

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

ST. PETERSBURG COLLEGE

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. William D. Law, Jr. served as President of St. Petersburg College and the following individuals served as Members of the Board of Trustees:

Jeffrey Dale Oliver, Chair from 9-15-15
Vice Chair to 9-14-15
Lauralee Westine, Vice Chair from 9-15-15
Robert J. Fine, Jr. to 12-17-15,
Chair to 9-14-15
Bridgette Bello to 12-17-15
Bill Foster from 12-18-15
Deveron M. Gibbons
Nathan M. Stonecipher from 12-18-15

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

The team leader was Jenny L. Phipps, and the audit was supervised by Karen J. Collington, CPA.

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

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ST. PETERSBURG COLLEGE
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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether St. Petersburg College and its officers with administrative and stewardship responsibilities for College operations had:

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 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

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of St. Petersburg College, a component unit of the State of Florida, and its aggregate discretely presented component units 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 aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of St. Petersburg College and of its aggregate discretely presented component units 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 25, 2017, on our consideration of the St. Petersburg College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S**

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
January 25, 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 \$331.5 million at June 30, 2016. This balance reflects a \$13 million, or 3.8 percent, decrease from the 2014-15 fiscal year, resulting primarily from decreases in cash and cash equivalents of \$5.5 million, depreciable capital assets of \$5.4 million, due from other governmental agencies of \$1.8 million and restricted investments of \$2.7 million. This was offset by increases in non-depreciable capital assets of \$1.4 million and investments of \$0.9 million. Deferred outflows of resources at June 30, 2016 totaled \$14.6 million.

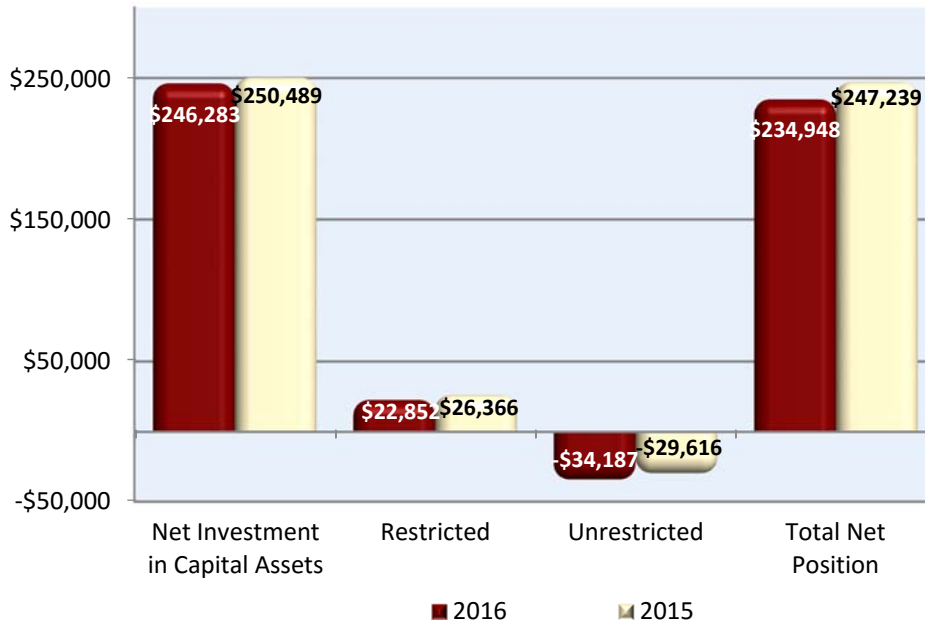
During the 2015-16 fiscal year, liabilities increased by \$15.5 million, or 17.3 percent, to an ending balance of \$105 million. The increase in liabilities is primarily due to increases in pension liabilities of \$14.9 million and capital leases payable of \$1.9 million. This was offset by a decrease in bonds payable of \$1.6 million. Deferred inflows of resources at June 30, 2016 totaled \$6.2 million.

The College's operating revenues totaled \$51.8 million for the 2015-16 fiscal year, representing a 0.6 percent decrease as compared to the 2014-15 fiscal year. Operating expenses totaled \$220.9 million for the 2015-16 fiscal year, representing an increase of 2.5 percent as compared to the 2014-15 fiscal year.

