

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

**STATE COLLEGE OF FLORIDA,
MANATEE-SARASOTA**

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. Carol Probstfeld served as President and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
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Lori A. Moran, Vice Chair from 8-19-14	Sarasota
Dr. Craig A. Trigueiro, Chair to 8-18-14	Manatee
Carlos M. Beruff	Manatee
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Ann Y. Moore to 2-17-15 ^a	Sarasota
Charlene J. Neal	Manatee
Eric W. Robinson	Sarasota
Robert A. Wyatt	Sarasota

Note: ^a Position remained vacant from 2-18-15 through 3-26-15.

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

The team leader was Elba M. Guzik, CPA, and the audit was supervised by Karen J. Collington, 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 State College of Florida, Manatee-Sarasota (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 State College of Florida, Manatee-Sarasota and its officers with administrative and stewardship responsibilities for College operations had:

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

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

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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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 State College of Florida, Manatee-Sarasota, 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 State College of Florida, Manatee-Sarasota 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 State College of Florida, Manatee-Sarasota'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 State College of Florida, Manatee-Sarasota's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 18, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2015, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2015, and June 30, 2014, and its component unit, the State College of Florida Foundation, Inc., for the fiscal years ended September 30, 2014, and September 30, 2013.

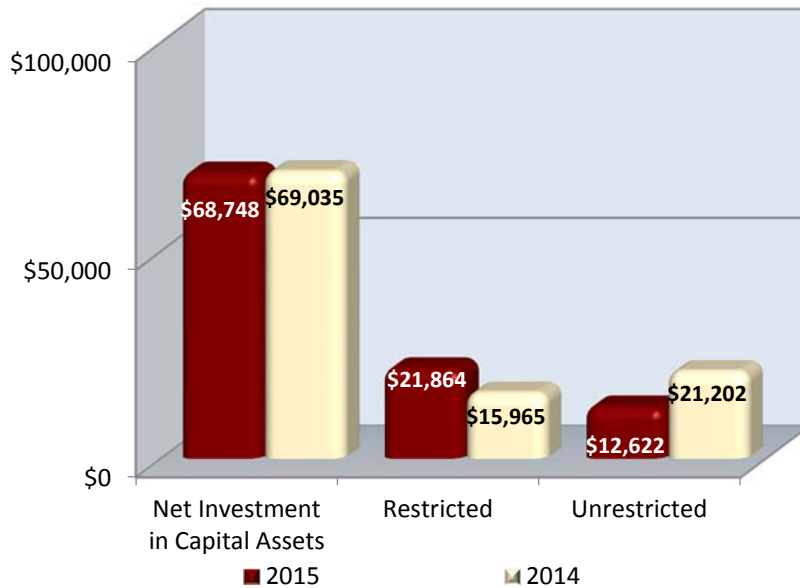
FINANCIAL HIGHLIGHTS

The College's assets totaled \$121.7 million at June 30, 2015. This balance reflects an \$8.6 million, or 7.6 percent, increase as compared to the 2013-14 fiscal year, resulting primarily from an increase in Public Education Capital Outlay (PECO) appropriations to be used for a library. Liabilities increased by \$8.6 million, or 124.7 percent, totaling \$15.5 million at June 30, 2015, compared to \$6.9 million at June 30, 2014, resulting mainly from the addition of pension liabilities due to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68. Deferred outflows and deferred inflows of resources increased \$2.7 million and \$5.6 million, respectively, due to the adoption of GASB Statement No. 68. As a result, the College's net position decreased by \$3 million, resulting in a year-end balance of \$103.2 million.

The College's operating revenues totaled \$23.2 million for the 2014-15 fiscal year, representing a 3.4 percent decrease compared to the 2013-14 fiscal year due mainly to the outsourcing of the College's bookstore operations, which reduced auxiliary enterprises revenue by \$2.2 million, or 62.1 percent. Operating expenses totaled \$70.1 million for the 2014-15 fiscal year, representing a decrease of 3.2 percent as compared to the 2013-14 fiscal year due mainly to the outsourcing of the College's bookstore operations, which reduced materials and supplies operating expenses by \$2.8 million, or 34.9 percent.

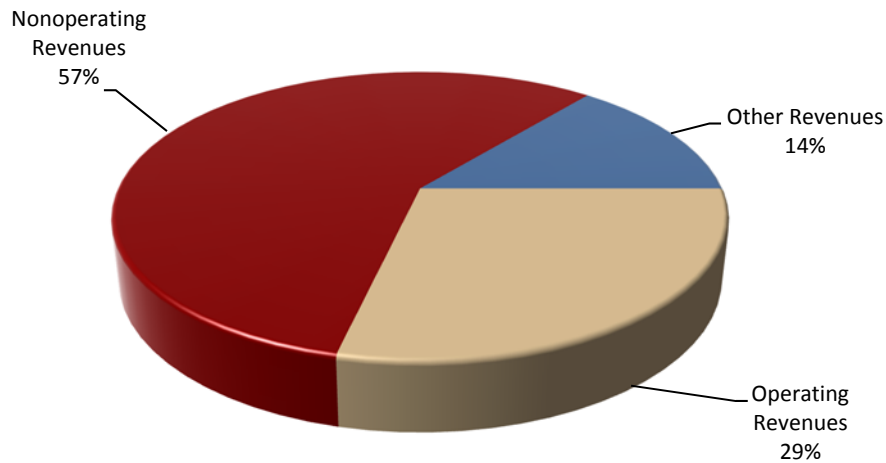
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2015, and June 30, 2014, is shown in the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

