

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

SEMINOLE STATE COLLEGE OF FLORIDA

For the Fiscal Year Ended
June 30, 2016



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2015-16 fiscal year, Dr. E. Ann McGee served as President of Seminole State College of Florida and the following individuals served as Members of the Board of Trustees:

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The team leader was Daria Potapova, CPA, and the audit was supervised by Keith A. Wolfe, CPA.

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

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

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

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2016. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

AUDIT METHODOLOGY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Seminole State College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2016, 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 other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Seminole State College of Florida and of its discretely presented component unit as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **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 dated January 11, 2017, on our consideration of the Seminole State College of Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT**

AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Seminole State College of Florida's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
January 11, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2016, and June 30, 2015.

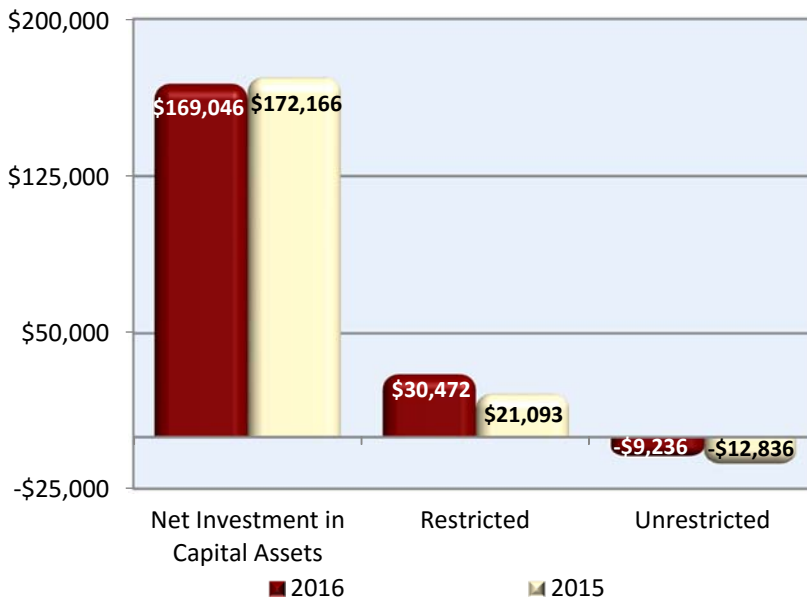
FINANCIAL HIGHLIGHTS

The College's assets totaled \$231.9 million at June 30, 2016. This balance reflects a \$13.8 million, or 6.3 percent, increase as compared to the 2014-15 fiscal year, resulting primarily from increases in amounts due from other governmental agencies of \$10.4 million and accounts receivable of \$4.9 million, partially offset by a decrease of \$3.7 million in capital assets. While assets grew, liabilities increased by \$11.3 million, or 34.6 percent, totaling \$43.8 million at June 30, 2016, compared to \$32.5 million at June 30, 2015. This change is the result of increases in net pension liability of \$6.2 million and unearned revenue of \$6 million. Additionally, the College's deferred outflows of resources increased by \$1.4 million to \$7.1 million, while deferred inflows of resources decreased by \$5.9 million to \$4.9 million related to changes in the College's proportionate share of the net pension liability at June 30, 2016. As a result, the College's net position increased by \$9.9 million, resulting in a year-end balance of \$190.3 million.

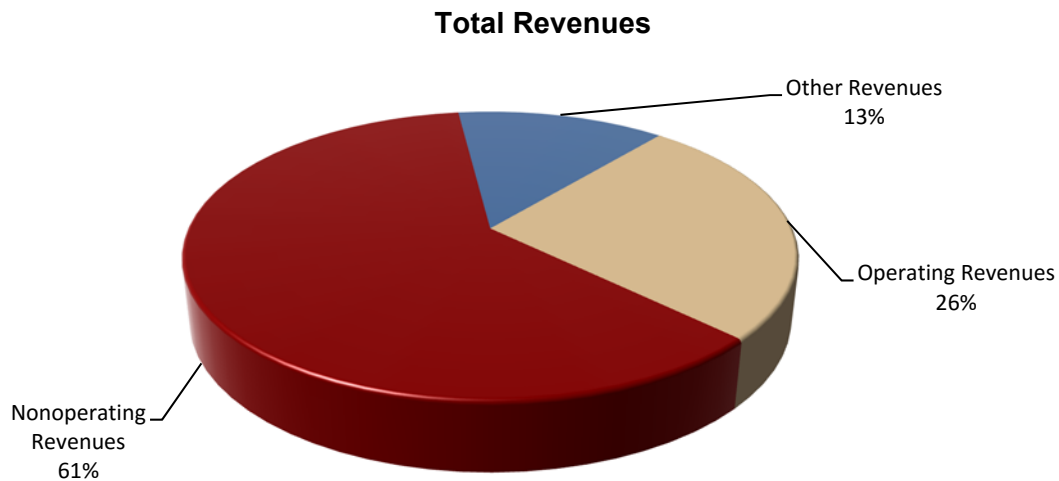
The College's operating revenues totaled \$31.3 million for the 2015-16 fiscal year, representing less than a 1 percent decrease as compared to the 2014-15 fiscal year. Operating expenses totaled \$110.2 million for the 2015-16 fiscal year, representing a slight decrease of 1.6 percent as compared to the 2014-15 fiscal year due mainly to a decrease in scholarship expense resulting from lower student enrollment.

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, 2016, and June 30, 2015, is shown in the following graph:

Net Position
(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2015-16 fiscal year:



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, encompass the College and its component unit, the Foundation for Seminole State College of Florida, Inc. (Foundation). Based on the application of the criteria for determining component units, the Foundation is included within the College reporting entity as a discretely presented component unit.

This MD&A focuses on the College, excluding the discretely presented component unit. MD&A information for the Foundation is included in its separately issued audit report.

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.

