,246,636
State Capital Appropriations	9,095,598	-
Endowment Principal Additions	-	598,730
Capital Grants, Contracts, Gifts, and Fees	4,411,364	-
Total Other Revenues	13,506,962	598,730
Increase in Net Position	5,912,070	1,845,366
Net Position, Beginning of Year	125,509,096	41,770,253
Adjustment to Beginning Net Position	(22,580,175)	-
Net Position, Beginning of Year, as Restated	102,928,921	41,770,253
Net Position, End of Year	\$ 108,840,991	\$ 43,615,619

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

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Santa Fe College
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2015

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 26,400,952
Grants and Contracts	3,591,457
Payments to Suppliers	(18,458,716)
Payments for Utilities and Communications	(2,398,453)
Payments to Employees	(48,490,928)
Payments for Employee Benefits	(11,572,116)
Payments for Scholarships	(18,236,738)
Loans Issued to Students	(34,031)
Collection on Loans to Students	37,234
Auxiliary Enterprises	1,441,538
Sales and Service of Educational Departments	1,115,105
Other Receipts	1,312,784
Risk Management Consortium:	
Other Payments	(7,553,947)
Net Cash Used by Operating Activities	(72,845,859)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	36,078,418
Federal and State Grants	25,652,848
Federal Direct Loan Program Receipts	24,585,318
Federal Direct Loan Program Disbursements	(24,526,565)
Gifts, Grants, and Contracts	1,920,419
Other Nonoperating Disbursements	(1,154)
Net Cash Provided by Noncapital Financing Activities	63,709,284
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,139,597
Capital Grants and Gifts	4,091,401
Proceeds from Sale of Capital Assets	2,838
Purchases of Capital Assets	(3,036,950)
Principal Paid on Capital Debt	(864,000)
Interest Paid on Capital Debt	(515,225)
Net Cash Provided by Capital and Related Financing Activities	817,661
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	10,540,328
Purchases of Investments	(10,517,264)
Investment Income	398,500
Risk Management Consortium:	
Proceeds from Sales and Maturities of Investments	18,928,345
Purchases of Investments	(18,999,798)
Net Cash Provided by Investing Activities	350,111
Net Decrease in Cash and Cash Equivalents	(7,968,803)
Cash and Cash Equivalents, Beginning of Year	127,128,804
Cash and Cash Equivalents, End of Year	119,160,001

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

	College
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (71,171,875)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	5,841,924
Changes in Assets, Liabilities, Deferred Outflows of	
Resources and Deferred Inflows of Resources:	
Accounts Receivable, Net	(247,473)
Notes Receivable	3,203
Due from Other Governmental Agencies	(55,875)
Due from Component Unit	52,810
Inventories	(28,551)
Deposits Receivable	(5,000)
Prepaid Expenses	28,147
Accounts Payable	708,095
Salary and Payroll Taxes Payable	223,575
Due to Other Governmental Agencies	(10,643)
Unearned Revenue	426,144
Deposits Held for Others	134,557
Compensated Absences Payable	(44,837)
Other Postemployment Benefits Payable	29,906
Net Pension Liability	(8,569,088)
Deferred Outflows Related to Pensions	(3,256,304)
Deferred Inflows Related to Pensions	10,649,373
Risk Management Consortium:	
Deposits Held for Others	(7,553,947)
	<u>(72,845,859)</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ (72,845,859)

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

Unrealized gains on investments were recognized as increases 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. \$ 28,389

Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows. \$ 16,105

The State Board of Education issued \$96,000 Capital Outlay Bonds, Series 2014B, to refund \$100,000 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. \$ 4,000

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

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

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

The Foundation is 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.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the

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.

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

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

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

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

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations; Federal and State grants; gifts, grants, and contracts; 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 identifies within its accounting system amounts paid for tuition and fees from grants, loans, or others providing financial aid sources. The total amount of these payments is deducted from student tuition and fees.