Net Position: College
(In Thousands)



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

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

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

- State College of Florida, Manatee-Sarasota (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- State College of Florida 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

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

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

Condensed Statement of Net Position at

(In Thousands)

	College		Component Unit	
	6-30-15	6-30-14	9-30-14	9-30-13
Assets				
Current Assets	\$ 44,491	\$ 34,092	\$ 4,168	\$ 4,500
Capital Assets, Net	68,919	69,444	1	1
Other Noncurrent Assets	8,319	9,584	48,439	44,381
Total Assets	121,729	113,120	52,608	48,882
Deferred Outflows of Resources	2,652	-	-	-
Liabilities				
Current Liabilities	3,281	3,480	177	207
Noncurrent Liabilities	12,261	3,438	-	-
Total Liabilities	15,542	6,918	177	207
Deferred Inflows of Resources	5,605	-	-	-
Net Position				
Net Investment in Capital Assets	68,748	69,035	1	1
Restricted	21,864	15,965	44,864	42,548
Unrestricted	12,622	21,202	7,566	6,126
Total Net Position	\$ 103,234	\$ 106,202	\$ 52,431	\$ 48,675

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

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

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

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

(In Thousands)

	College		Component Unit	
	6-30-15	6-30-14	9-30-14	9-30-13
Operating Revenues	\$ 23,189	\$ 24,017	\$ 1,914	\$ 3,103
Less, Operating Expenses	70,103	72,408	2,670	2,832
Operating Income (Loss)	(46,914)	(48,391)	(756)	271
Net Nonoperating Revenues	46,041	47,309	4,512	5,478
Income (Loss) Before Other Revenues	(873)	(1,082)	3,756	5,749
Other Revenues	11,333	3,370	-	-
Net Increase In Net Position	10,460	2,288	3,756	5,749
Net Position, Beginning of Year	106,202	103,914	48,675	42,926
Adjustment to Beginning Net Position (1)	(13,428)	-	-	-
Net Position, Beginning of Year, as Restated	92,774	103,914	48,675	42,926
Net Position, End of Year	\$ 103,234	\$ 106,202	\$ 52,431	\$ 48,675

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

Operating Revenues

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

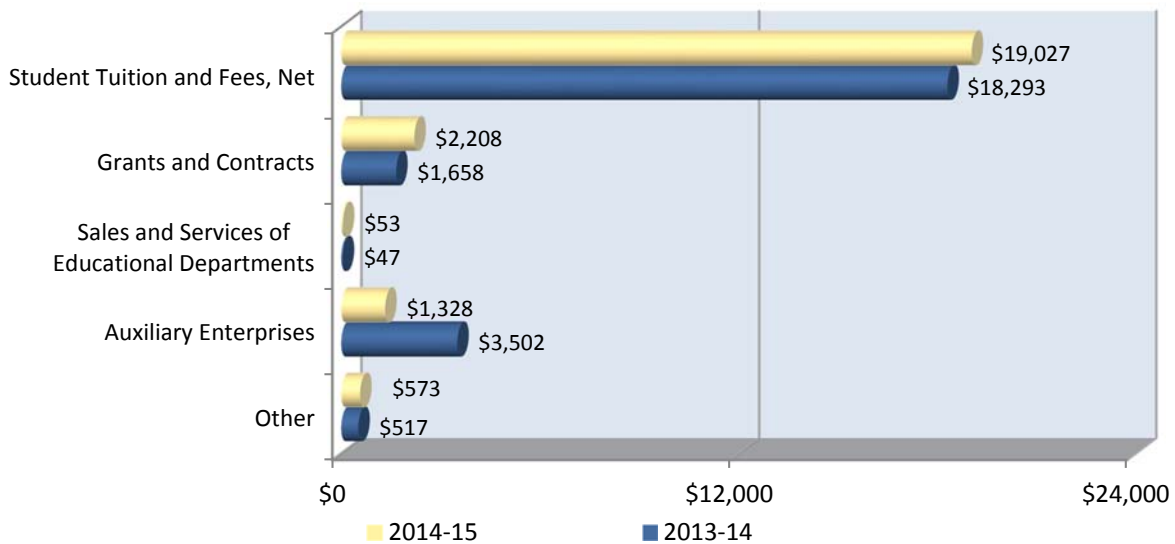
The following summarizes the operating revenues for the College and its component unit by source that were used to fund operating activities for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-15	6-30-14	9-30-14	9-30-13
Student Tuition and Fees, Net	\$ 19,027	\$ 18,293	\$ -	\$ -
Grants and Contracts	2,208	1,658	1,538	2,718
Sales and Services of Educational Departments	53	47	-	-
Auxiliary Enterprises	1,328	3,502	-	-
Other	573	517	376	385
Total Operating Revenues	\$ 23,189	\$ 24,017	\$ 1,914	\$ 3,103

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

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



College operating revenue decreased by \$0.8 million, or 3.4 percent, primarily due to a reduction in textbook sales due to the outsourcing of the College's bookstore operations.

