

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

**FLORIDA STATE COLLEGE AT  
JACKSONVILLE**

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. Cynthia A. Bioteau served as President and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Thomas J. Majdanics, Chair from 8-13-14	Duval
Randle P. Shoemaker-Crump, <sup>a</sup> Vice Chair	Duval
Dr. Patricia F. White, Vice Chair from 8-13-14	Nassau
Jim L. Mayo, <sup>b</sup> Chair to 8-12-14	Nassau
Candace T. Holloway, <sup>a</sup> Vice Chair to 8-12-14	Nassau
Karen E. Bowling <sup>c</sup>	Duval
Thomas A. Bryan to 5-31-15 <sup>d</sup>	Duval
Latasha A. Fullwood	Duval
Thomas R. McGehee Jr. <sup>b</sup>	Duval

Notes: <sup>a</sup> Board member served beyond the end of term, 5-31-14, and was reappointed 1-28-15.

<sup>b</sup> Board member served beyond the end of term, 5-31-15.

<sup>c</sup> Board member served beyond the end of term, 5-31-14, and was reappointed 2-24-15.

<sup>d</sup> Board member served to the end of term, 5-31-15, and position remained vacant through 6-30-15.

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

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

The team leader was Dennis W. Gay, CPA, and the audit was supervised by Randy R. Arend, CPA.

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

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**State of Florida Auditor General**

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**FLORIDA STATE COLLEGE AT JACKSONVILLE**  
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# SUMMARY

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## SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

## SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

## AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether Florida State College at Jacksonville and its officers with administrative and stewardship responsibilities for College operations had:

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

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

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2016-114.

## AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Florida State College at Jacksonville, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 Florida State College at Jacksonville 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 Florida State College at Jacksonville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Florida State College at Jacksonville's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 28, 2016

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

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

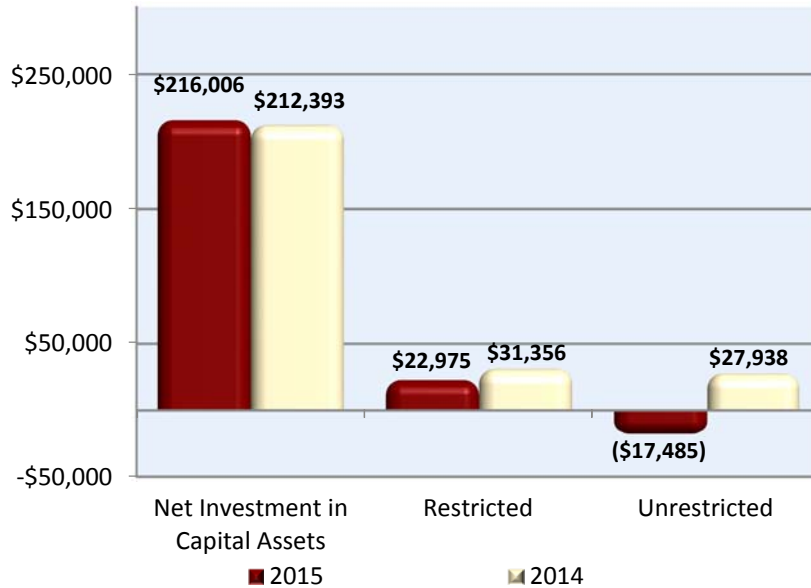
### **FINANCIAL HIGHLIGHTS**

The College's assets totaled \$288.2 million at June 30, 2015. This balance reflects a \$14.1 million, or 4.7 percent, decrease as compared to the 2013-14 fiscal year, resulting mainly from a \$14.1 million decrease in cash and cash equivalents and a \$3.8 million decrease in due from other governmental agencies, offset by a \$5.8 million increase in nondepreciable capital assets. While assets decreased, liabilities increased by \$26.4 million, or 86.2 percent, totaling \$57 million at June 30, 2015, compared to \$30.6 million at June 30, 2014. The increase in liabilities, increases in deferred outflows and inflows of resources (\$9.3 million and \$19 million, respectively), and decrease in beginning net position (\$44 million), were primarily from the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. This accounting standard requires the College, as a participating employer in the Florida Retirement System (FRS), to recognize its proportionate share of the collective net pension liabilities of the FRS and Health Insurance Subsidy (HIS) cost-sharing multiple-employer defined benefit plans. As a result, the College's net position decreased by \$50.2 million, resulting in a year-end balance of \$221.5 million.

The College's operating revenues totaled \$52.2 million for the 2014-15 fiscal year, representing an \$8.6 million, or 14.1 percent, decrease compared to the 2013-14 fiscal year, due mainly to a \$5.7 million decrease in Federal grants and contracts revenues. Operating expenses totaled \$194.5 million for the 2014-15 fiscal year, representing a decrease of 1.1 percent as compared to the 2013-14 fiscal year.

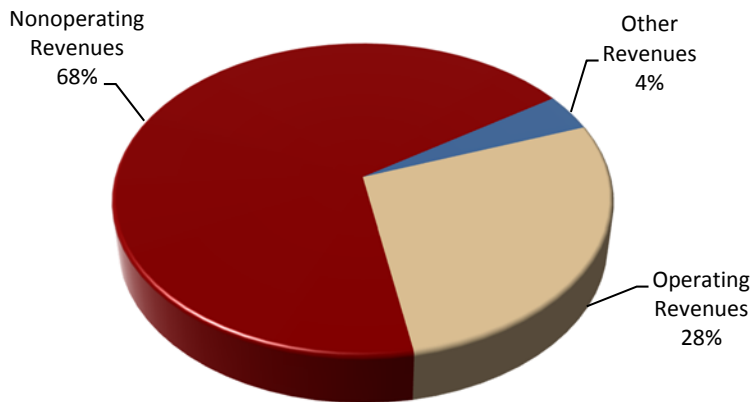
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2015, and June 30, 2014, is shown in the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

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



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

**Total Revenues: College**



**OVERVIEW OF FINANCIAL STATEMENTS**

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

- Florida State College at Jacksonville (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Florida State College at Jacksonville 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 as of June 30, 2015, and June 30, 2014, is shown in the following table:

#### **Condensed Statement of Net Position at**

(In Thousands)