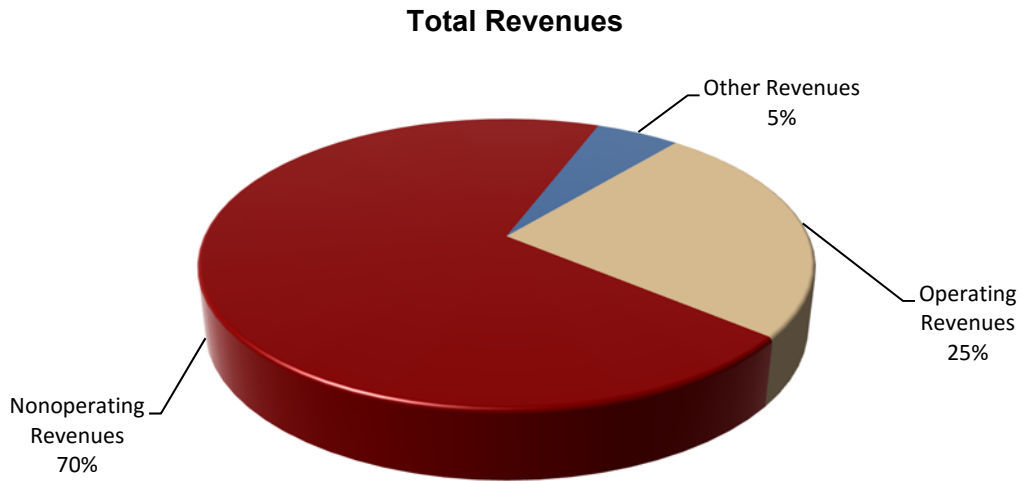
As a result, the College's net position decreased by \$12.3 million during the 2015-16 fiscal year, reaching a year-end balance of \$234.9 million.

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. These financial statements, and notes thereto, encompass the College and its component units. The component units include: St. Petersburg College Foundation, Inc. (Foundation); The Leepa-Rattner Museum of Art, Inc. (Museum); and the Institute for Strategic Policy Solutions, Inc. (Institute). Based on the application of the criteria for determining component units, the

Foundation, the Museum, and the Institute are included within the College reporting entity as discretely presented component units.

Information regarding these component units, including summaries of the discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the College, excluding the discretely presented component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

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	\$ 39,508	\$ 45,398
Capital Assets, Net	274,419	278,498
Other Noncurrent Assets	17,594	20,633
Total Assets	331,521	344,529
Deferred Outflows of Resources	14,619	10,961
Liabilities		
Current Liabilities	18,042	18,199
Noncurrent Liabilities	86,994	71,328
Total Liabilities	105,036	89,527
Deferred Inflows of Resources	6,156	18,724
Net Position		
Net Investment in Capital Assets	246,283	250,489
Restricted	22,852	26,366
Unrestricted	(34,187)	(29,616)
Total Net Position	\$ 234,948	\$ 247,239
Decrease in Net Position	\$ (12,291)	\$ (48,322)

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)

	2015-16	2014-15
Operating Revenues	\$ 51,831	\$ 52,121
Less, Operating Expenses	220,921	215,533
Operating Loss	(169,090)	(163,412)
Net Nonoperating Revenues	145,922	145,200
Loss Before Other Revenues	(23,168)	(18,212)
Other Revenues	10,877	12,198
Net Decrease In Net Position	(12,291)	(6,014)
Net Position, Beginning of Year	247,239	295,561
Adjustment to Beginning Net Position (1)	-	(42,308)
Net Position, Beginning of Year, as Restated	247,239	253,253
Net Position, End of Year	\$ 234,948	\$ 247,239