The following summarizes the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30:

Condensed Statement of Net Position at June 30

(In Thousands)

	2016	2015
Assets		
Current Assets	\$ 41,483	\$ 23,578
Capital Assets, Net	173,287	176,972
Other Noncurrent Assets	17,101	17,508
	Total Assets	218,058
	231,871	218,058
Deferred Outflows of Resources	7,057	5,660
Liabilities		
Current Liabilities	9,377	4,377
Noncurrent Liabilities	34,393	28,132
	Total Liabilities	32,509
	43,770	32,509
Deferred Inflows of Resources	4,876	10,786
Net Position		
Net Investment in Capital Assets	169,046	172,166
Restricted	30,472	21,093
Unrestricted	(9,236)	(12,836)
	Total Net Position	\$ 180,423
	\$ 190,282	\$ 180,423

Total assets increased primarily from increases in current assets related to amounts due from other governmental agencies of \$10.4 million to fund construction and an increase in accounts receivables of \$4.9 million related to earlier billing of tuition. These increases were partially offset by a decrease in net capital assets of \$3.7 million related to an increase in construction in progress offset by an increase in depreciation.

Total liabilities increased from the prior fiscal year primarily due to an increase in the net pension liability of \$6.2 million for the defined benefit pension plans and an increase in unearned revenue of \$6 million related to earlier billing of tuition.

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 College's activity for the 2015-16 and 2014-15 fiscal years:

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

(In Thousands)

	<u>2015-16</u>	<u>2014-15</u>
Operating Revenues	\$ 31,282	\$ 31,581
Less, Operating Expenses	<u>110,153</u>	<u>111,921</u>
Operating Loss	(78,871)	(80,340)
Net Nonoperating Revenues	<u>72,980</u>	<u>72,715</u>
Loss Before Other Revenues	(5,891)	(7,625)
Other Revenues	<u>15,750</u>	<u>10,048</u>
Net Increase In Net Position	<u>9,859</u>	<u>2,423</u>
Net Position, Beginning of Year	180,423	202,228
Adjustment to Beginning Net Position (1)	<u>-</u>	<u>(24,228)</u>
Net Position, Beginning of Year, as Restated	<u>180,423</u>	<u>178,000</u>
Net Position, End of Year	<u>\$ 190,282</u>	<u>\$ 180,423</u>

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

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities for the 2015-16 and 2014-15 fiscal years:

**Operating Revenues
For the Fiscal Years**

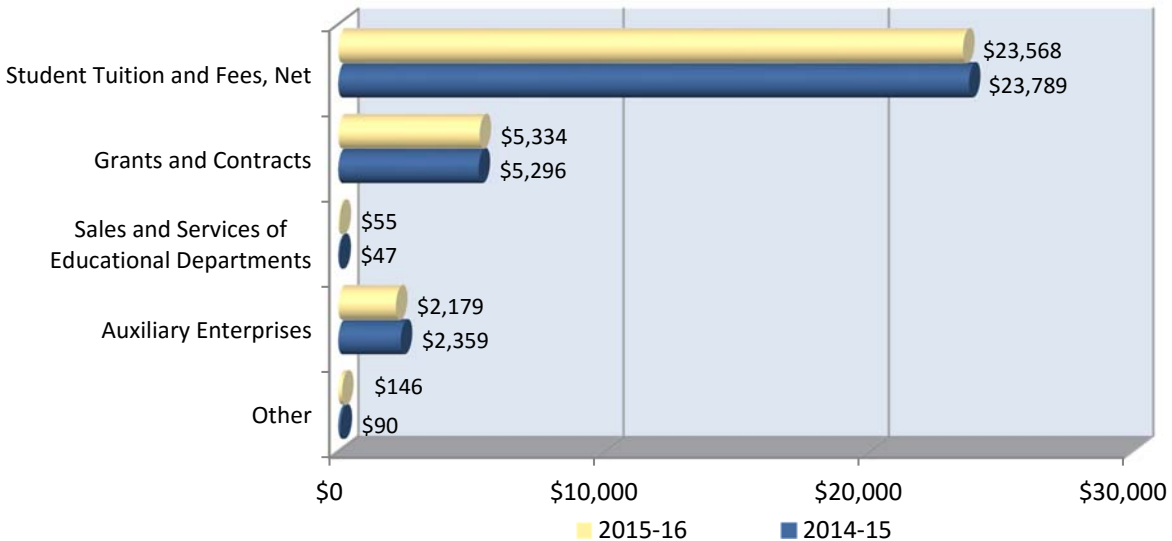
(In Thousands)

	2015-16	2014-15
Student Tuition and Fees, Net	\$ 23,568	\$ 23,789
Grants and Contracts	5,334	5,296
Sales and Services of Educational Departments	55	47
Auxiliary Enterprises	2,179	2,359
Other	146	90
Total Operating Revenues	\$ 31,282	\$ 31,581

The following chart presents the College's operating revenues for the 2015-16 and 2014-15 fiscal years:

Operating Revenues

(In Thousands)



College operating revenue decreased slightly primarily as the result of a decrease in student tuition and fees due to a decrease in enrollments in all divisions except in the baccalaureate and non-credit programs.

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.