	College		Component Unit	
	6-30-15	6-30-14	6-30-15	6-30-14
<b>Assets</b>				
Current Assets	\$ 16,730	\$ 30,734	\$ 1,753	\$ 2,750
Capital Assets, Net	218,200	215,453	-	-
Other Noncurrent Assets	53,271	56,115	44,645	44,261
<b>Total Assets</b>	<b>288,201</b>	<b>302,302</b>	<b>46,398</b>	<b>47,011</b>
<b>Deferred Outflows of Resources</b>	<b>9,326</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>				
Current Liabilities	7,325	10,582	-	474
Noncurrent Liabilities	49,673	20,033	75	70
<b>Total Liabilities</b>	<b>56,998</b>	<b>30,615</b>	<b>75</b>	<b>544</b>
<b>Deferred Inflows of Resources</b>	<b>19,033</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>				
Net Investment in Capital Assets	216,006	212,393	-	-
Restricted	22,975	31,356	42,060	45,876
Unrestricted	(17,485)	27,938	4,263	591
<b>Total Net Position</b>	<b>\$ 221,496</b>	<b>\$ 271,687</b>	<b>\$ 46,323</b>	<b>\$ 46,467</b>

The increases in the College's deferred outflows and inflows of resources and noncurrent liabilities, and the decrease in the College's unrestricted net position, resulted mainly from the implementation of

GASB Statement No. 68. Further information on the implementation of this reporting change can be found in Notes 2 and 3 of the notes to financial statements.

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

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

The following summarizes the activities of the College and its component unit for the 2014-15 and 2013-14 fiscal years:

**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	6-30-15	6-30-14
Operating Revenues	\$ 52,170	\$ 60,727	\$ 6,490	\$ 6,215
Less, Operating Expenses	194,499	196,702	8,279	8,024
<b>Operating Loss</b>	(142,329)	(135,975)	(1,789)	(1,809)
Net Nonoperating Revenues	128,883	130,478	1,514	5,342
<b>Income (Loss) Before Other Revenues</b>	(13,446)	(5,497)	(275)	3,533
Other Revenues	7,238	8,870	131	902
<b>Net Increase (Decrease) In Net Position</b>	(6,208)	3,373	(144)	4,435
Net Position, Beginning of Year	271,687	268,314	46,467	42,085
Adjustments to Beginning Net Position (1)	(43,983)	-	-	(53)
<b>Net Position, Beginning of Year, as Restated</b>	227,704	268,314	46,467	42,032
<b>Net Position, End of Year</b>	\$ 221,496	\$ 271,687	\$ 46,323	\$ 46,467

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. The adjustment to beginning net position of the component unit was to correct prior year errors in recognizing certain restricted contributions.

**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 2014-15 and 2013-14 fiscal years:

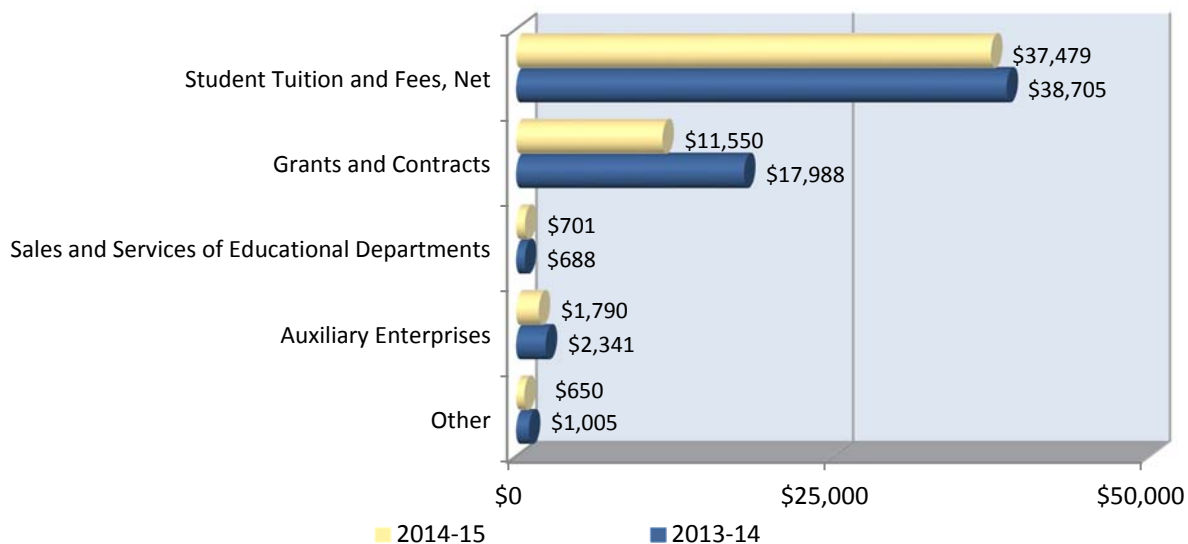
**Operating Revenues  
For the Fiscal Years Ended**

(In Thousands)

	College		Component Unit	
	6-30-15	6-30-14	6-30-15	6-30-14
Student Tuition and Fees, Net	\$ 37,479	\$ 38,705	\$ -	\$ -
Grants and Contracts	11,550	17,988	-	-
Sales and Services of Educational Departments	701	688	-	-
Auxiliary Enterprises	1,790	2,341	5,683	4,445
Other	650	1,005	807	1,770
<b>Total Operating Revenues</b>	<b>\$ 52,170</b>	<b>\$ 60,727</b>	<b>\$ 6,490</b>	<b>\$ 6,215</b>

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

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



The \$8.6 million decrease in College operating revenues resulted primarily from a \$6.4 million decrease in grants and contracts, due in part to the College discontinuing certain Federal military training contracts.