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**

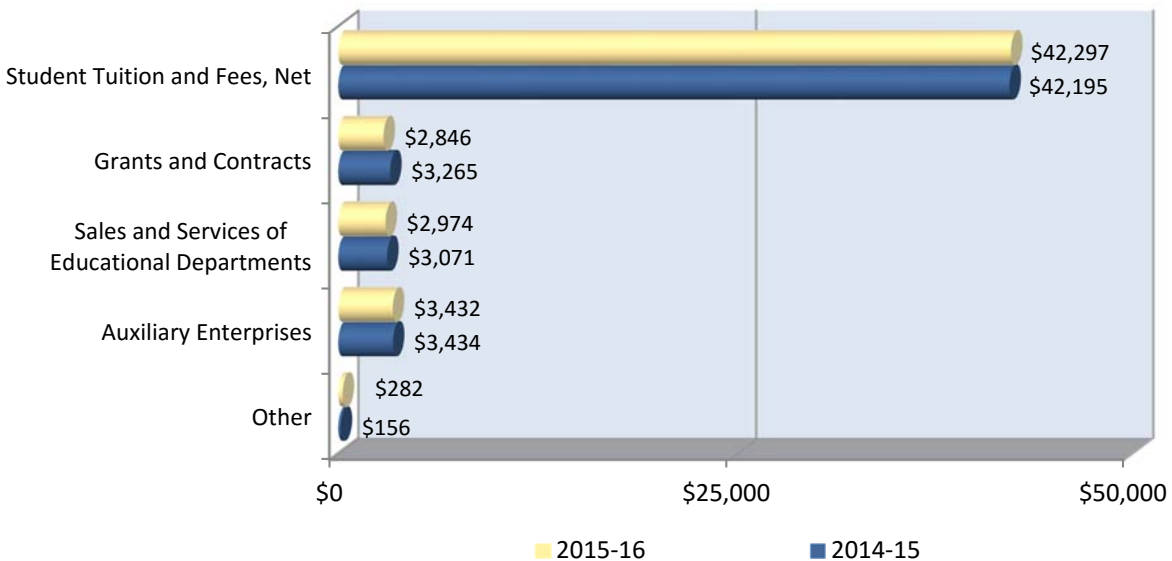
(In Thousands)

	2015-16	2014-15
Student Tuition and Fees, Net	\$ 42,297	\$ 42,195
Grants and Contracts	2,846	3,265
Sales and Services of Educational Departments	2,974	3,071
Auxiliary Enterprises	3,432	3,434
Other	282	156
Total Operating Revenues	\$ 51,831	\$ 52,121

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

Operating Revenues

(In Thousands)



College operating revenues decreased by \$0.3 million, or 0.6 percent. This can be primarily attributed to a decrease in grants and contracts of \$0.4 million.

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.

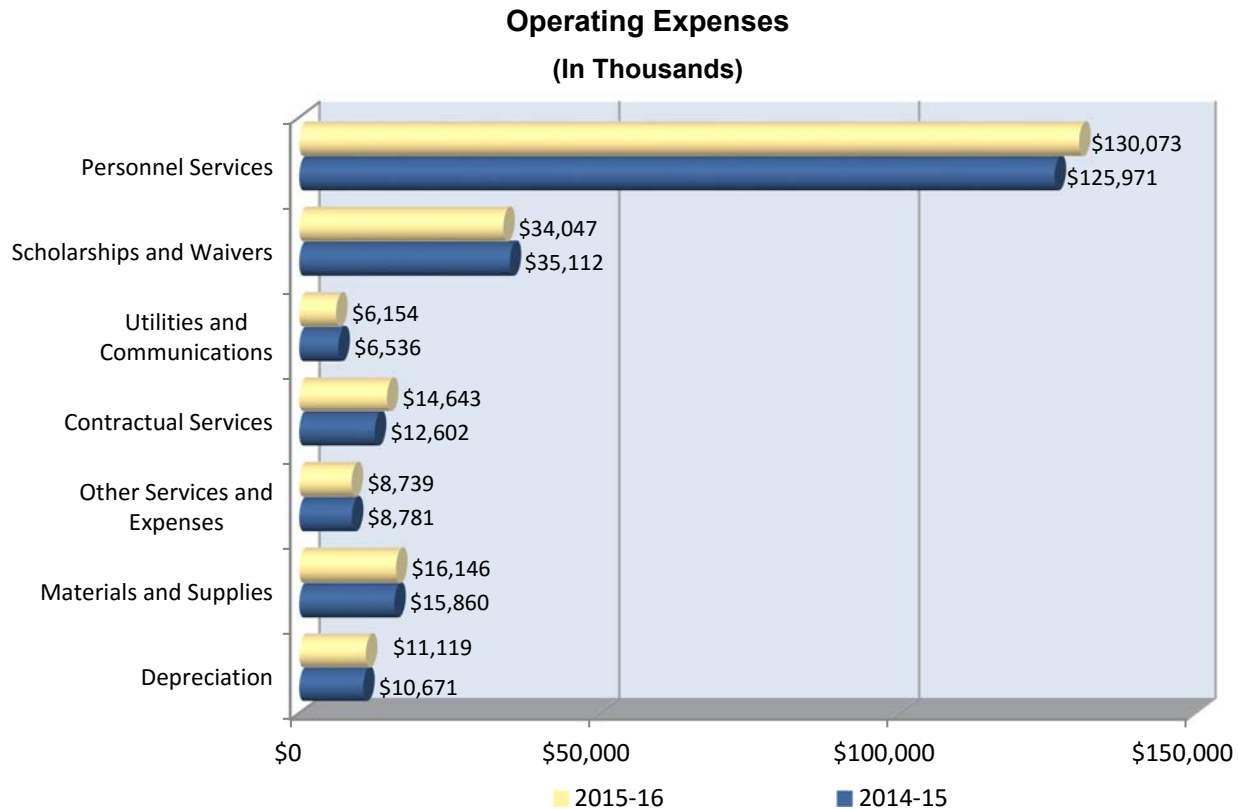
The following summarizes operating expenses by natural classification for the 2015-16 and 2014-15 fiscal years:

Operating Expenses For the Fiscal Years

(In Thousands)

	2015-16	2014-15
Personnel Services	\$ 130,073	\$ 125,971
Scholarships and Waivers	34,047	35,112
Utilities and Communications	6,154	6,536
Contractual Services	14,643	12,602
Other Services and Expenses	8,739	8,781
Materials and Supplies	16,146	15,860
Depreciation	11,119	10,671
Total Operating Expenses	\$ 220,921	\$ 215,533

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



College operating expenses increased by \$5.4 million from the 2014-15 fiscal year, primarily from increases in personnel services of \$4.1 million. The increase in personnel services was predominately due to a 3 percent salary increase.

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	\$ 71,683	\$ 69,507
Federal and State Student Financial Aid	57,349	61,228
Gifts and Grants	17,218	15,342
Investment Income	563	310
Other Nonoperating Revenues	14	30
Loss on Disposal of Capital Assets	360	34
Interest on Capital Asset-Related Debt	(1,265)	(1,251)
Net Nonoperating Revenues	\$145,922	\$145,200

When compared to the prior fiscal year, College net nonoperating revenues increased by \$0.7 million, or 0.5 percent. The change in revenue was primarily due to an increase in State noncapital appropriations of \$2.2 million. In addition, gifts and grants increased \$1.9 million, attributable to Federal grants to bolster the workforce in Florida. These increases were offset by a decrease to Federal and State student financial aid of \$3.9 million.

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	\$ 2,313	\$ 4,434
Capital Grants, Contracts, Gifts, and Fees	8,564	7,764
Total	\$ 10,877	\$ 12,198

Changes in other revenues were the result of State capital appropriations decreasing by \$2.1 million. This was offset by an increase of \$0.8 million in capital grants, contracts, gifts and fees.

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)**

	2015-16	2014-15
Cash Provided (Used) by:		
Operating Activities	\$(158,516)	\$(153,931)
Noncapital Financing Activities	145,997	145,989
Capital and Related Financing Activities	4,584	(5,525)
Investing Activities	2,444	6,392
Net Decrease in Cash and Cash Equivalents	(5,491)	(7,075)
Cash and Cash Equivalents, Beginning of Year	39,092	46,167
Cash and Cash Equivalents, End of Year	\$ 33,601	\$ 39,092

Major sources of cash inflows came from Federal Direct Student Loan program receipts (\$74.1 million), State noncapital appropriations (\$71.7 million), Federal and State student financial aid (\$57.3 million), net student tuition and fees (\$42.8 million), noncapital gifts and grants (\$17 million), and capital gifts and grants (\$8.6 million). Major uses of cash were disbursements to students for Federal Direct Student Loans (\$74.1 million), payments to employees (\$102 million), payments to suppliers (\$39.6 million), payments for scholarships (\$34 million), payments for employee benefits (\$29.2 million), and payments for utilities and communications (\$6.2 million).