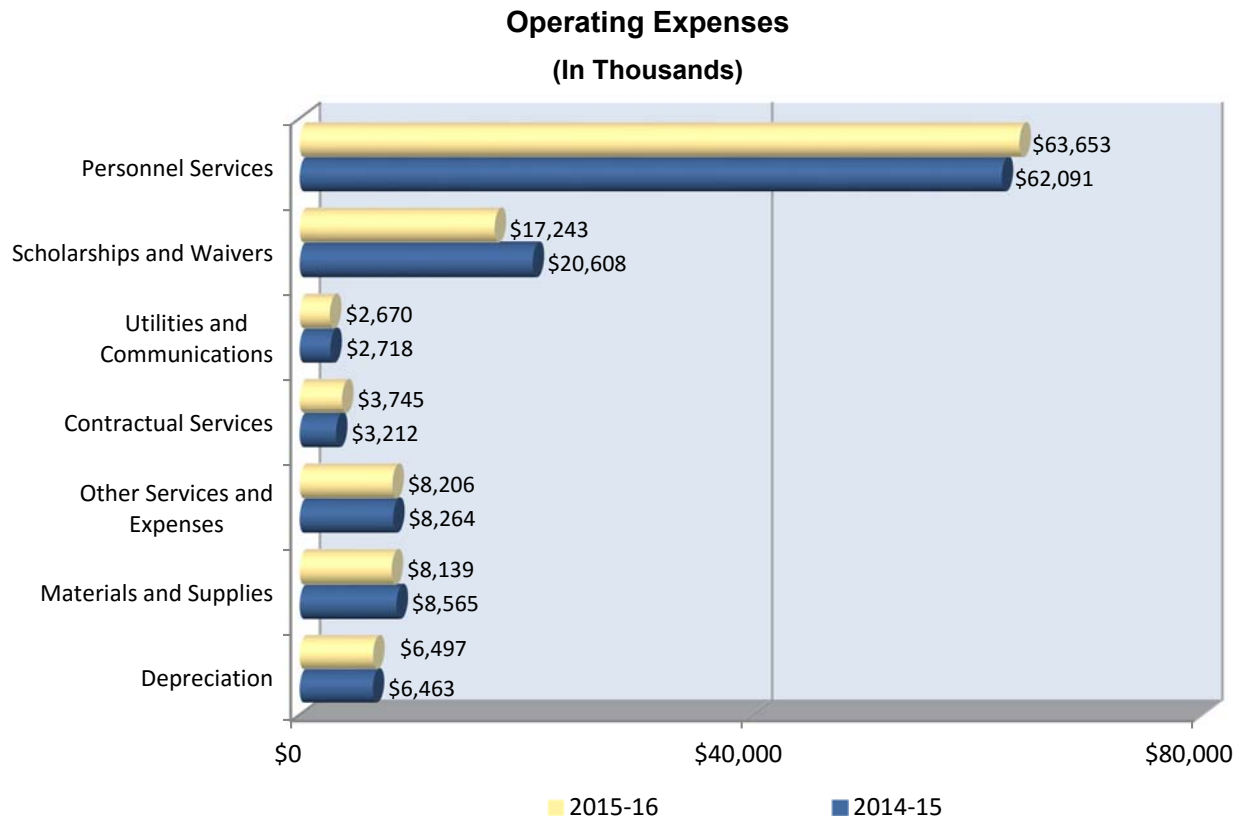
The following summarizes operating expenses by natural classification for the 2015-16 and 2014-15 fiscal years:

Operating Expenses For the Fiscal Years

(In Thousands)

	2015-16	2014-15
Personnel Services	\$ 63,653	\$ 62,091
Scholarships and Waivers	17,243	20,608
Utilities and Communications	2,670	2,718
Contractual Services	3,745	3,212
Other Services and Expenses	8,206	8,264
Materials and Supplies	8,139	8,565
Depreciation	6,497	6,463
Total Operating Expenses	\$ 110,153	\$ 111,921

The following chart presents the College's operating expenses for the 2015-16 and 2014-15 fiscal years:



College operating expenses decreased as a result of lower scholarship expense due to the decline in enrollments and reduced funding of student financial aid programs such as the Florida Bright Futures Scholarship program.

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 2015-16 and 2014-15 fiscal years:

**Nonoperating Revenues (Expenses)
For the Fiscal Years**

(In Thousands)

	2015-16	2014-15
State Noncapital Appropriations	\$ 44,061	\$ 38,938
Federal and State Student Financial Aid	28,665	33,602
Gifts and Grants	399	321
Investment Income	76	73
Other Nonoperating Revenues	7	21
Loss on Disposal of Capital Assets	(8)	-
Interest on Capital Asset-Related Debt	(220)	(240)
Net Nonoperating Revenues	\$ 72,980	\$ 72,715

While net nonoperating revenue and expenses increased only slightly, by \$0.3 million, or 0.4 percent, this increase includes a \$5.1 million increase in State noncapital appropriations, partially offset by a \$4.9 million decrease in Federal and State student financial aid primarily as a result of reductions in Federal Pell Grant awards from decreased enrollment of students eligible for these awards.

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 2015-16 and 2014-15 fiscal years:

**Other Revenues
For the Fiscal Years**

(In Thousands)

	2015-16	2014-15
State Capital Appropriations	\$ 12,591	\$ 6,705
Capital Grants, Contracts, Gifts, and Fees	3,159	3,343
Total	\$ 15,750	\$ 10,048

The increase in other revenue is primarily the result of an increase in State capital appropriations for construction projects.

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 2015-16 and 2014-15 fiscal years:

**Condensed Statement of Cash Flows
For the Fiscal Years
(In Thousands)**

	<u>2015-16</u>	<u>2014-15</u>
Cash Provided (Used) by:		
Operating Activities	\$ (72,635)	\$ (79,031)
Noncapital Financing Activities	73,114	72,825
Capital and Related Financing Activities	1,784	9,492
Investing Activities	81	79
	<u>2,344</u>	<u>3,365</u>
Net Increase in Cash and Cash Equivalents	2,344	3,365
Cash and Cash Equivalents, Beginning of Year	33,796	30,431
	<u>\$ 36,140</u>	<u>\$ 33,796</u>
Cash and Cash Equivalents, End of Year	\$ 36,140	\$ 33,796

Major sources of funds came from net student tuition and fees (\$24.5 million); State noncapital appropriations (\$44.1 million); Federal and State student financial aid (\$28.7 million); and Federal Direct Student Loan program receipts (\$28.2 million). Major uses of funds were for payments to employees and for employee benefits (\$64.8 million), disbursements to students for Federal Direct Student Loans (\$28.2 million), payments for scholarships (\$17.2 million), and payments to providers of goods and services (\$20.1 million).

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

- Operating activities used \$6.4 million less cash compared to the 2014-15 fiscal year. Payments for employee benefits decreased by \$3.7 million because payments in the 2014-15 fiscal year included the payment of the voluntary separation agreement offered to employees in the 2013-14 fiscal year. Payments of scholarships also declined by \$3.4 million as a result of lower attendance and fewer Pell Grant awards.
- Noncapital financing cash flows increased slightly by \$0.3 million due to a \$5.1 million increase in State noncapital appropriations, partially offset by a \$4.9 million decrease in Federal and State student financial aid.
- Cash flows from capital and related financing activities decreased by \$7.7 million because of a decrease in cash inflows from State capital appropriations of \$4.6 million and an increase in cash outflows for purchases of capital assets of \$3 million.