**Operating Expenses**

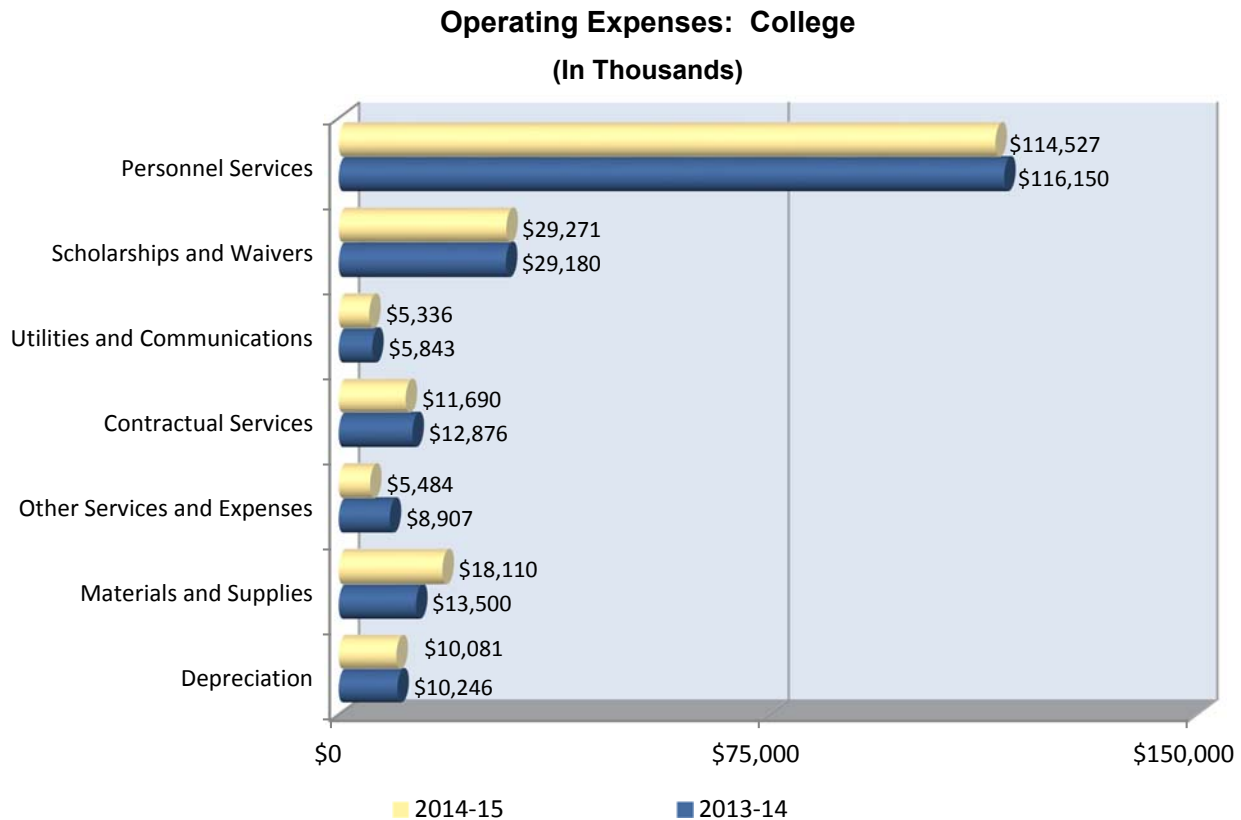
Expenses are categorized as operating or nonoperating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen 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 2014-15 and 2013-14 fiscal years:

**Operating Expenses  
For the Fiscal Years Ended**

	(In Thousands)			
	College		Component Unit	
	6-30-15	6-30-14	6-30-15	6-30-14
Personnel Services	\$ 114,527	\$ 116,150	\$ 328	\$ 891
Scholarships and Waivers	29,271	29,180	956	1,442
Utilities and Communications	5,336	5,843	-	-
Contractual Services	11,690	12,876	5,656	4,424
Other Services and Expenses	5,484	8,907	1,161	834
Materials and Supplies	18,110	13,500	178	433
Depreciation	10,081	10,246	-	-
<b>Total Operating Expenses</b>	<b>\$ 194,499</b>	<b>\$ 196,702</b>	<b>\$ 8,279</b>	<b>\$ 8,024</b>

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



College operating expenses remained fairly consistent when compared to the prior fiscal year.

## **Nonoperating Revenues and Expenses**

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

### **Nonoperating Revenues (Expenses): College** (In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
State Noncapital Appropriations	\$ 77,363	\$ 76,642
Federal and State Student Financial Aid	50,220	52,200
Gifts and Grants	266	227
Investment Income	930	1,576
Gain on Disposal of Capital Assets	27	19
Other Nonoperating Revenue	171	-
Interest on Capital Asset-Related Debt	(94)	(186)
<b>Net Nonoperating Revenues</b>	<b><u>\$ 128,883</u></b>	<b><u>\$ 130,478</u></b>

The decrease in net nonoperating revenues of \$1.6 million, or 1.2 percent, is primarily due to a \$2 million decrease in Federal and State student financial aid revenues related to a 6.7 percent decrease in full-time equivalent student enrollment and an 8.7 percent decrease in the number of students receiving Federal student financial aid.

## **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)

	<u>2014-15</u>	<u>2013-14</u>
State Capital Appropriations	\$ 2,258	\$ 4,241
Capital Grants, Contracts, Gifts, and Fees	4,980	4,629
<b>Total</b>	<b><u>\$ 7,238</u></b>	<b><u>\$ 8,870</u></b>

Other revenues decreased primarily due to a decrease in the State Public Educational Capital Outlay appropriation for maintenance and renovations of College facilities.

## **The Statement of Cash Flows**

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

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

The following summarizes the College's cash flows for the 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	\$ (138,421)	\$ (128,888)
Noncapital Financing Activities	128,554	129,069
Capital and Related Financing Activities	(3,289)	2,015
Investing Activities	<u>(926)</u>	<u>241</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(14,082)</b>	<b>2,437</b>
Cash and Cash Equivalents, Beginning of Year	<u>16,436</u>	<u>13,999</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 2,354</u></b>	<b><u>\$ 16,436</u></b>

Major sources of funds came from State noncapital appropriations (\$78.1 million), Federal and State Student Financial Aid (\$50.2 million), Federal Direct Loan program receipts (\$41.3 million), net student tuition and fees (\$37.5 million), grants and contracts (\$12 million), collections on loans to students (\$6.7 million), State capital appropriations (\$5.4 million), and capital grants and gifts (\$5 million). Major uses of funds were for payments to employees (\$96.8 million), payments for employee benefits (\$24 million), Federal Direct Loan program disbursements (\$41.3 million), payments to suppliers (\$35.9 million), payments for scholarships (\$29.3 million), payments for acquisition of capital assets (\$12.9 million), loans issued to students (\$6.6 million), and payments for utilities and communications (\$5.3 million).