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

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

At June 30, 2015, the College and the Consortium reported as cash equivalents at fair value \$38,370,594 and \$64,373,481, respectively, in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, 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 and Consortium reported as cash equivalents \$15,394,534 and \$1,790, respectively, in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, 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.

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

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

Capital Assets - Component Unit. Property and equipment acquisitions of the College's component unit are recorded at cost, if purchased. Contributed property and equipment are recorded at estimated value, as determined by the donor or the component unit, at the date of receipt. Capitalized assets have a useful life greater than one year and an original cost of \$500 or greater. Buildings and equipment, not held for investment, are depreciated using the straight-line method, based on a 40 year useful life for buildings, 5 to 7 years useful life for equipment, and 10 years for film production costs. Land and buildings held as investments are recorded at fair market value, based on comparable sales in the market, as of December 31, 2014. Changes in fair value during the reporting period are recorded as investment income or loss.

Noncurrent Liabilities. Noncurrent liabilities include bonds 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 \$22,580,175 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. Restricted Deposit

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

5. Investments

College and Consortium

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

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

The general investment policy of both the College and the Consortium is to apply the prudent person rule: investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for

speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment. In addition to the investments allowed by Section 218.415(16), Florida Statutes, the investment policies of the College and the Consortium authorize investments in repurchase agreements, corporate notes, and money market instruments. The Consortium also includes asset-backed securities as an authorized investment.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Modified Average Duration (in Years)</u>
<u>College</u>		
State Board of Administration Debt Service		
Accounts	\$ 3,030	(1)
United States Treasury Notes	4,509,127	2.070
Obligations of United States		
Government-Sponsored Enterprises	2,176,722	1.360
Federal Agency Collateralized		
Mortgage Obligations	59,736	1.520
Corporate Note	329,838	2.510
Mortgage-Backed Pass-Throughs	271,611	4.710
Commercial Paper	898,657	0.370
Money Market Mutual Funds	66,879	(2)
Total College Investments	8,315,600	
Portfolio Modified Average Duration - College		1.800
<u>Consortium</u>		
United States Treasury Notes	2,837,194	3.230
Obligations of United States		
Government-Sponsored Enterprises	3,976,112	2.210
Corporate Notes		
Federal Agency Collateralized		
Mortgage Obligations	655,709	9.240
Foreign Notes	700,216	2.410
Corporate Notes	5,397,116	3.000
Mortgage-Backed Pass-Throughs	998,748	4.760
Commercial Paper	1,248,000	0.380
Money Market Mutual Funds	40,470	(2)
Total Consortium Investments	15,853,565	
Portfolio Modified Average Duration - Consortium		2.980
Total Investments - College and Consortium	\$ 24,169,165	

Notes: (1) Investments in United States Treasury securities with maturity dates of 6 months or less.

(2) The College and Consortium opted to use the weighted-average maturity interest rate risk method for the money market mutual funds (37 days).

State Board of Administration (SBA) Debt Service Accounts

The College reported investments totaling \$3,030 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.

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

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

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

At June 30, 2015, the Merrill Lynch 1-3 and 1-5 Year U.S. Treasury Indexes' modified average durations were 1.87 and 2.70 years, respectively. Recognizing that market volatility is a function of duration, the investment policies of the College and the Consortium also state that the portfolios are to be maintained as short- to intermediary-term duration portfolios. The maximum duration of floating rate and individual securities is 5 years from date of purchase. Furthermore, the investment policies are designed to limit principal fluctuation so that no more than 20 percent of the College's and 45 percent of the Consortium's portfolios have an effective duration greater than 3 years. An additional objective is to provide sufficient liquidity and stability of principal, so that no less than 10 percent of the portfolios have an effective duration of 1 year or less.