The College's overall cash and cash equivalents decreased in the 2015-16 fiscal year by \$5.5 million, or 14 percent from the 2014-15 fiscal year. Changes in cash and cash equivalents are the result of the following factors:

- The increase of \$4.6 million in cash used by operating activities is partly a result of an increase in cash outflows of \$2.4 million in payments to suppliers for materials and supplies and services. In addition, there was a \$3.5 million increase in payments to employees and employee benefits, primarily due to a salary increase of 3 percent. Cash inflows decreased in grants and contracts by \$0.6 million, offset by an increase in cash inflows of \$0.5 million from student tuition.
- The slight increase in noncapital financing net cash inflows were primarily due to the \$2.2 million increase in State noncapital appropriations, a \$1.7 million increase in gifts and grants received for other than capital or endowment purposes, and a \$3.9 million decrease in Federal and State Student Financial Aid.
- Cash provided by capital and related financing activities increased by \$10.1 million primarily due to a \$7.7 million decrease in purchases of capital assets. Also, there were cash inflows of \$1.6 million from State capital appropriations and \$0.8 million from capital gifts and grants.
- Cash provided by investing activities decreased by \$3.9 million due to a decrease in proceeds from maturities and an increase in the purchase of new investments.

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

At June 30, 2016, the College had \$410.6 million in capital assets, less accumulated depreciation of \$136.2 million, for net capital assets of \$274.4 million. Depreciation charges for the current fiscal year totaled \$11.1 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2016	2015
Land	\$ 25,607	\$ 25,603
Construction in Progress	2,663	1,316
Buildings	238,224	244,924
Other Structures and Improvements	967	1,127
Furniture, Machinery, and Equipment	2,538	2,911
Assets Under Capital Leases	4,420	2,617
Capital Assets, Net	\$274,419	\$278,498

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

Capital Expenses and Commitments

During the 2015-16 fiscal year, the College had \$7 million in expenses for construction of the Bay Pines Center, Clearwater Library, and other small projects, capital leases, and various other equipment. The College has \$16.8 million in construction commitments at June 30, 2016, primarily related to construction of the Clearwater Library and Bay Pines Center.

	Amount (In Thousands)
Total Committed	\$ 19,492
Completed to Date	(2,663)
Balance Committed	\$ 16,829

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

Debt Administration

As of June 30, 2016, the College had \$28.1 million in outstanding bonds payable, notes payable, and capital leases payable. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30

(In Thousands)

	<u>2016</u>	<u>2015</u>
SBE Capital Outlay Bonds	\$ 2,395	\$ 2,685
Florida Department of Education		
Capital Improvement Revenue Bonds	20,710	22,005
Note Payable	514	702
Capital Leases Payable	<u>4,517</u>	<u>2,617</u>
Total	<u>\$ 28,136</u>	<u>\$ 28,009</u>

The College entered into capital leases for various equipment totaling \$3.5 million. Long-term debt repayments during the 2015-16 fiscal year totaled \$3.4 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 general State appropriations is anticipated in the 2016-17 fiscal year. The St. Petersburg College Board of Trustees voted not to raise the tuition rate for the 2016-17 fiscal year for Associate and Baccalaureate degree 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 Amy Lockhart, CPA, Associate Vice President for Financial and Business Services, St. Petersburg College, P.O. Box 13489, St. Petersburg, Florida 33733.

BASIC FINANCIAL STATEMENTS

St. Petersburg College A Component Unit of the State of Florida Statement of Net Position