The College's overall cash and cash equivalents decreased \$14.1 million, or 85.7 percent, as compared to the prior fiscal year. Changes in cash and cash equivalents were the result of the following factors:

- Operating activities used \$9.5 million more in cash as compared to the prior year. The increase was the result of an increase in payments for employee salaries and benefits of \$4.3 million and a \$5.5 million decrease in receipts from grants and contracts.
- Capital and related financing activity resulted in a decrease of \$5.3 million in cash as compared to the prior fiscal year. The decrease was primarily the result of a \$7.3 million increase in purchases of capital assets offset by a \$1.6 million increase in State Capital Appropriations.

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

**Capital Assets**

At June 30, 2015, the College had \$382.3 million in capital assets, less accumulated depreciation of \$164.1 million, for net capital assets of \$218.2 million. Depreciation charges for the current fiscal year

totaled \$10.1 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

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

(In Thousands)

<u>Capital Assets</u>	<u>2015</u>	<u>2014</u>
Land	\$ 12,001	\$ 12,001
Capitalized Collections	89	89
Construction in Progress	11,404	5,636
Buildings	189,788	192,328
Other Structures and Improvements	1,918	2,292
Furniture, Machinery, and Equipment	3,000	3,107
<b>Capital Assets, Net</b>	<b>\$ 218,200</b>	<b>\$ 215,453</b>

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

**Capital Expenses and Commitments**

Major capital expenses through June 30, 2015, were incurred on the College's acquisition and implementation of a new enterprise resource planning (ERP) system. The College's contractual commitment at June 30, 2015, is for the implementation of the ERP system, as follows:

	<u>(In Thousands)</u>
Total Committed	\$ 15,189
Completed to Date	<u>6,184</u>
<b>Balance Committed</b>	<b>\$ <u>9,005</u></b>

Additional information about the College's contractual commitment is presented in the notes to financial statements.

**Debt Administration**

As of June 30, 2015, the College had \$2.2 million in long-term debt outstanding as compared to \$3.1 million at the end of the prior fiscal year, a decrease of 28.3 percent. During the 2014-15 fiscal year, the State Board of Education (SBE) issued the SBE Capital Outlay Refunding Bonds, Series 2014B. The College's portion of the Series 2014B bonds was \$2.2 million and refunded \$2.4 million in Series 2005A bonds, resulting in a debt service savings of \$0.2 million from the refunding. In addition, scheduled bond debt principal repayments totaled \$0.7 million.

**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 was provided for the 2015-16 fiscal year. However, the College anticipates a 5 percent increase in

student enrollment and has budgeted a 2.5 percent increase in base salary for instructional employees and a one-time lump sum payment of 1 percent of base salary, or \$375, whichever is greater, to full-time noninstructional employees.

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

# BASIC FINANCIAL STATEMENTS

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

June 30, 2015

	<u>College</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 47,543	\$ 302,150
Restricted Cash and Cash Equivalents	1,460,969	1,409,898
Investments	3,693,228	-
Restricted Investments	3,101,925	-
Accounts Receivable, Net	4,366,080	-
Notes Receivable, Net	256,633	-
Due from Other Governmental Agencies	1,854,311	-
Due from College	-	23,435
Inventories	78,004	-
Prepaid Expenses	1,871,800	17,832
<b>Total Current Assets</b>	<u>16,730,493</u>	<u>1,753,315</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	845,317	-
Investments	39,524,480	44,636,772
Restricted Investments	12,900,718	-
Depreciable Capital Assets, Net	194,706,572	-
Nondepreciable Capital Assets	23,493,679	-
Other Noncurrent Assets	-	8,355
<b>Total Noncurrent Assets</b>	<u>271,470,766</u>	<u>44,645,127</u>
<b>TOTAL ASSETS</b>	<u>288,201,259</u>	<u>46,398,442</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	9,325,619	-
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	718,473	-
Salary and Payroll Taxes Payable	368,660	-
Retainage Payable	137,167	-
Due to Component Unit	23,435	-
Unearned Revenue	151,364	-
Estimated Insurance Claims Payable	354,089	-
Deposits Held for Others	2,429,506	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	628,000	-
Compensated Absences Payable	1,800,000	-
Net Pension Liability	714,524	-
<b>Total Current Liabilities</b>	<u>7,325,218</u>	<u>-</u>

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

**June 30, 2015**

	<b>College</b>	<b>Component Unit</b>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds Payable	1,566,000	-
Special Termination Benefits Payable	105,078	-
Compensated Absences Payable	13,119,053	-
Other Postemployment Benefits Payable	3,456,952	-
Net Pension Liability	31,425,728	-
Other Long-Term Liabilities	-	75,501
<b>Total Noncurrent Liabilities</b>	<b>49,672,811</b>	<b>75,501</b>
<b>TOTAL LIABILITIES</b>	<b>56,998,029</b>	<b>75,501</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	19,033,210	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	216,006,251	-
Restricted:		
Nonexpendable:		
Endowment	-	38,775,135
Expendable:		
Endowment	5,644,146	-
Grants and Loans	3,426,785	3,284,925
Capital Projects	13,840,112	-
Debt Service	62,966	-
Unrestricted	(17,484,621)	4,262,881
<b>TOTAL NET POSITION</b>	<b>\$ 221,495,639</b>	<b>\$ 46,322,941</b>