**CAPITAL ASSETS
AND DEBT ADMINISTRATION**

Capital Assets

At June 30, 2016, the College had \$256.4 million in capital assets, less accumulated depreciation of \$83.1 million, for net capital assets of \$173.3 million. Depreciation charges for the current fiscal year totaled \$6.5 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

**Capital Assets, Net at June 30
For the Fiscal Years**

(In Thousands)

	2016	2015
Land	\$ 32,387	\$ 32,365
Construction in Progress	2,676	381
Buildings	133,181	137,592
Other Structures and Improvements	4,046	5,125
Furniture, Machinery, and Equipment	711	771
Assets Under Capital Lease	-	166
Leasehold Improvements	286	572
Capital Assets, Net	\$173,287	\$176,972

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

Debt Administration

As of June 30, 2016, the College had \$4.2 million in outstanding bonds payable, and had a decrease of \$0.6 million, or 11.8 percent, in long-term debt from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2016, and June 30, 2015:

Long-Term Debt, at June 30

(In Thousands)

	2016	2015
Bonds Payable	\$ 4,241	\$ 4,635
Capital Lease Payable	-	171
Total	\$ 4,241	\$ 4,806

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2015-16 fiscal year, there were no bond sales and debt repayments totaled \$0.4 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2016-17 fiscal year. State funding contributes slightly more than one half of the resources for operating the College; with tuition and fees from student enrollment providing most of the balance of these resources. Since enrollment correlates to the unemployment rate, a modest decline of the unemployment rate projected for 2016 in Central Florida is anticipated to result in a slight decline in enrollment at the College. As a result, the College anticipated and budgeted for a decrease of full-time equivalent enrollment of approximately 3 percent for the 2016-17 fiscal year. In response, the Board of Trustees elected to maintain the current tuition rate for the Fall 2016 term and the College is offering additional programs to attract new students and increase retention of students currently enrolled.

The College received a State Public Education Capital Outlay (PECO) appropriation of \$11.5 million in the 2015-16 fiscal year and an additional PECO appropriation of \$12.7 million in the 2016-17 fiscal year for the construction of a new Student Center on the Sanford/Lake Mary Campus. The Center is planned for completion in Spring 2018 and will improve services to students by centralizing operations including registration, admission, advising, financial aid and other student support services currently spread throughout three facilities. In addition, the College received a 2016-17 fiscal year PECO appropriation of \$12.7 million to continue the renovation of the largest classroom facility on the Sanford/Lake Mary Campus. The College continues to plan a new Wellness Center on the Sanford/Lake Mary Campus and the expansion of the Altamonte Springs Campus using a joint development strategy with the private sector to meet the demand for healthcare and other general educational programs.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Executive Vice President/CFO, Seminole State College of Florida, 100 Weldon Boulevard, Sanford, Florida 32773.

BASIC FINANCIAL STATEMENTS

Seminole State College of Florida A Component Unit of the State of Florida Statement of Net Position

June 30, 2016

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 17,564,415	\$ 138,466
Restricted Cash and Cash Equivalents	1,496,184	820,023
Accounts Receivable, Net	8,417,122	1,026,987
Notes Receivable, Net	1,494	-
Due from Other Governmental Agencies	13,791,066	-
Due from Component Unit/College	52,608	475
Prepaid Expenses	141,762	-
Deposits	18,665	-
Other Assets	-	1,000
Total Current Assets	41,483,316	1,986,951
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	17,078,947	-
Investments	-	858,870
Restricted Investments	22,183	14,794,387
Depreciable Capital Assets, Net	138,223,773	2,192,220
Nondepreciable Capital Assets	35,063,381	3,328,049
Other Assets	-	2,033,404
Total Noncurrent Assets	190,388,284	23,206,930
TOTAL ASSETS	231,871,600	25,193,881
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	7,056,629	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,078,112	5,967
Salary and Payroll Taxes Payable	1,124,679	-
Due to Other Governmental Agencies	4,588	-
Due to Component Unit/College	475	52,608
Unearned Revenue	6,018,689	-
Deposits Held for Others	210,099	40,680
Long-Term Liabilities - Current Portion:		
Bonds Payable	342,000	-
Notes Payable	-	50,000
Compensated Absences Payable	157,009	-
Net Pension Liability	440,950	-
Total Current Liabilities	9,376,601	149,255

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

June 30, 2016

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	3,899,000	-
Notes Payable	-	400,000
Compensated Absences Payable	5,860,310	-
Other Postemployment Benefits Payable	888,517	-
Net Pension Liability	23,745,914	-
Total Noncurrent Liabilities	34,393,741	400,000
TOTAL LIABILITIES	43,770,342	549,255
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	4,875,600	-
NET POSITION		
Net Investment in Capital Assets	169,046,154	5,076,231
Restricted:		
Nonexpendable:		
Endowment	-	6,876,221
Expendable:		
Grants and Loans	968,190	-
Scholarships	810,254	10,835,027
Capital Projects	28,671,870	-
Debt Service	22,183	-
Unrestricted	(9,236,364)	1,857,147
TOTAL NET POSITION	\$ 190,282,287	\$ 24,644,626