June 30, 2016

	<u>College</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 12,835,938	\$ 1,290,665
Restricted Cash and Cash Equivalents	15,083,983	-
Investments	-	29,220,141
Accounts Receivable, Net	2,277,690	22,811
Due from Other Governmental Agencies	8,982,290	-
Due from Component Units/College	56,169	92,571
Inventories	106,202	7,888
Prepaid Expenses	164,619	-
Other Assets	636	-
Total Current Assets	39,507,527	30,634,076
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,681,811	-
Investments	7,200,895	254,710
Restricted Investments	4,711,686	26,080,685
Loans and Notes Receivable, Net	-	1,096,718
Depreciable Capital Assets, Net	246,148,997	-
Nondepreciable Capital Assets	28,270,124	-
Other Assets	-	54,250
Total Noncurrent Assets	292,013,513	27,486,363
TOTAL ASSETS	331,521,040	58,120,439
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	14,618,693	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,273,300	2,348
Salary and Payroll Taxes Payable	1,384,294	-
Retainage Payable	404,090	-
Due to Other Governmental Agencies	1,830	-
Unearned Revenue	1,384,100	12,060
Estimated Insurance Claims Payable	1,300,807	-
Deposits Held for Others	5,803,709	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	1,660,000	-
Note Payable	187,770	-
Capital Leases Payable	1,221,674	-
Compensated Absences Payable	1,187,080	-
Net Pension Liability	1,232,924	-
Total Current Liabilities	18,041,578	14,408

St. Petersburg College
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2016

	College	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	21,445,000	-
Note Payable	326,308	-
Capital Leases Payable	3,294,932	-
Compensated Absences Payable	10,683,716	-
Other Postemployment Benefits Payable	5,267,540	-
Net Pension Liability	45,976,918	-
	86,994,414	-
Total Noncurrent Liabilities		
	105,035,992	14,408
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	6,155,506	-
	6,155,506	-
NET POSITION		
Net Investment in Capital Assets	246,283,437	-
Restricted:		
Nonexpendable:		
Endowment	-	26,660,356
Expendable:		
Grants and Loans	6,409,006	21,304,615
Scholarships	147,531	7,772,172
Capital Projects	15,969,076	-
Debt Service	326,729	-
Unrestricted	(34,187,544)	2,368,888
	\$ 234,948,235	\$ 58,106,031

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

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

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$31,484,344	\$ 42,296,978	\$ -
Federal Grants and Contracts	412,391	-
State and Local Grants and Contracts	1,562,940	-
Nongovernmental Grants and Contracts	870,565	-
Sales and Services of Educational Departments	2,974,251	-
Auxiliary Enterprises	3,432,144	-
Other Operating Revenues	282,118	3,841,652
Total Operating Revenues	51,831,387	3,841,652
EXPENSES		
Operating Expenses:		
Personnel Services	130,073,059	-
Scholarships and Waivers	34,046,990	2,972,139
Utilities and Communications	6,154,317	-
Contractual Services	14,643,223	38,144
Other Services and Expenses	8,738,639	2,067,437
Materials and Supplies	16,146,350	33,520
Depreciation	11,118,941	-
Total Operating Expenses	220,921,519	5,111,240
Operating Loss	(169,090,132)	(1,269,588)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	71,683,251	-
Federal and State Student Financial Aid	57,348,703	-
Gifts and Grants	17,217,830	136,381
Investment Income	563,460	(3,084,608)
Other Nonoperating Revenues	14,026	-
Gain on Disposal of Capital Assets	359,900	-
Interest on Capital Asset-Related Debt	(1,265,323)	-
Net Nonoperating Revenues (Expenses)	145,921,847	(2,948,227)
Loss Before Other Revenues	(23,168,285)	(4,217,815)
State Capital Appropriations	2,313,271	-
Capital Grants, Contracts, Gifts, and Fees	8,564,381	-
Additions to Endowments	-	239,130
Total Other Revenues	10,877,652	239,130
Decrease in Net Position	(12,290,633)	(3,978,685)
Net Position, Beginning of Year	247,238,868	62,084,716
Net Position, End of Year	\$ 234,948,235	\$ 58,106,031