Operating Expenses

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

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

**Operating Expenses
For the Fiscal Years Ended**

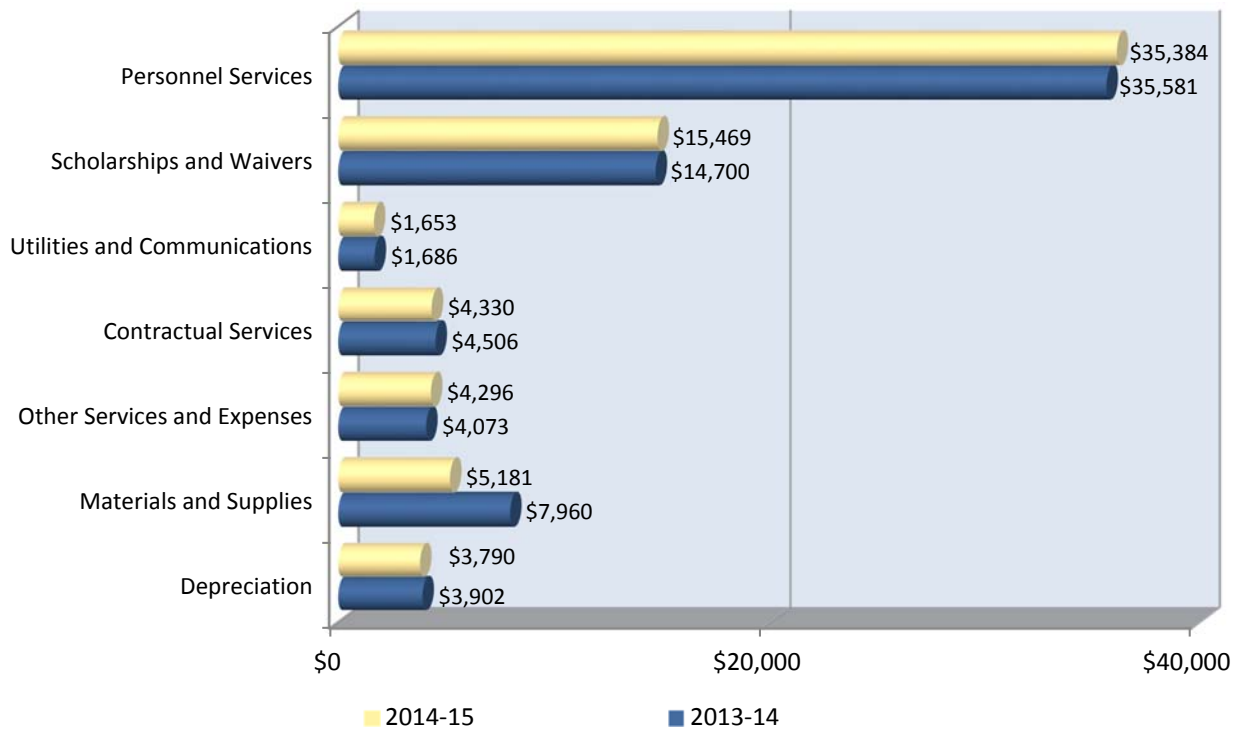
(In Thousands)

	College		Component Unit	
	6-30-15	6-30-14	9-30-14	9-30-13
Personnel Services	\$ 35,384	\$ 35,581	\$ 381	\$ 429
Scholarships and Waivers	15,469	14,700	1,369	1,466
Utilities and Communications	1,653	1,686	-	-
Contractual Services	4,330	4,506	141	128
Other Services and Expenses	4,296	4,073	749	787
Materials and Supplies	5,181	7,960	29	21
Depreciation	3,790	3,902	1	1
Total Operating Expenses	\$ 70,103	\$ 72,408	\$ 2,670	\$ 2,832

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

Operating Expenses: College

(In Thousands)



College operating expenses decreased by \$2.3 million, or 3.2 percent, primarily due to a reduction in materials and supplies costs as a result of the outsourcing of the College's bookstore operations.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital

financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2014-15 and 2013-14 fiscal years:

Nonoperating Revenues (Expenses): College		
(In Thousands)		
	2014-15	2013-14
State Noncapital Appropriations	\$ 22,832	\$ 22,330
Federal and State Student Financial Aid	20,676	21,634
Gifts and Grants	2,838	3,290
Investment Income	57	70
Other Nonoperating Revenues	43	12
Loss on Disposal of Capital Assets	(379)	(3)
Interest on Capital Asset-Related Debt	(14)	(22)
Other Nonoperating Expenses	(12)	(2)
Net Nonoperating Revenues	\$ 46,041	\$ 47,309

Overall, nonoperating revenues decreased by \$1.3 million, or 2.7 percent, primarily due to a \$1 million decrease in Federal and State student financial aid, as a result of lower student enrollment.