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

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

	<u>College</u>	<u>Component Unit</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$24,490,212	\$ 37,479,299	\$ -
Federal Grants and Contracts	7,875,236	-
State and Local Grants and Contracts	2,415,600	-
Nongovernmental Grants and Contracts	1,258,418	-
Sales and Services of Educational Departments	700,897	-
Auxiliary Enterprises	1,790,456	5,683,076
Other Operating Revenues	650,220	807,129
<b>Total Operating Revenues</b>	<u>52,170,126</u>	<u>6,490,205</u>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	114,526,650	327,533
Scholarships and Waivers	29,271,297	956,802
Utilities and Communications	5,336,053	-
Contractual Services	11,689,863	5,655,732
Other Services and Expenses	5,484,289	1,160,917
Materials and Supplies	18,110,512	177,681
Depreciation	10,080,683	-
<b>Total Operating Expenses</b>	<u>194,499,347</u>	<u>8,278,665</u>
<b>Operating Loss</b>	<u>(142,329,221)</u>	<u>(1,788,460)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	77,363,270	-
Federal and State Student Financial Aid	50,220,079	-
Gifts and Grants	266,046	-
Investment Income	930,021	1,513,388
Other Nonoperating Revenues	171,497	-
Gain on Disposal of Capital Assets	26,707	-
Interest on Capital Asset-Related Debt	(93,875)	-
<b>Net Nonoperating Revenues</b>	<u>128,883,745</u>	<u>1,513,388</u>
<b>Loss Before Other Revenues</b>	<u>(13,445,476)</u>	<u>(275,072)</u>
State Capital Appropriations	2,258,308	-
Capital Grants, Contracts, Gifts, and Fees	4,979,424	-
Additions to Permanent Endowments	-	130,877
<b>Total Other Revenues</b>	<u>7,237,732</u>	<u>130,877</u>
<b>Decrease in Net Position</b>	<u>(6,207,744)</u>	<u>(144,195)</u>
Net Position, Beginning of Year	271,686,692	46,467,136
Adjustment to Beginning Net Position	(43,983,309)	-
<b>Net Position, Beginning of Year, as Restated</b>	<u>227,703,383</u>	<u>46,467,136</u>
<b>Net Position, End of Year</b>	<u>\$ 221,495,639</u>	<u>\$ 46,322,941</u>

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

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

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

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 37,539,727
Grants and Contracts	12,046,531
Payments to Suppliers	(35,948,477)
Payments for Utilities and Communications	(5,336,053)
Payments to Employees	(96,816,976)
Payments for Employee Benefits	(23,986,946)
Payments for Scholarships	(29,271,297)
Loans Issued to Students	(6,637,358)
Collections on Loans to Students	6,658,235
Auxiliary Enterprises	1,790,456
Sales and Service of Educational Departments	700,897
Other Receipts	839,850
	<b>(138,421,411)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	78,066,845
Federal and State Student Financial Aid	50,220,079
Federal Direct Loan Program Receipts	41,266,505
Federal Direct Loan Program Disbursements	(41,266,505)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	266,046
Other Nonoperating Receipts	497
	<b>128,553,467</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	5,389,522
Capital Grants and Gifts	4,979,424
Proceeds from Sale of Capital Assets	26,707
Purchases of Capital Assets	(12,895,957)
Principal Paid on Capital Debt	(695,000)
Interest Paid on Capital Debt	(93,875)
	<b>(3,289,179)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	28,485,688
Purchases of Investments	(30,479,802)
Investment Income	1,068,500
	<b>(925,614)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(14,082,737)</b>
Cash and Cash Equivalents, Beginning of Year	16,436,566
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 2,353,829</b>

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

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

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (142,329,221)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	10,080,683
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	520,120
Loans to Students	20,877
Inventories	13,913
Prepaid Expenses	(677,726)
Accounts and Other Payables	(3,069,819)
Unearned Revenue	37,585
Deposits Held for Others	5,355
Special Termination Benefits Payable	(92,562)
Compensated Absences Payable	(1,086,164)
Other Postemployment Benefits Payable	291,014
Net Pension Liability	(16,491,288)
Deferred Outflows of Resources Related to Pensions	(4,677,388)
Deferred Inflows of Resources Related to Pensions	19,033,210
	<b>\$ (138,421,411)</b>

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

Unrealized losses on investments were recognized as a decrease to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows. \$ (138,479)

The State Board of Education (SBE) issued \$2,194,000 in SBE Capital Outlay Bonds, Series 2014B, to refund \$2,365,000 in SBE Capital Outlay Bonds, Series 2005B. The new debt and the refunded old debt were recorded as an increase and a decrease, respectively, to bonds payable on the statement of net position; however, because the proceeds were used to refund the old debt, the transaction did not affect cash and cash equivalents. \$ 171,000

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

# **NOTES TO FINANCIAL STATEMENTS**

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

**Reporting Entity.** The governing body of Florida State College at Jacksonville, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by 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 Duval and Nassau Counties.

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the Associate Vice President of Finance, Florida State College at Jacksonville, 501 West State Street, Jacksonville, Florida, 32202. The Foundation's financial statements also include the financial activity of its blended component unit, the Florida State College at Jacksonville Foundation Real Estate Holding, Inc. (Holding Company). The Holding Company is a subsidiary of the Foundation and was formed exclusively to hold title to certain real property, and to collect and transfer its income to the Foundation in support of the Foundation's mission. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2015.

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

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

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

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

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

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, gifts and grants, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund

certain programs, it is the College's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College's accounting system identifies the specific amounts paid for tuition and fees from students and third parties (e.g., financial aid, scholarships, etc.). To the extent that third-party resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue.

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

**Cash and Cash Equivalents - College**. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, 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 Florida PRIME investment pools to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2015, the College reported as cash equivalents \$257 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 maturity (WAM) of 34 days as of June 30, 2015. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

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

*Custodial Credit Risk*. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover deposits. The Foundation's cash deposits with the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, the Foundation may have amounts on deposit that exceed the FDIC insurance

limit. The total amount of cash and cash equivalents held in bank demand deposit accounts was \$1,712,048 at June 30, 2015.

**Capital Assets**. College capital assets consist of land; capitalized collections; construction in progress; buildings; other structures and improvements; and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at 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

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

**Pensions**. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit pension plan and the Health Insurance Subsidy (HIS) defined benefit pension 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 pension 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 \$43,983,309 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 pension plans.