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

- Repurchase agreements must be fully collateralized at 102 percent by United States Treasuries.
- Asset-backed securities must, at minimum, be rated "AAA" by either Standard & Poor's or Moody's Investors Service (Moody's) for the Consortium; such securities are not an authorized investment for the College.
- Money market instruments including, but not limited to, commercial paper, time deposits, and banker's acceptances, at the time of purchase must, at a minimum, be rated "A1/P1" or the equivalent by Standard & Poor's and/or Moody's and all other nationally recognized credit rating organizations.
- Corporate bonds and notes must have at least an "AAA" rating for the College by at least two of the following three credit rating organizations: Standard & Poor's, Moody's, or Fitch; and at least a "BBB" rating for the Consortium by two of the following three credit rating organizations: Standard & Poor's, Moody's, or Fitch.

- Money market funds must be registered with the SEC with the highest credit quality rating from a nationally recognized rating company.
- A total quality rating of 8 or higher for the College and 7 or higher for the Consortium must be maintained using the following scale.
 - United States Government Fully Guaranteed 10
 - Government-Sponsored Enterprises 9
 - “AAA” – Rated Securities 8
 - “AA” – Rated Securities 7
 - “A” – Rated Securities 6
 - “BBB” – Rated Securities (Consortium only) 5

As of June 30, 2015, using the above scale, the College’s and the Consortium’s total quality ratings were 9.24 and 7.98, respectively.

At June 30, 2015, the investments of the College and the Consortium in obligations of the United States Government and Government-sponsored enterprises, Federal agency collateralized mortgage obligations, corporate notes, mortgage-backed pass-throughs, commercial paper, money market mutual funds, and foreign notes were rated by Standard & Poor’s as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>
<u>College</u>		
Obligations of United States Government and Government-Sponsored Enterprises	\$ 6,685,849	AA+
Federal Agency Collateralized Mortgage Obligations	\$ 59,736	AA+
Corporate Note	\$ 329,838	AAA
Mortgage-Backed Pass-Throughs	\$ 271,611	AA+
Commercial Paper	\$ 898,657	A-1 to A-1+
Money Market Mutual Funds	\$ 66,879	AAAm
<u>Consortium</u>		
Obligations of United States Government and Government-Sponsored Enterprises	\$ 6,813,306	AA+
Federal Agency Collateralized Mortgage Obligations	\$ 655,709	AA+
Foreign Notes	\$ 700,216	A+
Corporate Notes	\$ 5,397,116	A- to AAA
Mortgage-Backed Pass-Throughs	\$ 998,748	AA+
Commercial Paper	\$ 1,248,000	A-1
Money Market Mutual Funds	\$ 40,470	AAAm

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investment in a single issuer. The investment policies of the College and the Consortium provide that a maximum of 5 percent of the portfolios may be invested in securities of a single issuer, excluding United States Government, government agencies, and government-sponsored enterprise securities.

Component Unit Investments

Investments held by the College's component unit (Foundation) at December 31, 2014, were reported at fair value as follows:

Investment Type	Fair Value	Investment Maturities (In Years)				
		Less than 1	1-2	3-5	6-10	More Than 10
Investment in Debt Obligations:						
Domestic Bonds	\$ 18,892,761	\$ 1,366,460	\$ 1,902,987	\$ 4,546,985	\$ 2,739,627	\$ 8,336,702
Other Investments:						
Corporate Stocks	9,587,507					
Limited Partnerships	1,018,338					
Preferred Stocks	607,365					
Mutual Funds	400,154					
Municipals	100,194					
Government Backed	5,218					
Total Other Investments	11,718,776					
Total Component Unit Investments	\$ 30,611,537					

There was a \$1,215,611 unrealized gain in the fair value of investments during the fiscal year ended December 31, 2014. The carrying value of investments at December 31, 2014, includes all material changes in fair value, including unrealized gains and (losses) that occurred both during the current year and previous years.