Other Revenues

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

Other Revenues: College		
(In Thousands)		
	2014-15	2013-14
State Capital Appropriations	\$ 9,470	\$ 1,533
Capital Grants, Contracts, Gifts, and Fees	1,863	1,837
Total	\$ 11,333	\$ 3,370

State capital appropriations increased by \$7.9 million, or 517.7 percent, over the previous year as a result of an increase in PECO appropriations for the library.

The Statement of Cash Flows

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

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

Condensed Statement of Cash Flows: College

(In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
Cash Provided (Used) by:		
Operating Activities	\$ (42,528)	\$ (44,712)
Noncapital Financing Activities	46,344	46,933
Capital and Related Financing Activities	298	(24)
Investing Activities	85	116
	<u>4,199</u>	<u>2,313</u>
Net Increase in Cash and Cash Equivalents	4,199	2,313
Cash and Cash Equivalents, Beginning of Year	36,017	33,704
	<u>36,017</u>	<u>33,704</u>
Cash and Cash Equivalents, End of Year	\$ 40,216	\$ 36,017

Major sources of funds came from State noncapital appropriations (\$22.8 million); Federal and State student financial aid (\$20.7 million), net student tuition and fees (\$19.6 million); Federal Direct Loan program receipts (\$13.4 million), grants and contracts (\$2.9 million); and noncapital gifts and grants (\$2.8 million). Major uses of funds were for payments to employees and for employee benefits (\$35.9 million), payments for scholarships (\$15.5 million), payments to providers of goods and services (\$13.7 million), disbursements to students for Federal Direct Loans (\$13.4 million), and purchases of capital assets (\$3.8 million).

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

- The \$2.2 million decrease in net cash used by operating activities is primarily the result of decreases in payments to suppliers (\$2.1 million) and increases in student tuition and fees, net (\$1.8 million), and grants and contracts (\$1.4 million) revenue offset by decreases in auxiliary enterprises revenue (\$2.1 million) and an increase in payments for scholarships (\$0.8 million).
- The \$0.6 million decrease in net cash provided by noncapital financing activities is primarily the result of decreases in Federal and State student financial aid (\$1 million), and gifts and grants (\$0.1 million) offset by an increase in State noncapital appropriations (\$0.5 million).
- The \$0.3 million increase in net cash provided by capital and related financing activities can be attributed to an increase in State capital appropriations (\$0.7 million) offset by an increase in purchases of capital assets (\$0.4 million).

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

At June 30, 2015, the College had \$126.6 million in capital assets, less accumulated depreciation of \$57.7 million, for net capital assets of \$68.9 million. Depreciation charges for the current fiscal year totaled \$3.8 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30: College

(In Thousands)

<u>Capital Assets</u>	<u>2015</u>	<u>2014</u>
Land	\$ 2,113	\$ 2,113
Artwork and Artifacts	40	40
Construction in Progress	1,230	3,828
Buildings	60,551	57,271
Other Structures and Improvements	3,734	4,338
Furniture, Machinery, and Equipment	1,159	1,578
Assets Under Capital Lease	92	276
Capital Assets, Net	\$ 68,919	\$ 69,444

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

Capital Expenses and Commitments

During the 2014-15 fiscal year, the College had \$3.6 million in expenses for construction of the academic classroom and faculty office building on the Bradenton campus, as well as other small projects. The College had \$1.6 million in construction commitments at June 30, 2015 for several small renovation and remodeling projects on all three campuses.

	Amount (In Thousands)
Total Committed	\$ 2,864
Completed to Date	<u>(1,230)</u>
Balance Committed	<u>\$ 1,634</u>

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

Debt Administration

As of June 30, 2015, the College had \$0.2 million in long-term notes payable and capital lease payable outstanding versus \$0.4 million at the end of the prior fiscal year, representing a decrease of \$0.2 million, or 50 percent. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2015-16 fiscal year. In response to a desire to keep a college education affordable for students, the Board of Trustees did not increase the per credit hour tuition rate for the 2015-16 fiscal year. The College has adjusted its 2015-16 financial and capital plans to accommodate this decision.

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 of Business and Administrative Services, State College of Florida, Manatee-Sarasota, 5840 26th Street West, Bradenton, Florida 34207.