#### 4. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (20,087,468)
Auxiliary Funds	<u>2,602,847</u>
<b>Total</b>	<b>\$ (17,484,621)</b>

#### 5. Investments

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

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

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

<u>Investment Type</u>	<u>Endowment Funds</u>	<u>Other College Funds</u>	<u>Amount</u>
United States Government Obligations	\$ 406,764	\$ 22,558,061	\$ 22,964,825
Federal Agency Obligations	91,452	13,274,482	13,365,934
Corporate Bonds and Notes	413,548	19,089,911	19,503,459
SBA Debt Service Accounts	-	62,966	62,966
Stocks and Other Equity Securities	2,936,711	-	2,936,711
Money Market Funds	100,966	285,490	386,456
<b>Total College Investments</b>	<b>\$ 3,949,441</b>	<b>\$ 55,270,910</b>	<b>\$ 59,220,351</b>

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

The College reported investments totaling \$62,966 at June 30, 2015, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

### **Managed Investments**

The following risks apply to the College's other investments, all of which are managed by contracted investment management firms.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy limits investments to a maximum average duration of the portfolio to no greater than 125 percent of the target benchmark's average duration. The policy also provides that the maximum effective maturity of an individual security will not be greater than 5 years, and the maximum average life of the portfolio will not be greater than 3 years. At June 30, 2015, the College had \$36,330,759 in obligations of the United States government and its agencies, with various call dates with final maturity dates between September 2015 and May 2045, having a weighted-average maturity of 4.04 years for endowment funds and 2.8 years for other College funds. Also, at June 30, 2015, the College had \$19,503,459 in corporate securities, with various call dates with final maturity dates between September 2015 and March 2023, with weighted-average maturities of 4.46 years for endowment funds and 2.54 years for other College funds. For the \$386,456 in money market funds, the average maturity was 30 days for endowment funds and 21 days for other College funds. The overall weighted-average life of the other College fund's portfolio was 2.71 years as of June 30, 2015.

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

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

United States government obligations are not considered to have credit risk. As of June 30, 2015, the College's investments in Federal agency obligations (Government Sponsored Enterprises) are rated AA+ by Standard & Poor's. Corporate debt securities have average credit quality ratings by Moody's Investors Service and Standard & Poor's of A3 for endowment funds and A+ for other College funds, respectively.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investments purchased on behalf of the College pursuant to Section 218.415, Florida Statutes, must be properly earmarked and (1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the College's interest in the security; (2) if in a book-entry form, the investment must be held for the credit of the College by a depository chartered by the Federal Government, the State, or any other State or territory of the United States, that has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States that is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or (3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The College's \$36,330,759 of investments in obligations of the United States government agencies and instrumentalities, and \$19,503,459 in corporate debt securities, are held by the safekeeping agent in the name of the College.

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

**Investments – Discretely Presented Component Unit**

Investments held by the Foundation at June 30, 2015, are reported at fair value as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Life</u>	<u>Effective Duration</u>	<u>Average Credit Quality</u>
Equities	\$ 29,356,852	(1)	(1)	(1)
Commonfund Fixed Income Fund	5,636,764	6.72 years	4.5 years	A+**
Limited Partnerships	5,515,524	(1)	(1)	(1)
Commonfund Intermediate Fixed Income Fund	3,279,703	2.56 years	2.1 years	AA**
Commonfund Commodities Fund	769,254	0.6 years	0.14 years	AA**
Real Property	55,000	(1)	(1)	(1)
Artwork	23,675	(1)	(1)	(1)
<b>Total Foundation Investments</b>	<b>\$ 44,636,772</b>			

\*\*Rating by Standard & Poor's

Note: (1) Disclosure of maturity, duration and credit quality risk is not required for these investment types.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not specifically limit debt obligation maturities. However, as a means of managing the Foundation's exposure to fair value losses arising from increasing interest rates, the policy provides for diversifying fixed-income investments among maturities according to interest rate prospects.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy provides that no more than 15 percent of the corporate debt securities in the fixed-income portfolio may be rated below investment-grade.

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

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

## 6. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$1,673,130 allowance for doubtful accounts.

## 7. Notes Receivable

Notes receivable represent student loans made under the College's short-term loan program of \$333,990. Notes receivable are reported net of a \$77,357 allowance for doubtful notes.

## 8. Due From Other Governmental Agencies

The amount primarily consists of \$1,027,000 of Public Education Capital Outlay allocations due from the State for maintenance and renovations of College facilities and \$426,497 of grants and contracts receivable.

## 9. Inventories

Inventories consist of consumable materials and supplies at the Central Stores Warehouse, and discount transportation and entertainment tickets for resale at the College's Administrative Office, totaling \$78,004, and are valued using the average cost method. 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.

## 10. 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	\$ 12,000,940	\$ -	\$ -	\$ 12,000,940
Capitalized Collections	88,600	-	-	88,600
Construction in Progress	5,635,892	10,906,601	5,138,354	11,404,139
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 17,725,432</b>	<b>\$ 10,906,601</b>	<b>\$ 5,138,354</b>	<b>\$ 23,493,679</b>
Depreciable Capital Assets:				
Buildings	\$ 316,519,830	\$ 5,138,354	\$ -	\$ 321,658,184
Other Structures and Improvements	6,137,019	-	-	6,137,019
Furniture, Machinery, and Equipment	31,392,971	1,921,648	2,280,397	31,034,222
<b>Total Depreciable Capital Assets</b>	<b>354,049,820</b>	<b>7,060,002</b>	<b>2,280,397</b>	<b>358,829,425</b>
Less, Accumulated Depreciation:				
Buildings	124,191,999	7,678,202	-	131,870,201
Other Structures and Improvements	3,844,801	374,161	-	4,218,962
Furniture, Machinery, and Equipment	28,285,767	2,028,320	2,280,397	28,033,690
<b>Total Accumulated Depreciation</b>	<b>156,322,567</b>	<b>10,080,683</b>	<b>2,280,397</b>	<b>164,122,853</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 197,727,253</b>	<b>\$ (3,020,681)</b>	<b>\$ -</b>	<b>\$ 194,706,572</b>

## 11. Long-Term Liabilities

Long-term liabilities of the College at June 30, 2015, include bonds 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>
Bonds Payable	\$ 3,060,000	\$ 2,194,000	\$ 3,060,000	\$ 2,194,000	\$ 628,000
Special Termination Benefits Payable	197,640	-	92,562	105,078	-
Compensated Absences Payable	16,005,217	847,301	1,933,465	14,919,053	1,800,000
Other Postemployment Benefits Payable	3,165,938	695,916	404,902	3,456,952	-
Net Pension Liability (1)	48,631,540	7,190,154	23,681,442	32,140,252	714,524
<b>Total Long-Term Liabilities</b>	<b>\$ 71,060,335</b>	<b>\$ 10,927,371</b>	<b>\$ 29,172,371</b>	<b>\$ 52,815,335</b>	<b>\$ 3,142,524</b>