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

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St. Petersburg College
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	\$ 42,776,065
Grants and Contracts	2,954,681
Payments to Suppliers	(39,610,477)
Payments for Utilities and Communications	(6,154,317)
Payments to Employees	(101,909,368)
Payments for Employee Benefits	(29,217,234)
Payments for Scholarships	(34,046,990)
Auxiliary Enterprises	3,435,208
Sales and Services of Educational Departments	2,974,251
Other Receipts	282,118
	(158,516,063)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	71,683,251
Federal and State Student Financial Aid	57,348,703
Federal Direct Loan Program Receipts	74,143,097
Federal Direct Loan Program Disbursements	(74,143,097)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	16,951,473
Other Nonoperating Receipts	14,026
	145,997,453
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	4,118,037
Capital Grants and Gifts	8,564,381
Proceeds from Sale of Capital Assets	359,900
Purchases of Capital Assets	(3,829,928)
Principal Paid on Capital Debt and Leases	(3,363,131)
Interest Paid on Capital Debt and Leases	(1,265,323)
	4,583,936
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	6,029,060
Purchases of Investments	(4,150,115)
Investment Income	564,991
	2,443,936
Net Decrease in Cash and Cash Equivalents	(5,490,738)
Cash and Cash Equivalents, Beginning of Year	39,092,470
Cash and Cash Equivalents, End of Year	\$ 33,601,732

St. Petersburg College
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	\$ (169,090,132)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	11,118,941
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(128,930)
Due from Other Governmental Agencies	108,784
Inventories	46,055
Prepaid Expenses	(8,539)
Other Assets	546
Accounts Payable	(278,343)
Salaries and Payroll Taxes Payable	277,653
Unearned Revenue	611,082
Deposits Held for Others	(976,240)
Compensated Absences Payable	345,949
Other Postemployment Benefits Payable	775,972
Net Pension Liability	14,907,332
Deferred Outflows of Resources Related to Pensions	(3,657,393)
Deferred Inflows of Resources Related to Pensions	(12,568,800)
NET CASH USED BY OPERATING ACTIVITIES	\$ (158,516,063)

**SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL
FINANCING ACTIVITIES**

The College entered into several new capital leases, which were recognized on the statement of net position, but are not cash transactions for the statement of cash flows. \$ 3,489,278

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 St. Petersburg College, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of five 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 law and SBE rules. Geographic boundaries of the College correspond with those of Pinellas 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 Units. Based on the application of the criteria for determining component units, the following component units are included within the College's reporting entity:

- The St. Petersburg College Foundation, Inc. (Foundation): This legally separate organization is a community advocate for St. Petersburg College and encourages charitable donations to provide financial support for the College. As a public charity, the Foundation accepts donations to enhance the College's many and varied teaching and public service programs, as well as to support capital projects and other related College improvements and is governed by a separate board.
- The Leepa-Rattner Museum of Art, Inc. (Museum): This legally separate organization benefits the College through the promotion of educational excellence by collecting, preserving and displaying works of art that reflect or support the aesthetic concerns of Abraham Rattner, Esther Gentle, Allen Leepa, and other artists and is governed by a separate board.
- The Institute for Strategic Policy Solutions, Inc. (Institute): This legally separate organization benefits the College through the promotion of educational and civic engagement through its operations and activities by providing students, faculty, and the community at large, a forum and center for learning and scholarly public discourse and is governed by a separate board.

The College's component units, as described above, are also direct-support organizations, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, are financially accountable to the College. The component units are managed independently, outside the College's budgeting process, and their powers generally are vested in a governing board pursuant to various State statutes. The component units receive, hold, invest, and administer property and make expenditures to or for the benefit of the College.

The College's component units are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The audited financial statements of these organizations are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the audited financial statements of the organizations for the fiscal year ended March 31, 2016. Additional condensed financial statements for the College's component units are included in a subsequent note.

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 units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and 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, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College calculated its scholarship allowances by identifying financial aid applied versus cash payments applied to the students accounts receivable.

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, and cash placed with the State Treasury Special Purpose Investment Account (SPIA) and the State Board of Administration (SBA) Florida PRIME investment pools. For reporting cash flows, the College 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 and the SBA Florida PRIME investment pools to be cash equivalents.