BASIC FINANCIAL STATEMENTS

State College of Florida, Manatee-Sarasota 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	\$ 26,910,903	\$ 1,386,519
Restricted Cash and Cash Equivalents	4,986,116	-
Accounts Receivable, Net	1,363,803	92,669
Due from Other Governmental Agencies	10,659,908	-
Due from Component Unit	93,158	-
Inventories	17,249	-
Prepaid Expenses	459,345	25,803
Other Assets	-	2,663,253
Total Current Assets	<u>44,490,482</u>	<u>4,168,244</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	8,319,291	-
Investments	-	48,439,434
Depreciable Capital Assets, Net	65,536,478	638
Nondepreciable Capital Assets	3,382,586	-
Total Noncurrent Assets	<u>77,238,355</u>	<u>48,440,072</u>
TOTAL ASSETS	<u>121,728,837</u>	<u>52,608,316</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	<u>2,652,221</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	287,084	57,596
Salary and Payroll Taxes Payable	1,692,151	-
Retainage Payable	15,870	-
Due to Other Governmental Agencies	100	-
Due to College	-	36,858
Unearned Revenue	66,785	-
Deposits Held for Others	325,182	82,380
Long-Term Liabilities - Current Portion:		
Notes Payable	15,527	-
Special Termination Benefits Payable	95,656	-
Compensated Absences Payable	517,095	-
Net Pension Liability	265,542	-
Total Current Liabilities	<u>3,280,992</u>	<u>176,834</u>

**State College of Florida, Manatee-Sarasota
A Component Unit of the State of Florida
Statement of Net Position (Continued)**

June 30, 2015

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Notes Payable	6,544	-
Capital Lease Payable	170,908	-
Special Termination Benefits Payable	168,769	-
Compensated Absences Payable	2,090,169	-
Other Postemployment Benefits Payable	295,137	-
Net Pension Liability	9,530,067	-
Total Noncurrent Liabilities	12,261,594	-
TOTAL LIABILITIES	15,542,586	176,834
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	5,604,888	-
NET POSITION		
Net Investment in Capital Assets	68,748,156	638
Restricted:		
Nonexpendable:		
Endowment	-	12,128,529
Expendable:		
Grants and Loans	3,199,475	14,521,189
Scholarships	454,500	18,215,163
Capital Projects	18,209,839	-
Unrestricted	12,621,614	7,565,963
TOTAL NET POSITION	\$ 103,233,584	\$ 52,431,482

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

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

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$6,472,986	\$ 19,026,471	\$ -
Federal Grants and Contracts	684,219	-
State and Local Grants and Contracts	731,615	35,517
Nongovernmental Grants and Contracts	791,794	1,502,475
Sales and Services of Educational Departments	53,096	-
Auxiliary Enterprises	1,328,275	-
Other Operating Revenues	573,007	375,614
Total Operating Revenues	23,188,477	1,913,606
EXPENSES		
Operating Expenses:		
Personnel Services	35,383,986	381,316
Scholarships and Waivers	15,468,844	1,369,142
Utilities and Communications	1,652,520	-
Contractual Services	4,330,434	141,565
Other Services and Expenses	4,296,100	748,849
Materials and Supplies	5,181,048	28,851
Depreciation	3,790,024	611
Total Operating Expenses	70,102,956	2,670,334
Operating Loss	(46,914,479)	(756,728)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	22,832,439	-
Federal and State Student Financial Aid	20,675,837	-
Gifts and Grants	2,837,609	-
Investment Income	56,889	4,462,075
Other Nonoperating Revenues	43,039	50,889
Loss on Disposal of Capital Assets	(378,700)	-
Interest on Capital Asset-Related Debt	(14,477)	-
Other Nonoperating Expenses	(11,665)	-
Net Nonoperating Revenues	46,040,971	4,512,964
Income (Loss) Before Other Revenues	(873,508)	3,756,236
State Capital Appropriations	9,469,839	-
Capital Grants, Contracts, Gifts, and Fees	1,863,172	-
Total Other Revenues	11,333,011	-
Increase in Net Position	10,459,503	3,756,236
Net Position, Beginning of Year	106,202,461	48,675,246
Adjustment to Beginning Net Position	(13,428,380)	-
Net Position, Beginning of Year, as Restated	92,774,081	48,675,246
Net Position, End of Year	\$ 103,233,584	\$ 52,431,482

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

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**State College of Florida, Manatee-Sarasota
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	\$ 19,601,186
Grants and Contracts	2,905,665
Payments to Suppliers	(13,665,036)
Payments for Utilities and Communications	(1,645,487)
Payments to Employees	(28,700,673)
Payments for Employee Benefits	(7,217,307)
Payments for Scholarships	(15,468,844)
Auxiliary Enterprises	1,455,082
Sales and Services of Educational Departments	53,096
Other Receipts	153,955
	(42,528,363)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	22,832,439
Federal and State Student Financial Aid	20,675,837
Federal Direct Loan Program Receipts	13,372,607
Federal Direct Loan Program Disbursements	(13,372,607)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	2,837,609
Other Nonoperating Disbursements	(2,185)
	46,343,700
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,477,835
Capital Grants and Gifts	1,863,172
Purchases of Capital Assets	(3,774,307)
Principal Paid on Notes Payable and Capital Lease	(253,625)
Interest Paid on Notes Payable and Capital Lease	(14,477)
	298,598
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	28,415
Investment Income	56,889
	85,304
Net Increase in Cash and Cash Equivalents	4,199,239
Cash and Cash Equivalents, Beginning of Year	36,017,071
Cash and Cash Equivalents, End of Year	\$ 40,216,310