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

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

Credit Risk: The Foundation's investment policy limits investments to investment grade securities (BBB or higher) issued by banks, corporations, or the Federal Government. Those securities listed at below investment grade have been downgraded subsequent to purchase. In each case the Foundation's Board of Directors, through its Finance Committee, has determined that the downgraded security has a reasonable expectation of recovery and has elected to maintain its position. The policy provides that 20 percent of the total investment in securities may be made in preferred corporate securities. Obligations of United States government agencies and instrumentalities, certificates of deposit, and domestic equities do not require disclosure of credit quality. Domestic bonds held by the Foundation at December 31, 2014, were rated by nationally recognized rating agencies (e.g., Moody's Investors Service) as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Ratings</u>
Domestic Bonds	\$ 510,193	Aaa/AAA
	1,144,028	Aa/AA
	7,720,263	A/A
	7,888,812	Baa/BBB
	1,629,465	Not Rated
Total Domestic Bonds	<u>\$ 18,892,761</u>	

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

Concentration of Credit Risk: Composition of the Foundation's investment portfolio is limited by its investment policy, which restricts investment in any one issue to no more than 5 percent of the value of the entire portfolio.

6. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, Title IV Federal grant and State Bright Futures program repayments due from students, agency billings, investment income, and commissions and rent due from vendors under contracts for food, vending, and bookstore operations. The receivables for students are reported net of a \$580,381 allowance for doubtful accounts. Other receivables are considered to be fully collectible.

7. Due From Other Governmental Agencies

This amount primarily consists of \$9,611,244 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$389,744 of Federal grant allocations due from the Federal Government primarily for Work Force Development, Federal Work-Study grants, and international state department grants.

8. Due From Component Unit

The \$79,156 reported as due from the component unit primarily consists of the remaining amounts owed to the College by the Foundation for donor contributed and matching funds. The College's financial statements are reported for the fiscal year ended June 30, 2015. The College's component unit's financial statements are reported for the calendar year ended December 31, 2014; accordingly, there is no amount reported as due to the College by the Foundation.

9. Capital Assets

Capital assets activity of the College 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	\$ 5,109,819	\$ 6,500	\$ -	\$ 5,116,319
Artwork and Artifacts	18,000	-	-	18,000
Construction in Progress	147,180	2,296,352	92,440	2,351,092
Total Nondepreciable Capital Assets	\$ 5,274,999	\$ 2,302,852	\$ 92,440	\$ 7,485,411
Depreciable Capital Assets:				
Buildings	\$ 140,140,075	\$ -	\$ -	\$ 140,140,075
Other Structures and Improvements	30,966,004	92,440	43,522	31,014,922
Furniture, Machinery, and Equipment	9,353,257	805,465	1,189,066	8,969,656
Total Depreciable Capital Assets	180,459,336	897,905	1,232,588	180,124,653
Less, Accumulated Depreciation:				
Buildings	63,666,703	3,390,163	-	67,056,866
Other Structures and Improvements	26,622,674	1,727,556	43,522	28,306,708
Furniture, Machinery, and Equipment	8,159,431	724,205	1,189,066	7,694,570
Total Accumulated Depreciation	98,448,808	5,841,924	1,232,588	103,058,144
Total Depreciable Capital Assets, Net	\$ 82,010,528	\$ (4,944,019)	\$ -	\$ 77,066,509

Capital assets activity of the College's 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	\$ 3,622,393	\$ -	\$ -	\$ 3,622,393
Art Collection	473,393	-	-	473,393
Equipment	4,375	-	-	4,375
Land Held for Investment	191,500	-	-	191,500
Buildings Held for Investment	1,876,704	14,748	-	1,891,452
Total Nondepreciable Capital Assets	\$ 6,168,365	\$ 14,748	\$ -	\$ 6,183,113
Depreciable Capital Assets:				
Buildings and Improvements	\$ 11,926,118	\$ 6,400	\$ -	\$ 11,932,518
Film Costs	961,992	-	-	961,992
Total Depreciable Capital Assets	12,888,110	6,400	-	12,894,510
Less, Accumulated Depreciation:				
Buildings and Improvements	4,496,137	298,154	-	4,794,291
Film Costs	384,796	96,199	-	480,995
Total Accumulated Depreciation	4,880,933	394,353	-	5,275,286
Total Depreciable Capital Assets, Net	\$ 8,007,177	\$ (387,953)	\$ -	\$ 7,619,224