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

Seminole State College of Florida
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$13,226,289	\$ 23,568,303	\$ -
Federal Grants and Contracts	2,960,531	-
State and Local Grants and Contracts	877,878	-
Nongovernmental Grants and Contracts	1,496,180	-
Sales and Services of Educational Departments	54,736	-
Auxiliary Enterprises	2,178,631	-
Other Operating Revenues	145,878	3,004,341
Total Operating Revenues	<u>31,282,137</u>	<u>3,004,341</u>
EXPENSES		
Operating Expenses:		
Personnel Services	63,653,030	591,868
Scholarships and Waivers	17,243,368	1,616,876
Utilities and Communications	2,669,798	-
Contractual Services	3,745,089	261,578
Other Services and Expenses	8,205,831	177,415
Materials and Supplies	8,138,892	44,322
Depreciation	6,496,982	-
Total Operating Expenses	<u>110,152,990</u>	<u>2,692,059</u>
Operating Income (Loss)	<u>(78,870,853)</u>	<u>312,282</u>
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	44,061,289	61,999
Federal and State Student Financial Aid	28,664,856	-
Gifts and Grants	398,793	562,591
Investment Income	75,804	377,288
Net Loss on Investments	-	(364,379)
Other Nonoperating Revenues	7,765	4,100,000
Loss on Disposal of Capital Assets	(8,213)	-
Interest on Capital Asset-Related Debt	(220,148)	-
Net Nonoperating Revenues	<u>72,980,146</u>	<u>4,737,499</u>
Income (Loss) Before Other Revenues	<u>(5,890,707)</u>	<u>5,049,781</u>
State Capital Appropriations	12,590,429	-
Capital Grants, Contracts, Gifts, and Fees	3,159,248	-
Total Other Revenues	<u>15,749,677</u>	<u>-</u>
Increase in Net Position	9,858,970	5,049,781
Net Position, Beginning of Year	180,423,317	19,594,845
Net Position, End of Year	<u>\$ 190,282,287</u>	<u>\$ 24,644,626</u>

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

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

For the Fiscal Year Ended June 30, 2016

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 24,495,155
Grants and Contracts	5,285,757
Payments to Suppliers	(20,067,507)
Payments for Utilities and Communications	(2,776,986)
Payments to Employees	(52,162,508)
Payments for Employee Benefits	(12,636,149)
Payments for Scholarships	(17,225,641)
Auxiliary Enterprises	2,345,527
Sales and Services of Educational Departments	58,917
Other Receipts	48,390
	(72,635,045)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	44,061,289
Federal and State Student Financial Aid	28,664,856
Federal Direct Loan Program Receipts	28,244,647
Federal Direct Loan Program Disbursements	(28,244,647)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	398,793
Other Nonoperating Disbursements	(10,476)
	73,114,462
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,361,763
Capital Grants, Contracts, Gifts and Fees	3,159,248
Proceeds from Sale of Capital Assets	7,765
Purchases of Capital Assets	(2,960,167)
Principal Paid on Capital Debt and Lease	(564,913)
Interest Paid on Capital Debt and Lease	(220,148)
	1,783,548
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	5,071
Investment Income	75,804
	80,875
Net Increase in Cash and Cash Equivalents	2,343,840
Cash and Cash Equivalents, Beginning of Year	33,795,706
Cash and Cash Equivalents, End of Year	\$ 36,139,546

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

For the Fiscal Year Ended June 30, 2016

	College
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (78,870,853)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	6,496,982
Changes in Assets, Liabilities, Deferred Outflows of Resources,	
and Deferred Inflows of Resources:	
Receivable, Net	(4,676,625)
Due from Other Governmental Agencies	(235,929)
Prepaid Expenses	23,214
Accounts Payable	(129,134)
Salary and Payroll Taxes Payable	(437,810)
Unearned Revenue	6,001,488
Deposits Held for Others	(117,187)
Compensated Absences Payable	336,491
Other Postemployment Benefits Payable	104,204
Net Pension Liability	6,177,280
Deferred Outflows of Resources Related to Pensions	(1,397,008)
Deferred Inflows of Resources Related to Pensions	(5,910,158)
NET CASH USED BY OPERATING ACTIVITIES	\$ (72,635,045)
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL	
FINANCING ACTIVITIES	
Losses from the disposal of capital assets were recognized on the statement of	
revenues, expenses, and changes in net position, but are not cash transactions	
for the statement of cash flows.	\$ (8,213)

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The governing body of Seminole State College of Florida, 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 5 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 State law and State Board of Education (SBE) 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 SBE rules. Geographic boundaries of the College correspond with those of Seminole County.

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 Foundation for Seminole State College of Florida, 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 expenditures 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 Executive Vice President/CFO, Seminole State College, 100 Weldon Blvd., Sanford, Florida 32773. 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, 2016.

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

Measurement Focus and 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 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 determines its scholarship allowance by identifying those student transactions where the student's classes were paid by an applicable financial aid resource. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fees revenues.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, cash placed with the State Treasury Special Purpose Investment Account (SPIA), and cash in a money market account. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury SPIA 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, 2016, the College reported as cash equivalents at fair value \$4,452,885 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 4.). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.61 years and fair value factor of 1.0143 at June 30, 2016. Participants contribute to the Treasury Pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2016, the College also reported as cash equivalents at fair value \$5,034,751 in a money market account. The funds invested in the money market account carried a credit rating of AAAM by Standard & Poor's. As of June 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the College's daily access to 100 percent of their account value.

Capital Assets. College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; leasehold improvements; and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition 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
- Leasehold Improvements – 10 to 40 years
- Computer Software – 10 years

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

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

2. Reporting Change

The College implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which requires the College to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value.

The College implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

3. Deficit Net Position in Individual Funds

The College reported an unrestricted net position which included a deficit in the current funds-unrestricted, as shown below. This deficit can be attributed to the full recognition of long-term

liabilities (i.e., compensated absences payable, other postemployment benefits payable, and net pension liabilities) in the current unrestricted funds.

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (12,729,775)
Auxiliary Funds	3,493,411
Total	\$ (9,236,364)

4. Investments

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

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

The College categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The College reported investments totaling \$22,183 at June 30, 2016, in the SBA Debt Service Accounts, at fair value using quoted market prices (Level 1 inputs). 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.