**State College of Florida, Manatee-Sarasota
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	\$ (46,914,479)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,790,024
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	1,379,356
Inventories	567,977
Prepaid Expenses	82,632
Accounts Payable	(837,891)
Salary and Payroll Taxes Payable	180,049
Unearned Revenue	20,202
Deposits Held for Others	(82,191)
Special Termination Benefits Payable	64,309
Compensated Absences Payable	(59,687)
Other Postemployment Benefits Payable	(38,560)
Net Pension Liability	(5,009,113)
Deferred Outflows of Resources Related to Pensions	(1,275,879)
Deferred Inflows of Resources Related to Pensions	5,604,888
NET CASH USED BY OPERATING ACTIVITIES	\$ (42,528,363)

**SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL
FINANCING ACTIVITIES**

Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows. \$ (378,700)

Donations 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. \$ 43,039

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 State College of Florida, Manatee-Sarasota, 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 9 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 Manatee and Sarasota Counties.

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

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

The Foundation is 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 at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended September 30, 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 FASB standards of accounting and financial reporting for not-for-profit organizations.

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, gifts and grants, investment income, 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 computes its scholarship allowances by determining through its accounting records, the cash payments to students.

To the extent that these resources are used to pay student charges, the college records a scholarship allowance against tuition and fee revenue.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, a money market fund, and cash placed with the State Board of Administration (SBA) Florida PRIME investment pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less to be cash equivalents. Under this definition, the College considers amounts invested in the SBA Florida PRIME investment pool 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 purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2015, the College reported as cash equivalents \$31,395,440 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 34 days as of June 30, 2015. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

Capital Assets. College capital assets consist of land; artwork and artifacts; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and assets under capital lease. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$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 – 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, and Educational Equipment – 5 years
 - Furniture – 7 years

- Assets Under Capital Lease – 10 years

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

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

2. Reporting Change

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

3. Adjustment to Beginning Net Position

The beginning net position of the College was decreased by \$13,428,380 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. Investments

Component Unit Investments

As of September 30, 2014, investments held by the College's Foundation are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
United States Treasury Securities	\$ 511,230
Obligations of United States Government Agencies and Instrumentalities	806,763
Bonds and Notes	895,764
Stocks and Other Equity Securities	3,247,988
Hedge Funds	6,344,734
Mutual Funds	36,632,955
Total Component Unit Investments	\$ 48,439,434

5. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, and unused credit memos. These receivables are reported net of a \$390,000 allowance for doubtful accounts.

6. Due From Other Governmental Agencies

The amount consists of \$9,578,019 of Public Education Capital Outlay and \$202,175 of Capital Outlay and Debt Service allocations due from the State for construction of College facilities, \$314,173 for Federal Direct Loans and Pell, \$189,462 from local school districts for dual enrollment programs, and \$376,079 for grant reimbursements and third-party obligations for student fee registrations.

7. Due From and To Component Unit/College

The \$93,158 reported as due from component unit consists of amounts owed to the College by the Foundation for scholarships and student aid. The College's financial statements are reported for the fiscal year ended June 30, 2015. The Foundation's financial statements are reported for the fiscal year ended September 30, 2014. Accordingly, amounts reported by the College as due from component unit on the statement of net position do not agree with amounts reported by the component unit as due to the College.

8. Inventories

Inventories consist of office supplies maintained in central stores and are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

9. Capital Assets

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 2,112,647	\$ -	\$ -	\$ 2,112,647
Artwork and Artifacts	39,661	-	-	39,661
Construction in Progress	3,828,330	3,361,818	5,959,870	1,230,278
Total Nondepreciable Capital Assets	\$ 5,980,638	\$ 3,361,818	\$ 5,959,870	\$ 3,382,586
Depreciable Capital Assets:				
Buildings	\$ 88,717,812	\$ 5,690,232	\$ 1,250,465	\$ 93,157,579
Other Structures and Improvements	19,682,037	269,638	-	19,951,675
Furniture, Machinery, and Equipment	8,132,812	282,255	176,499	8,238,568
Assets Under Capital Lease	1,840,630	-	-	1,840,630
Total Depreciable Capital Assets	118,373,291	6,242,125	1,426,964	123,188,452
Less, Accumulated Depreciation:				
Buildings	31,446,623	2,032,867	872,863	32,606,627
Other Structures and Improvements	15,343,996	873,557	-	16,217,553
Furniture, Machinery, and Equipment	6,555,059	699,537	175,401	7,079,195
Assets Under Capital Lease	1,564,536	184,063	-	1,748,599
Total Accumulated Depreciation	54,910,214	3,790,024	1,048,264	57,651,974
Total Depreciable Capital Assets, Net	\$ 63,463,077	\$ 2,452,101	\$ 378,700	\$ 65,536,478

10. Unearned Revenue

Unearned revenue at June 30, 2015, in the amount of \$66,785, includes student tuition and fees received prior to fiscal year-end related to subsequent accounting periods.