10. Unearned Revenue

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

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 5,090,471
Grant Revenue	130,757
Rent Revenue	558
Total Unearned Revenue	\$ 5,221,786

11. Long-Term Liabilities

Long-term liabilities of the College at June 30, 2015, include bonds 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	\$ 11,255,000	\$ 96,000	\$ 960,000	\$ 10,391,000	\$ 725,000
Compensated Absences Payable	8,676,990	832,603	877,440	8,632,153	877,710
Other Postemployment Benefits Payable	489,667	94,821	64,915	519,573	-
Net Pension Liability (1)	25,172,800	4,672,910	13,241,998	16,603,712	418,766
Total Long-Term Liabilities	\$ 45,594,457	\$ 5,696,334	\$ 15,144,353	\$ 36,146,438	\$ 2,021,476

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

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

- **SBE Capital Outlay Bonds.** The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.
- **Capital Improvement Revenue Bonds, Series 2006A.** These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and Section 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Section 1009.23(11), Florida Statutes, by the Series 2006A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2006A bonds. The Series 2006A bonds constitute the first series of bonds to be issued pursuant to a Master Authorizing Resolution. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all colleges participating in any series of bonds then outstanding. The Series 2006A bonds will share the lien of such additional bonds on the Series 2006A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The bonds were issued for new construction and renovation and remodeling of educational facilities.

The College had the following bonds payable outstanding at June 30, 2015:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
SBE Capital Outlay Bonds: Series 2014B, Refunding	\$ 96,000	5.0	2017
Florida Department of Education Capital Improvement Revenue Bonds: Series 2006A	10,295,000	3.5 - 5.0	2027
Total	\$ 10,391,000		

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
SBE Capital Outlay Bonds:			
2016	\$ 70,000	\$ 3,050	\$ 73,050
2017	26,000	650	26,650
Subtotal	96,000	3,700	99,700
Capital Improvement Revenue Bonds:			
2016	655,000	476,025	1,131,025
2017	680,000	449,825	1,129,825
2018	715,000	415,825	1,130,825
2019	750,000	380,075	1,130,075
2020	785,000	342,575	1,127,575
2021-2025	4,565,000	1,082,375	5,647,375
2026-2027	2,145,000	113,225	2,258,225
Subtotal	10,295,000	3,259,925	13,554,925
Total Bonds Payable	\$ 10,391,000	\$ 3,263,625	\$ 13,654,625

On December 2, 2014, the SBE issued \$129,880,000 of the SBE Capital Outlay Bonds, Series 2014B. The College's portion of the bonds, \$96,000, was used to refund \$100,000 of outstanding SBE Capital Outlay Bonds, Series 2005A. The SBE Capital Outlay Bonds, Series 2005A were called on January 1, 2015. As a result of the refunding, the College had a debt service savings of \$4,000.

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 \$8,632,153. The current portion of the compensated absences liability, \$877,710, is the amount expected to be paid in the coming fiscal year based upon the College's prior experience.

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

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

the Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the Plan, and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend Plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2014-15 fiscal year, 100 retirees received postemployment healthcare benefits, and 60 retirees received postemployment life insurance benefits. The College provided required contributions of \$64,915 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$629,150, which represents 1.6 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)	\$ 60,418
Amortization of Unfunded Actuarial Accrued Liability	<u>31,138</u>
Annual Required Contribution	91,556
Interest on Net OPEB Obligation	19,587
Adjustment to Annual Required Contribution	<u>(16,322)</u>
Annual OPEB Cost (Expense)	94,821
Contribution Toward the OPEB Cost	<u>(64,915)</u>
Increase in Net OPEB Obligation	29,906
Net OPEB Obligation, Beginning of Year	<u>489,667</u>
Net OPEB Obligation, End of Year	<u><u>\$ 519,573</u></u>