Component Unit Investments

Investments of the Foundation consist of corporate bonds, United States Treasury Bonds, foreign bonds, Real Estate investment trusts, United States mortgage-backed securities, mutual funds, and domestic and international equities. Investments held by the Foundation at June 30, 2016, are reported at fair value as follows:

<u>Investment</u>	<u>Average Maturity</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Corporate Bonds	6.24 years	AAA - BBB-	\$ 2,552,539
United States Treasury Bonds	9.68 years	AAA - AA+	633,435
Foreign Bonds	5.43 years	AA3-BAA3	158,427
Real Estate Investment Trusts	N/A	(1)	537,433
United States Mortgage-Backed Securities	18.05 years	AAA - AA+	899,178
Mutual Funds	N/A	(2)	3,430,287
Domestic Equities	N/A	(2)	5,407,156
International Equities	N/A	(2)	2,034,802
Total Foundation Investments			<u>\$ 15,653,257</u>

Notes: (1) Disclosure of credit quality risk is not required for this investment type.

(2) Disclosure of interest rate risk, maturity date, and credit quality rating is not applicable to this investment type.

The following table presents the levels within the fair value hierarchy in which the Foundation's financial instruments are measured at June 30, 2016:

	<u>Fair Value Measurements Using</u>			
	<u>Amount</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level				
Interest-sensitive investments:				
Corporate Bonds	\$ 2,552,539	\$ -	\$ 2,552,539	\$ -
United States Treasury Securities	633,435	633,435	-	-
Foreign Bonds	158,427	-	158,427	-
Total interest-sensitive investments	3,344,401	633,435	2,710,966	-
Alternative Investments				
Real Estate investment trusts	537,433	537,433	-	-
United States mortgage-backed securities	899,178	-	899,178	-
Total alternative investments	1,436,611	537,433	899,178	-
Equity Investments				
Mutual Funds	3,430,287	3,430,287	-	-
Domestic Equities	5,407,156	5,407,156	-	-
International Equities	2,034,802	2,034,802	-	-
Total Equity Investments	\$ 10,872,245	\$ 10,872,245	\$ -	\$ -
Total investments measured at fair value	<u>\$ 15,653,257</u>			

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following are descriptions of the valuation methodologies used for investments measured at fair value.

Common Stocks (Equities): Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Funds valued at daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. The mutual funds held by the Foundation are deemed to be actively traded.

Bonds (Corporate, United States Treasury, and Foreign): Valued using pricing models maximizing the use of observable inputs for the same or similar securities. This includes basing values on yields currently available on comparable securities of issuers with the same or similar credit ratings.

Real Estate Investment Trust: Mutual funds valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. The mutual funds held by the Foundation are deemed to be actively traded.

Exchange Traded/Closed End Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

United States Mortgage-Backed Securities: Funds valued using pricing models maximizing the use of observable inputs for similar securities.

The goal of the Foundation's investment program for endowments is set forth in the investment policy as approved by the Foundation's Board of Directors and Finance Committee. The objective is to provide a steady growing income stream to support the Foundation's mission while providing sufficient reinvestment to protect the endowment from inflation. For investments of endowed funds, the investment policy includes target allocations of 55 percent equities, with an allowable range of 15 to 70 percent, (at least 15 percent of the total managed portfolio must be domestic; up to 25 percent of the total managed portfolio can be international), a target allocation of 30 percent fixed income, with an allowable range of 30 to 85 percent, and a target allocation of 15 percent alternative investments, with a maximum of 25 percent. For investments of non-endowed funds, the investment policy includes target allocations of 25 percent equities with a maximum of 45 percent (up to 30 percent and 15 percent, respectively, of the total managed portfolio can be domestic and international), a target allocation of 75 percent fixed income, with an allowable range of 70 to 100 percent, and a target allocation of zero percent alternative investments, with a maximum of 5 percent. Management believes the Foundation is in compliance with its investment policy for the fiscal year ended June 30, 2016.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The Foundation's investment policy provides guidelines such as duration maximums, and collateralization requirements to reduce its interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The table above summarizes the ratings of Foundation debt instruments using the higher of Standard and Poor's or Moody's nationally recognized statistical rating organizations. The Foundation's investment policy requires investment grade bonds and commercial papers to be rated B+ and A1 or better, respectively.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a 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 maintains investment accounts with stock brokerage firms. The accounts contain cash and securities. Under the Securities Investor Protection Act, the

Foundation's cash and securities held with qualified brokerage firms are insured up to \$500,000 at June 30, 2016. The Florida Security for Public Deposits Act (Act) establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under the Act, Foundation deposits in qualified public depositories are fully insured. The qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure bank deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Foundation's investment policy requires diversification of investments sufficient to reduce the potential of a single security, single sector of securities, or single style of management having a disproportionate or significant impact on the portfolio. No more than 5 percent of Foundation investments can be invested with a single company and no more than 20 percent of investments can be in one equity industry.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation had \$158,427 in foreign fixed-income bonds at June 30, 2016.

5. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for bookstore, food service and vending machine sales, payroll receivables, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$1,719,148 allowance for doubtful accounts.

6. Due From Other Governmental Agencies

The amount due from other governmental agencies consists of \$12,748,473 of Public Education Capital Outlay allocations due from the State for renovation, repair, and remodeling of College facilities, and \$1,042,593 due from Federal, State, and local agencies for student fees or other contractual obligations.

7. Due From and To Component Unit/College

The \$52,608 reported as due from component unit consists of amounts owed to the College by the Foundation for scholarships, student aid, and other contractual obligations.