11. Long-Term Liabilities

Long-term liabilities of the College at June 30, 2015, include notes payable, capital lease payable, special termination benefits 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>
Notes Payable	\$ -	\$ 37,874	\$ 15,803	\$ 22,071	\$ 15,527
Capital Lease Payable	408,730	-	237,822	170,908	-
Special Termination Benefits Payable	200,116	241,962	177,653	264,425	95,656
Compensated Absences Payable	2,666,951	534,665	594,352	2,607,264	517,095
Other Postemployment Benefits Payable	333,697	193,886	232,446	295,137	-
Net Pension Liability (1)	14,804,722	1,972,117	6,981,230	9,795,609	265,542
Total Long-Term Liabilities	\$ 18,414,216	\$ 2,980,504	\$ 8,239,306	\$ 13,155,414	\$ 893,820

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

Notes Payable. On July 31, 2013, and July 31, 2014, the State College of Florida Collegiate School (Charter School) entered into 2 three-year agreements financing \$28,300 and \$19,664 of computer equipment, respectively, at a stated interest rate of 7.13 percent. The Charter School is a restricted fund of State College of Florida, Manatee-Sarasota and operates under a charter with the sponsoring school district, the School Board of Manatee County. Annual requirements to amortize the outstanding notes as of June 30, 2015, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 17,101
2017	7,010
Total Minimum Payments	24,111
Less, Amount Representing Interest	2,040
Present Value of Minimum Payments	\$ 22,071

Capital Lease Payable. Equipment consisting of air conditioning, electrical, and other energy management improvement items at various campuses, in the amount of \$1,840,630 is being acquired under a capital lease agreement. The stated interest rate is 4.1percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2015, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016 (1)	\$ -
2017	173,779
Total Minimum Payments	173,779
Less, Amount Representing Interest	2,871
Present Value of Minimum Payments	\$ 170,908

Note: (1) Paid in the 2014-15 fiscal year.

Special Termination Benefits Payable. On March 17, 1993, the Board of Trustees established the Retirement Incentive Program (Program) whereby employees meeting certain eligibility guidelines could receive benefits under the Program. For qualifying employees, the Program provides payment of 100 percent of the hospitalization coverage (or 100 percent Medicare Supplement) for a period of 5 years, payments for \$5,000 Retiree Group Life through age 69, and 2.5 percent accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. The College recognized a Retirement Incentive Program payable of \$1,137 as of June 30, 2015, for 3 participants who gave notice to retire under the Retirement Incentive Program. The Program terminated on June 30, 2006. Any otherwise eligible employee as of that date must have retired no later than June 30, 2006, to participate.

On September 21, 2005, the Board of Trustees established the Retirement Enhancement Program (Program) whereby employees meeting certain eligibility guidelines could receive benefits under the Program. For qualifying employees hired prior to October 1, 2005, the Program provides payment of

hospitalization coverage (or equivalent Medicare Supplement) at the rate in effect on January 1, 2006, for a period of 5 years, payments for \$5,000 Retiree Group Life for a period of 5 years, and 2.5 percent of accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. For new qualifying employees hired on or after October 1, 2005, the Program provides for payment of hospitalization coverage (or equivalent Medicare Supplement) at a rate in effect on January 1, 2006, for a period of 3 years, payment of \$5,000 Retiree Group Life for a period of 3 years, and the standard sick leave payout per College rule. The College recognized a Retirement Enhancement Program payable of \$263,288 at June 30, 2015, for 33 employees who gave notice to retire under the Retirement Enhancement Program.

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 \$2,607,264. The current portion of the compensated absences liability, \$517,095, is the amount expected to be paid in the coming fiscal year, and represents a historical average percentage for the last 5 years of leave paid out at termination to total accrued leave liability.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for other postemployment benefits 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 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, 41 retirees received postemployment healthcare benefits, and 81 retirees received

postemployment life insurance benefits. The College provided required contributions of \$232,446 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 \$130,593, which represents 0.6 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)	\$ 113,756
Amortization of Unfunded Actuarial Accrued Liability	<u>77,905</u>
Annual Required Contribution	191,661
Interest on Net OPEB Obligation	13,348
Adjustment to Annual Required Contribution	<u>(11,123)</u>
Annual OPEB Cost (Expense)	193,886
Contribution Toward the OPEB Cost	<u>(232,446)</u>
Increase in Net OPEB Obligation	(38,560)
Net OPEB Obligation, Beginning of Year	<u>333,697</u>
Net OPEB Obligation, End of Year	<u><u>\$ 295,137</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 2 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	\$ 142,305	64.4%	\$ 319,436
2013-14	188,468	92.4%	333,697
2014-15	193,886	119.9%	295,137

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$2,308,747 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,308,747 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$20,494,139 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.3 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. 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 benefits 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 \$807,463 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.