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012-13	\$ 120,978	4.5%	\$ 434,652
2013-14	90,145	39.0%	489,667
2014-15	94,821	68.5%	519,573

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$874,575 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$874,575 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$39,917,334 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.2 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 per year, and an annual healthcare cost trend rate of 7.5 percent pre-Medicare and 6 percent Medicare for the 2014-15 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 3 years for pre-Medicare and 2 years for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2015, was 22 years.

12. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

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

The College's FRS and HIS pension expense totaled \$1,611,069 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*– Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service except for members classified as special risk who are eligible for normal retirement

benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and 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>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Special Risk Regular	
Service on and after October 1, 1974	3.00
Senior Management Service Class	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living

adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

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

<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
FRS, Special Risk	3.00	19.82
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

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

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

The College's contributions to the Plan totaled \$2,368,322 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 \$6,155,532 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 0.100886047 percent, which was an increase of 0.010761706 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of \$875,782. 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	\$ -	\$ 380,923
Change of assumptions	1,066,036	-
Net difference between projected and actual earnings on FRS pension plan investments	-	10,268,450
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	1,558,510	-
College FRS contributions subsequent to the measurement date	2,368,322	-
Total	\$ 4,992,868	\$ 10,649,373

The deferred outflows of resources related to pensions totaling \$2,368,322 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	\$ (2,143,787)
2017	(2,143,787)
2018	(2,143,787)
2019	(2,143,787)
2020	423,325
Thereafter	126,996
Total	\$ (8,024,827)

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%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

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

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

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

	<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	\$ 26,328,030	\$6,155,532	\$ (10,624,136)

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of

retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive 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 \$418,766 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2015, the College reported a net pension liability of \$10,448,180 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 0.111742332 percent, which was an increase of 0.000806877 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of \$735,287. In addition, the College reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>
Change of assumptions	\$ 371,788
Net difference between projected and actual earnings on HIS pension plan investments	5,015
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	60,492
College contributions subsequent to the measurement date	418,766
Total	\$ 856,061

The deferred outflows of resources totaling \$418,766 was related to pensions resulting from College contributions subsequent to the measurement date and will be recognized as a reduction of the net

pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 70,976
2017	70,976
2018	70,976
2019	70,976
2020	69,723
Thereafter	83,668
Total	\$ 437,295

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

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

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

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

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

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

	<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	\$ 11,883,959	\$ 10,448,180	\$ 9,249,716

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

13. Retirement Plans – Defined Contribution Pension Plans

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

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

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

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 \$460,270 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 \$458,038 and employee contributions totaled \$178,688 for the 2014-15 fiscal year.

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

The Local Annuity Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. The College contributes 9.65 percent and employees contribute 3 percent of the employee's salary to the Local Annuity Program. Additionally, the employee may contribute, by salary deduction, an additional amount not to exceed the percentage contributed by the College. These contributions are invested in the companies selected by the employee to create a fund for the purchase of annuities at retirement.

The College's contributions to the Local Annuity Program totaled \$97,376 and employee contributions totaled \$13,951 for the 2014-15 fiscal year.