8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2016, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions (1)</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 32,364,540	\$ 22,600	\$ -	\$ 32,387,140
Construction in Progress	380,853	2,295,388	-	2,676,241
Total Nondepreciable Capital Assets	\$ 32,745,393	\$ 2,317,988	\$ -	\$ 35,063,381
Depreciable Capital Assets:				
Buildings	\$ 188,399,049	\$ -	\$ -	\$ 188,399,049
Other Structures and Improvements	16,391,794	-	-	16,391,794
Furniture, Machinery, and Equipment	9,132,779	1,322,577	594,298	9,861,058
Leasehold Improvements	3,097,419	-	-	3,097,419
Assets Under Capital Lease	828,755	-	828,755	-
Computer Software	3,595,938	-	-	3,595,938
Total Depreciable Capital Assets	221,445,734	1,322,577	1,423,053	221,345,258
Less, Accumulated Depreciation:				
Buildings	50,806,560	4,411,707	-	55,218,267
Other Structures and Improvements	11,266,565	1,079,746	-	12,346,311
Furniture, Machinery, and Equipment	8,361,655	1,382,365	594,298	9,149,722
Leasehold Improvements	2,525,079	286,168	-	2,811,247
Assets Under Capital Lease	663,004	165,751	828,755	-
Computer Software	3,595,938	-	-	3,595,938
Total Accumulated Depreciation	77,218,801	7,325,737	1,423,053	83,121,485
Total Depreciable Capital Assets, Net	\$ 144,226,933	\$ (6,003,160)	\$ -	\$ 138,223,773

Note: (1) Additions to Furniture, Machinery, and Equipment and Accumulated Depreciation: Furniture, Machinery and Equipment includes \$828,755 previously reported as Assets Under Capital Lease and Accumulated Depreciation: Assets Under Capital Lease.

9. Unearned Revenue

Unearned revenue at June 30, 2016, in the amount of \$6,018,689 consists of student tuition and fees invoiced prior to fiscal year-end related to subsequent accounting periods.

10. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2016, 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	\$ 4,635,000	\$ -	\$ 394,000	\$ 4,241,000	\$ 342,000
Capital Lease Payable	170,913	-	170,913	-	-
Compensated Absences Payable	5,680,828	543,701	207,210	6,017,319	157,009
Other Postemployment Benefits Payable	784,313	199,610	95,406	888,517	-
Net Pension Liability	18,009,584	16,712,501	10,535,221	24,186,864	440,950
Total Long-Term Liabilities	\$ 29,280,638	\$ 17,455,812	\$ 11,402,750	\$ 35,333,700	\$ 939,959

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

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

The College had the following bonds payable at June 30, 2016:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
SBE Capital Outlay Bonds:			
Series 2006A	\$ 710,000	4.0 - 5.0	2026
Series 2010A	190,000	4.0 - 5.0	2022
Series 2014B	61,000	2.0 - 5.0	2020
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2006A	<u>3,280,000</u>	3.5 - 5.0	2027
Total	<u>\$ 4,241,000</u>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 342,000	\$ 197,226	\$ 539,226
2018	327,000	180,426	507,426
2019	341,000	164,414	505,414
2020	361,000	148,008	509,008
2021	380,000	130,363	510,363
2022-2026	2,120,000	357,418	2,477,418
2027	<u>370,000</u>	<u>12,950</u>	<u>382,950</u>
Total	<u>\$ 4,241,000</u>	<u>\$ 1,190,805</u>	<u>\$ 5,431,805</u>

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2016, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$6,017,319. The current portion of the compensated absences liability, \$157,009, is the amount expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program.

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

Plan Description. The College contributes to an agent multiple-employer defined benefit plan administered by the Consortium for postemployment benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Other Postemployment Benefits Plan (OPEB 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 OPEB 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 (Medicare) program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the OPEB Plan and the OPEB Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. OPEB Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend OPEB 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 OPEB Plan is financed on a pay-as-you-go basis. For the 2015-16 fiscal year, 78 retirees received postemployment healthcare benefits, and 40 retirees received postemployment life insurance benefits. The College provided required contributions of \$95,406 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$556,159, which represents 1.5 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 OPEB Plan, and changes in the College's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 123,749
Amortization of Unfunded Actuarial Accrued Liability	73,468
Annual Required Contribution	197,217
Interest on Net OPEB Obligation	31,373
Adjustment to Annual Required Contribution	(28,980)
Annual OPEB Cost (Expense)	199,610
Contribution Toward the OPEB Cost	(95,406)
Increase in Net OPEB Obligation	104,204
Net OPEB Obligation, Beginning of Year	784,313
Net OPEB Obligation, End of Year	<u>\$ 888,517</u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2016, 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>
2013-14	\$ 209,878	19.6%	\$ 636,701
2014-15	211,003	30.0%	784,313
2015-16	199,610	47.8%	888,517

Funded Status and Funding Progress. As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$1,988,357 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,988,357 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$36,194,095 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.5 percent.

Actuarial valuations for an OPEB 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. Actuarially determined amounts regarding the funded status of the OPEB 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 OPEB 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 OPEB 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 calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial valuations used actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The College's OPEB actuarial valuation as of July 1, 2015, used the entry age normal actuarial cost method to estimate the actuarial accrued liability as of June 30, 2016, and the College's 2015-16 fiscal year ARC. This method was selected in anticipation of the change outlined in GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is based upon the likely return of the assets if placed in trust to pay benefits. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year, an inflation rate of 2.6 percent, and an annual healthcare cost trend rate of 7.5 percent pre-Medicare and 5.5 percent Medicare for the 2015-16 fiscal year, reduced by decrements to an ultimate rate of 5 percent in 2020 for pre-Medicare in 2017 for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2016, was 21 years.

11. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) 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 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 FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and

other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The College's FRS and HIS pension expense totaled \$1,733,684 for the fiscal year ended June 30, 2016.

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 (SMSC)* – Members in senior management level positions.

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

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.26
FRS, Senior Management Service	3.00	21.43
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The College's contributions to the Plan totaled \$2,247,602 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the College reported a liability of \$12,172,830 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The College's proportionate share of the net pension liability was based on the College's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the College's proportionate share was 0.094243640 percent, which was a decrease of 0.006959336 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of \$965,005. 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	\$ 1,285,090	\$ 288,702
Change of assumptions	807,952	-
Net difference between projected and actual earnings on FRS Plan investments	-	2,906,668
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	1,148,322	913,368
College FRS contributions subsequent to the measurement date	<u>2,247,602</u>	<u>-</u>
Total	<u>\$ 5,488,966</u>	<u>\$ 4,108,738</u>

The deferred outflows of resources related to pensions totaling \$2,247,602, resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. 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>
2017	\$ (868,247)
2018	(868,247)
2019	(868,247)
2020	1,529,845
2021	186,478
Thereafter	<u>21,044</u>
Total	<u>\$ (867,374)</u>