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

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

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivor's 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
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
Deferred Retirement Option Program - Applicable to Members from Both of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

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

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

The College's contributions to the Plan totaled \$1,222,025 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the College reported a liability of \$3,156,258 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 for all participating members. At June 30, 2014, the College's proportionate share was

0.051729462 percent, which was an increase of 0.00261429 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of \$369,713. 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	\$ -	\$ 195,319
Change of assumptions	546,611	-
Net difference between projected and actual earnings on FRS pension plan investments	-	5,265,161
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	378,602	-
College FRS contributions subsequent to the measurement date	1,222,025	-
Total	\$ 2,147,238	\$ 5,460,480

The deferred outflows of resources related to pensions totaling \$1,222,025 resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (1,178,575)
2017	(1,178,575)
2018	(1,178,575)
2019	(1,178,575)
2020	137,717
Thereafter	41,316
Total	\$ (4,535,267)

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	<u>100.00%</u>			
Assumed inflation - Mean		2.60%		2.00%

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

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

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

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
College's proportionate share of the net pension liability	\$ 13,499,734	\$ 3,156,258	\$ (5,447,541)

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

Payables to the Pension Plan. At June 30, 2015, the College reported a payable of \$54,969 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2015.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the 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 \$265,542 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 \$6,639,351 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 0.071007249 percent, which was a decrease of 0.001926187 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of \$437,750. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 236,254	\$ -
Net difference between projected and actual earnings on HIS pension plan investments	3,187	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	-	144,408
College contributions subsequent to the measurement date	265,542	-
Total	\$ 504,983	\$ 144,408

The deferred outflows of resources totaling \$265,542 was related to pensions resulting from College contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 15,611
2017	15,611
2018	15,611
2019	15,610
2020	14,813
Thereafter	17,777
Total	\$ 95,033

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

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

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

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

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

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

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
College's proportionate share of the net pension liability	\$ 7,551,724	\$ 6,639,351	\$ 5,877,781

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.

Payables to the Pension Plan. At June 30, 2015, the College reported a payable of \$11,259 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2015.

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. The allocation to the Investment Plan Regular Class member accounts during the 2014-15 fiscal year was at 6.30 percent of gross compensation.

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 \$444,618 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 \$191,220 and employee contributions totaled \$74,571 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 12.49 percent of the employee's salary to the Local Annuity Program. The participants may

make contributions toward the Local Annuity Program by way of salary reduction or by deduction of a percentage of the employee's gross compensation not to exceed the percentage contributed by the employer.

The College's contributions to the Local Annuity Program totaled \$48,898.

14. Construction Commitments

The College's 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>
Small Projects (1)	<u>\$ 2,864,636</u>	<u>\$ 1,230,278</u>	<u>\$ 1,634,358</u>

Note: (1) Individual projects with current balance committed of less than \$1 million at June 30, 2015.

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 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	\$ 22,019,791
Academic Support	3,150,985
Student Services	6,257,554
Institutional Support	11,642,280
Operation and Maintenance of Plant	7,567,748
Scholarships and Waivers	15,363,710
Depreciation	3,790,024
Auxiliary Enterprises	310,864
Total Operating Expenses	<u><u>\$ 70,102,956</u></u>

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	\$ -	\$ 1,938,902	\$ 1,938,902	0%	\$ 24,962,876	7.8%
7/1/2011	-	1,332,841	1,332,841	0%	20,555,206	6.5%
7/1/2013	-	2,308,747	2,308,747	0%	20,404,033	11.3%

Note: (1) The OPEB actuarial valuation used the projected unit credit 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	0.051729462%	0.049115172%
College's proportionate share of the FRS net pension liability	\$ 3,156,258	\$ 8,454,907
College's covered-employee payroll (2)	\$ 23,897,709	\$ 24,494,086
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	13.21%	34.52%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

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

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

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

	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required FRS contribution	\$ 1,222,025	\$ 1,133,095
FRS contributions in relation to the contractually required contribution	<u>(1,222,025)</u>	<u>(1,133,095)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 23,869,764	\$ 23,897,709
FRS contributions as a percentage of covered-employee payroll	5.12%	4.74%

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	0.071007249%	0.072933436%
College's proportionate share of the HIS net pension liability	\$ 6,639,351	\$ 6,349,815
College's covered-employee payroll (2)	\$ 23,897,709	\$ 24,494,086
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	27.78%	25.92%
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	\$ 265,542	\$ 243,247
HIS contributions in relation to the contractually required HIS contribution	<u>(265,542)</u>	<u>(243,247)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$23,869,764	\$23,897,709
HIS contributions as a percentage of covered-employee payroll	1.11%	1.02%

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
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1. Schedule of Funding Progress – Other Postemployment Benefits Plan

The July 1, 2013, unfunded actuarial accrued liability of \$2,308,747 was significantly higher than the July 1, 2011, liability of \$1,332,841 as a result of the following factors:

- Demographic assumptions (rates of termination, mortality, disability, and retirement) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of healthcare were updated.
- The rates of health care 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 active 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 total pension liability decreased from 4.63 percent to 4.29 percent.



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Auditor General

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

INDEPENDENT AUDITOR'S REPORT 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 State College of Florida, Manatee-Sarasota, 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 18, 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.

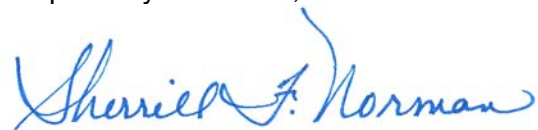
Compliance and Other Matters

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*.

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 18, 2016