14. Construction Commitments

The College's capitalized and noncapitalized 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>
Capitalized:			
Entrance Signs Projects:			
Engineer	\$ 102,867	\$ 98,334	\$ 4,533
Construction Manager	1,228,312	1,221,211	7,101
General Contractor	41,053	40,903	150
Renewable Energy Accessible Lab:			
Engineer	75,440	70,260	5,180
Construction Manager	827,522	779,562	47,960
Construction EMT, Law Enforcement Labs & Library:			
Architect	600,654	5,512	595,142
Building C ADA Ramp:			
Architect	4,500	4,500	-
Construction Manager	45,185	43,720	1,465
Building T Renovations:			
Architect	46,784	17,913	28,871
North and South Minor Repaving:			
Construction Manager	77,407	69,177	8,230
Total Capitalized Projects	3,049,724	2,351,092	698,632
NonCapitalized:			
Buildings A,B,E,F ADA Door Hardware Replacement:			
General Contractor	90,395	80,611	9,784
Buildings HA Room 105 Renovations:			
Architect	22,774	20,223	2,551
Construction Manager	299,837	131,000	168,837
General Contractor	37,387	1,795	35,592
Institute of Public Safety and Blount Center Renovation:			
Architect	19,900	11,940	7,960
Construction Manager	7,842	-	7,842
Buildings A,D,G,R,RA,V,Y Renovations:			
Engineer	12,000	9,600	2,400
General Contractor	24,914	5,493	19,421
Buildings R,V Restroom ADA Upgrades:			
Architect	43,197	41,095	2,102
Construction Manager	456,656	348,085	108,571
General Contractor	6,907	4,270	2,637
Buildings E,M,RA Roofing:			
Architect	5,873	5,791	82
Construction Manager	79,904	65,386	14,518
General Contractor	7,716	-	7,716
Building Y Water Intrusion Repairs:			
Construction Manager	107,023	40,931	66,092
Zoo Enclosure:			
General Contractor	79,190	77,920	1,270
Zoo Exterior Painting:			
General Contractor	37,975	-	37,975
Zoo Doors Replacement:			
General Contractor	40,303	-	40,303
Projects Committed for less than \$25,000	81,331	28,132	53,199
Total Noncapitalized Projects	1,461,124	872,272	588,852
Total Construction Contract Commitments	\$ 4,510,848	\$3,223,364	\$ 1,287,484

15. 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 Financing 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.

16. Functional Distribution of Operating Expenses

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 33,691,105
Public Services	1,224,509
Academic Support	8,613,136
Student Services	11,525,348
Institutional Support	13,111,359
Operation and Maintenance of Plant	11,336,047
Scholarships and Waivers	18,300,863
Depreciation	5,841,924
Auxiliary Enterprises	353,658
Total Operating Expenses	\$ 103,997,949

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Benefits Plan

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

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

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	0.100886047%	0.090124341%
College's proportionate share of the FRS net pension liability	\$ 6,155,532	\$ 15,514,410
College's covered-employee payroll (2)	\$ 33,203,064	\$ 32,202,548
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	18.54%	48.18%
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

	2015 (1)	2014 (1)
Contractually required FRS contribution	\$ 2,368,322	\$ 2,209,833
FRS contributions in relation to the contractually required contribution	(2,368,322)	(2,209,833)
FRS contribution deficiency (excess)	\$ -	\$ -
College's covered-employee payroll (2)	\$ 33,322,876	\$ 33,203,064
FRS contributions as a percentage of covered-employee payroll	7.11%	6.66%

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	0.111742332%	0.110935455%
College's proportionate share of the HIS net pension liability	\$ 10,448,180	\$ 9,658,390
College's covered-employee payroll (2)	\$ 33,203,064	\$ 32,202,548
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.47%	29.99%
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	\$ 418,766	\$ 382,792
HIS contributions in relation to the contractually required HIS contribution	(418,766)	(382,792)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 33,322,876	\$ 33,203,064
HIS contributions as a percentage of covered-employee payroll	1.26%	1.15%

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 Benefits Plan

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

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

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.



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT 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 Santa Fe College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 17, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

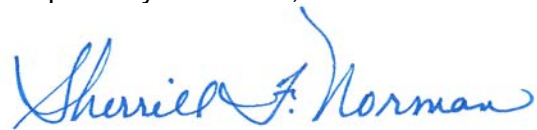
As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

We noted certain matters that we reported to College management in our operational audit report No. 2016-053.

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 17, 2016