Actuarial Assumptions. The total pension liability in the July 1, 2015, 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, 2015, 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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real Estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
Total	100%			
Assumed inflation - Mean		2.6%		1.9%

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:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
College's proportionate share of the net pension liability	\$ 31,542,556	\$ 12,172,830	\$ (3,945,963)

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, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$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, 2016, the contribution rate was 1.66 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 \$615,968 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the College reported a net pension liability of \$12,014,034 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, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to the HIS Plan actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the College's proportionate share was 0.117802815 percent, which was a decrease of 0.008768359 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of \$768,679. 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	\$ 945,191	\$ -
Net difference between projected and actual earnings on HIS Plan investments	6,504	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	-	766,862
College contributions subsequent to the measurement date	615,968	-
Total	\$ 1,567,663	\$ 766,862

The deferred outflows of resources totaling \$615,968, resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. 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>
2017	\$ 38,238
2018	38,238
2019	38,238
2020	36,916
2021	36,282
Thereafter	(3,079)
Total	\$ 184,833

Actuarial Assumptions. The total pension liability at July 1, 2015, determined by applying update procedures to the actuarial valuation at July 1, 2014, used 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	3.80 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 actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.8 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 plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used to determine the total pension liability decreased from 4.29 percent from the prior measurement date.

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 3.8 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 (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate:

	1% Decrease (2.8%)	Current Discount Rate (3.8%)	1% Increase (4.8%)
College's proportionate share of the net pension liability	\$ 13,689,433	\$ 12,014,034	\$ 10,617,003

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.

12. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The 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 2015-16 fiscal year were as follows:

Class	Percent of Gross Compensation
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, 2016, 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 \$693,340 for the fiscal year ended June 30, 2016.

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 5.15 percent of the participant's salary to the participant's account and 2.65 percent to cover the unfunded actuarial liability of the FRS pension plan, 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 \$225,793 and employee contributions totaled \$128,964 for the 2015-16 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 defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. The College contributes 12.49 percent of the employee's salary to the Local Annuity Program. The participants may make contributions toward the Local Annuity Program by way of salary reduction or by deduction of a percentage of the employee's gross compensation not to exceed the percentage contributed by the employer.

The College's contributions to the Local Annuity Program totaled \$37,412 and there were no employee contributions for the 2015-16 fiscal year.

13. Operating Lease Commitments

Leased assets and the related commitments are not reported on the College's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. The College has the following operating lease commitments:

- Land utilized for a Public Safety Training Center is leased under an operating lease that expires in 2052. Annual lease payments total \$1 annually beginning in the 2014-15 fiscal year until the expiration of the lease term.
- Computers and related equipment are leased under operating leases. These leases are for 3 and 4 years and the equipment is returned to the lessor upon expiration of the lease.
- College vehicles, primarily used by the maintenance department and security department, are leased for 5 years under an operating lease that began in the 2014-15 fiscal year.
- The College entered into a 5 year lease for multi-function printers that commenced in June 2015.

Future minimum lease commitments for these noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 1,496,592
2018	1,289,958
2019	966,386
2020	534,720
2021	34,996
2022-2026	31
Total Minimum Payments Required	\$ 4,322,683

14. Risk Management Programs

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

15. Functional Distribution of Operating Expenses

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 37,278,991
Academic Support	8,975,416
Student Services	11,182,758
Institutional Support	14,758,069
Operation and Maintenance of Plant	13,189,560
Scholarships and Waivers	17,583,584
Depreciation	6,496,982
Auxiliary Enterprises	687,630
Total Operating Expenses	\$ 110,152,990

16. Subsequent Events

On August 15, 2016, the College entered a construction manager agreement establishing a guaranteed maximum price of \$20.2 million for the Sanford/Lake Mary Student Center construction project.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2011	\$ -	\$ 1,797,992	\$ 1,797,992	0%	\$ 35,398,952	5.1%
7/1/2013	-	2,010,410	2,010,410	0%	35,618,504	5.6%
7/1/2015	-	1,988,357	1,988,357	0%	36,194,095	5.5%

Note: (1) The OPEB actuarial valuation used the projected unit credit method for 7/1/2011 and 7/1/2013 and the entry age normal actuarial method for 7/1/2015 to estimate the actuarial accrued liability.

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

	2015 (1)	2014 (1)	2013 (1)
College's proportion of the FRS net pension liability	0.094243640%	0.101202976%	0.091429649%
College's proportionate share of the FRS net pension liability	\$ 12,172,830	\$ 6,174,870	\$ 15,739,112
College's covered-employee payroll (2)	\$ 40,894,582	\$ 43,227,051	\$ 43,362,648
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	29.77%	14.28%	36.30%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	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, State college system optional retirement 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>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required FRS contribution	\$ 2,247,602	\$ 2,297,740	\$ 2,216,775
FRS contributions in relation to the contractually required contribution	<u>(2,247,602)</u>	<u>(2,297,740)</u>	<u>(2,216,775)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 41,749,265	\$ 40,894,582	\$ 43,227,051
FRS contributions as a percentage of covered-employee payroll	5.38%	5.62%	5.13%

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, State college system optional retirement 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>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
College's proportion of the HIS net pension liability	0.117802815%	0.126571174%	0.127944123%
College's proportionate share of the HIS net pension liability	\$ 12,014,034	\$ 11,834,714	\$ 11,139,218
College's covered-employee payroll (2)	\$ 38,114,745	\$ 39,933,612	\$ 38,888,603
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.52%	29.64%	28.64%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	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>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required HIS contribution	\$ 615,968	\$ 450,316	\$ 433,590
HIS contributions in relation to the contractually required HIS contribution	<u>(615,968)</u>	<u>(450,316)</u>	<u>(433,590)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 37,397,768	\$ 38,114,745	\$ 39,933,612
HIS contributions as a percentage of covered-employee payroll	1.65%	1.18%	1.09%

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

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

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 4.29 percent to 3.80 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 the Seminole State College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 11, 2017, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report 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
January 11, 2017