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

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

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
SBE Capital Outlay Bonds: Series 2014B, Refunding	\$ 2,194,000	2 - 5	2020

On December 2, 2014, the SBE issued \$129,880,000 of SBE Capital Outlay Bonds, Series 2014B. The College's portion of the bonds, \$2,194,000, was used to call the remaining outstanding SBE Capital Outlay Bonds, Series 2005B totaling \$2,365,000. The SBE Capital Outlay Bonds, Series 2005B were called on January 1, 2015. As a result of the refunding the College had a debt service savings of \$171,619 and obtained an economic gain of \$173,693.

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

<u>Fiscal Year Ending June 30</u>	<u>SBE Capital Outlay Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 628,000	\$ 115,721	\$ 743,721
2017	678,000	75,690	753,690
2018	717,000	41,790	758,790
2019	84,000	5,940	89,940
2020	87,000	1,740	88,740
<b>Total</b>	<b>\$ 2,194,000</b>	<b>\$ 240,881</b>	<b>\$ 2,434,881</b>

**Special Termination Benefits Payable.** Effective July 1, 2004, the Board of Trustees established a severance pay plan that is available to certain College administrative employees. The plan provides that once certain eligibility guidelines are met, benefit day credits of one-half to one full day are accrued for each month of service payable at various percentages in conjunction with the employee's daily rate of pay at the time of separation. The severance pay plan benefit is not available to an eligible employee until the date of separation from the College, and must be paid as a one-time lump-sum payment. At June 30, 2015, a liability of accrued plan benefits of \$105,078 for 5 employees was reported by the College as Special Termination Benefits Payable.

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2015, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$14,919,053. The current portion of the compensated absences liability, \$1.8 million, is the amount expected to be paid in the coming fiscal year, and represents the College's estimate of leave payments plus benefits for retirements, separations, and Deferred Retirement Option Program (DROP) participants during the 2015-16 fiscal year based on an average of actual payments over the previous several years.

**Other Postemployment Benefits Payable.** The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain other postemployment benefits administered by the College.

*Plan Description.* The Other Postemployment Benefits Plan (Plan) is a single-employer defined benefit plan administered by the College. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the College are eligible to participate in the College's health 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 coverage as soon as they are eligible. The College does not issue a stand-alone report and the Plan is not included in the annual report of a public employee retirement system or another entity.

*Funding Policy.* Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and may 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, 103 retirees received other postemployment benefits. The College provided required contributions of \$404,902 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative

expenses, and reinsurance premiums. Retiree contributions totaled \$880,069, which represents 1.1 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)	\$ 379,969
Amortization of Unfunded Actuarial Accrued Liability	276,136
Interest on Normal Cost and Amortization	<u>26,244</u>
<b>Annual Required Contribution</b>	682,349
Interest on Net OPEB Obligation	126,638
Adjustment to Annual Required Contribution	<u>(113,071)</u>
<b>Annual OPEB Cost (Expense)</b>	695,916
Contribution Toward the OPEB Cost	<u>(404,902)</u>
<b>Increase in Net OPEB Obligation</b>	291,014
Net OPEB Obligation, Beginning of Year	<u>3,165,938</u>
<b>Net OPEB Obligation, End of Year</b>	<u><u>\$ 3,456,952</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	\$ 837,288	39.3%	\$ 3,181,220
2013-14	655,999	102.3%	3,165,938
2014-15	695,916	58.2%	3,456,952

*Funded Status and Funding Progress.* As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$5,288,964, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$5,288,964, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$78,107,414 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.8 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 entry age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2015, and the College's 2014-15 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.5 percent per year, an inflation rate of 2.5 percent, and an annual healthcare cost trend rate of 8 percent for the 2014-15 fiscal year, reduced by decrements to an ultimate rate of 5 percent in the 2023-24 fiscal year. The unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2015 was 22 years.

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

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

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

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

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

The College's FRS and HIS pension expense totaled \$2,772,389 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 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 survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

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

<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 \$4,067,278 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 \$10,766,471 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the College's proportionate share

was 0.17645697 percent, which was an increase of 0.01230747 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of \$1,353,772. 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	\$ -	\$ 666,260
Change of assumptions	1,864,573	-
Net difference between projected and actual earnings on FRS pension plan investments	-	17,960,259
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	1,782,368	-
College FRS contributions subsequent to the measurement date	4,067,278	-
<b>Total</b>	<b>\$ 7,714,219</b>	<b>\$ 18,626,519</b>

The deferred outflows of resources related to pensions totaling \$4,067,278 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	\$ (3,927,672)
2017	(3,927,672)
2018	(3,927,672)
2019	(3,927,672)
2020	562,392
Thereafter	168,718
<b>Total</b>	<b>\$ (14,979,578)</b>

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

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

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

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

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

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

	<b>1% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1% Increase (8.65%)</b>
College's proportionate share of the net pension liability	\$ 46,049,623	\$ 10,766,471	\$ (18,582,380)

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

## **HIS Pension Plan**

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

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

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

The College's contributions to the HIS Plan totaled \$840,576 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 \$21,373,781 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 0.22859062 percent, which was a decrease of 0.005424638 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of \$1,418,617. 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	\$ 760,564	\$ -
Net difference between projected and actual earnings on HIS pension plan investments	10,260	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	-	406,691
College contributions subsequent to the measurement date	840,576	-
<b>Total</b>	<b>\$ 1,611,400</b>	<b>\$ 406,691</b>

The deferred outflows of resources totaling \$840,576 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	\$ 59,641
2017	59,641
2018	59,641
2019	59,641
2020	57,076
Thereafter	68,493
<b>Total</b>	<b>\$ 364,133</b>

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

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

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

While an 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:

	<b>1% Decrease (3.29%)</b>	<b>Current Discount Rate (4.29%)</b>	<b>1% Increase (5.29%)</b>
College's proportionate share of the net pension liability	\$ 24,310,945	\$ 21,373,781	\$ 18,922,089

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

### **13. Retirement Plans – Defined Contribution Pension Plans**

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

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

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

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

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

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

The College's Investment Plan pension expense totaled \$1,357,159 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 \$748,389 and employee contributions totaled \$291,959 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 10.6 percent of the employee’s salary and employees contribute 3 percent of the employee’s salary to the Local Annuity Program. Additionally, the participants may contribute, by salary reduction, an additional amount not to exceed the percentage contributed by the employer. These contributions are invested in the companies selected by the participant to create a fund for the purchase of annuities at retirement.

The College’s contributions to the Annuity Program totaled \$85,427 and employee contributions totaled \$24,177 for the 2014-15 fiscal year.

#### 14. Contractual Commitment

On October 31, 2014, the College contracted for the purchase of a new ERP system. The contract with the system implementer is for a fixed fee of \$15,188,746.

The College’s contractual commitment at June 30, 2015, is as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
ERP System Implementer (1)	\$ 15,188,746	\$ 6,183,686	\$ 9,005,060

Note: (1) The construction in progress of \$11,404,139 reported in Note 10 includes the initial software cost for the ERP system of \$3,330,490. This cost is not included in the completed to date amount for the system implementer because the software was purchased from another vendor and paid in full.

#### 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), a self-insured program, and commercially purchased insurance.

**Consortium.** Beginning January 1, 2015, the College provided coverage for health and hospitalization 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.

Prior to January 1, 2015, the Board was self-insured for its group health insurance for employees, retirees, former employees, and their dependents. The College’s liability was limited by excess insurance to \$350,000 per insured person per year and by \$1 million of coverage for aggregate medical claims exceeding \$14.5 million for the 2014 calendar year. The plan was provided by an insurance

company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. At June 30, 2015, the plan's estimated remaining claims liability was \$78,561.

**Self-Insured Program.** The Board has established an individual self-insured program to provide workers' compensation coverage for its employees. The College's liability was limited by excess insurance to \$500,000 per occurrence for the 2014-15 fiscal year. The program administrator has been approved by the Florida Department of Financial Services, Office of Insurance Regulation. An actuarial review has determined a present value of estimated outstanding losses, including incurred but not reported claims, in the amount of \$354,089 discounted at a rate of 3 percent at June 30, 2015.

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

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year</u>
2013-14	\$ 259,214	\$ 229,432	\$ (185,266)	\$ 303,380
2014-15	303,380	313,425	(262,716)	354,089

Settled claims arising from the risks associated with the self-insured programs have not exceeded coverage in any of the past 3 fiscal years.

**Commercially Purchased Insurance.** The College's insurance coverage for property, boiler and machinery, general liability, automobile liability, employee faithful performance, employee benefits liability, errors and omissions, and student professional liability was obtained through commercially purchased insurance. The College has also reserved \$3,830,000 of its unrestricted net position in recognition of its 2 percent wind and hail property damage deductible in the event of major storm damage.

Settled claims arising from these risks have not exceeded 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:

<b><u>Functional Classification</u></b>	<b><u>Amount</u></b>
Instruction	\$ 58,754,084
Public Services	545,390
Academic Support	26,403,011
Student Services	17,401,090
Institutional Support	22,899,263
Operation and Maintenance of Plant	28,944,765
Scholarships and Waivers	29,271,297
Depreciation	10,080,683
Auxiliary Enterprises	<u>199,764</u>
<b>Total Operating Expenses</b>	<b><u><u>\$ 194,499,347</u></u></b>

## **OTHER REQUIRED SUPPLEMENTARY INFORMATION**

### **Schedule of Funding Progress – Other Postemployment Benefits Plan**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (1) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
7/1/2009	\$ -	\$ 9,798,279	\$ 9,798,279	0%	\$ 60,890,371	16.1%
7/1/2011	-	7,638,240	7,638,240	0%	75,280,000	10.1%
7/1/2013	-	5,288,964	5,288,964	0%	78,339,937	6.8%

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

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

	<b>2014 (1)</b>	<b>2013 (1)</b>
College's proportion of the FRS net pension liability	0.176456970%	0.164149500%
College's proportionate share of the FRS net pension liability	\$ 10,766,471	\$ 28,257,435
College's covered-employee payroll (2)	\$ 79,318,686	\$ 78,081,652
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	13.57%	36.19%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

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

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

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

	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required FRS contribution	\$ 4,067,278	\$ 3,865,156
FRS contributions in relation to the contractually required contribution	<u>4,067,278</u>	<u>3,865,156</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 75,901,140	\$ 79,318,686
FRS contributions as a percentage of covered-employee payroll	5.36%	4.87%

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

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

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

	<u>2014 (1)</u>	<u>2013 (1)</u>
College's proportion of the HIS net pension liability	0.228590620%	0.234015258%
College's proportionate share of the HIS net pension liability	\$ 21,373,781	\$ 20,374,105
College's covered-employee payroll (2)	\$ 79,318,686	\$ 78,081,652
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	26.95%	26.09%
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	\$ 840,576	\$ 783,075
HIS contributions in relation to the contractually required HIS contribution	<u>840,576</u>	<u>783,075</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 75,901,140	\$ 79,318,686
HIS contributions as a percentage of covered-employee payroll	1.11%	0.99%

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

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

**1. Schedule of Funding Progress – Other Postemployment Benefits Plan**

The July 1, 2013, unfunded actuarial accrued liability of \$5,288,964 was significantly lower than the July 1, 2011, liability of \$7,638,240 as a result of a change (decrease) in the assumed rate of retiree participation when eligible for Medicare.

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

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

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

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



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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 Florida State College at Jacksonville, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 28, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

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

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

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

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

### **Compliance and Other Matters**

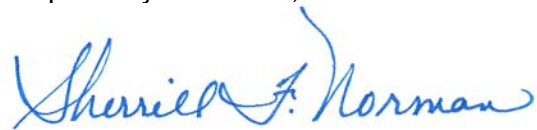
As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

We noted certain matters that we reported to College management in our operational audit report No. 2016-114.

### **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 28, 2016