College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2016, the College reported as cash equivalents at fair value \$13,385,079 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as defined in Note 3.). 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 reported as cash equivalents \$6,583,489 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 39 days as of June 30, 2016. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost. Section 218.409(8)(a), Florida Statutes, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days." As of June 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant'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; and assets under capital leases. 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 – 10 to 40 years, depending on construction
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years

- Vehicles, Office Machines, and Educational Equipment – 5 years
- Furniture – 7 years
- Assets Under Capital Leases – 3 to 20 years

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, note payable, capital leases 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. 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	\$ (40,249,138)
Auxiliary Funds	6,061,594
Total	\$ (34,187,544)

3. 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 its 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's investments at June 30, 2016, are reported as follows:

	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
SBA Debt Service Accounts	\$ 749,296	\$ 749,296	\$ -	\$ -
Certificates of Deposit	11,163,285	11,163,285	-	-
Total investments by fair value level	\$ 11,912,581			

State Board of Administration Debt Service Accounts

The College reported investments totaling \$749,296 at June 30, 2016, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Certificates of Deposit

At June 30, 2016, the College had a financial institution purchase investments in individual certificates of deposit (CDs) with 45 banks in the College's name totaling \$11,163,285. Each of the CDs were insured by the Federal Deposit Insurance Corporation. The CDs carry original maturity dates of 18 months to 43 months with annual percentage interest rates between 0.70 and 1.7 percent.

Component Units Investments

Investments held by the College's component units, St. Petersburg College Foundation, Inc. (Foundation) and The Leepa-Rattner Museum of Art, Inc. (Museum) at March 31, 2016, are reported at fair value as follows:

<u>Investment Type</u>	<u>St. Petersburg College Foundation, Inc.</u>	<u>The Leepa-Rattner Museum of Art, Inc.</u>	<u>Total</u>
United States Government Obligations	\$ 1,260,497	\$ -	\$ 1,260,497
Federal Agency Obligations	2,487,688	-	2,487,688
Bonds and Notes	6,152,319	-	6,152,319
Stocks and Other Equity Securities	38,201,062	-	38,201,062
Mutual Funds	4,948,441	-	4,948,441
Real Estate Investment Trusts	597,025	-	597,025
Certificates of Deposit	-	254,710	254,710
Alternative Investments	1,653,794	-	1,653,794
Total Component Units Investments	\$ 55,300,826	\$ 254,710	\$ 55,555,536

The Foundation has a written investment policy to provide the basis for the management of a prudent investment program appropriate to the particular fund type.

Interest Rate and Credit Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation. The Foundation's investment policy limits investments in fixed income securities to maturities of no longer than 30 years. The Foundation has \$9,900,504 in United States Government obligations, Federal agency obligations, and bonds and notes that include embedded options consisting of the option at the discretion of the issuer to call their obligation. These securities have various call dates and mature between July 2016 and September 2043.

The Foundation's investment policy provides that debt issues of investment grade "BBB" or better is preferred. However, investment managers may purchase lesser quality debt investments as long as the purchases represent no more than 25 percent of a manager's fixed income portfolio.

The following are maturities and credit quality ratings for the Foundation and Museum investments at March 31, 2016:

Investment Maturities (In Years)

Investment Type	Fair Value	Less than 1	1-5	6-10	More Than 10	Credit Quality Rating (1)
United States						
Government Obligations	\$ 1,260,497	\$ 39,096	\$ 332,258	\$ 793,207	\$ 95,936	(2)
Federal Agency Obligations	2,487,688	80,690	286,827	964,436	1,155,735	AA+
Bonds and Notes	6,152,319	322,932	3,133,252	1,357,223	1,338,912	AAA-D
Fixed Income Mutual Funds (5)	13,527	13,527	-	-	-	AAA-NR
Fixed Income Mutual Funds (3)	57,530	-	57,530	-	-	Not Rated
Fixed Income Mutual Funds (3)	180,780	-	180,780	-	-	BBB-D
Fixed Income Mutual Funds (3)	57,277	-	57,277	-	-	AAA-BB
Fixed Income Mutual Funds (4)	97,549	-	-	-	97,549	AA-D
Fixed Income Mutual Funds (3) (5)	332,825	-	332,825	-	-	AAA-NR
Fixed Income Mutual Funds (3)	2,599,332	-	2,599,332	-	-	BBB+-B+
Fixed Income Mutual Funds	1,321,737	-	-	1,321,737	-	AA+-BBB-
Fixed Income Mutual Funds	287,884	-	-	-	287,884	AA+, BBB
Real Estate Investment Trusts	597,025	597,025	-	-	-	Not Rated
Certificates of Deposit	254,710	-	254,710	-	-	Not Rated
Alternative Investments (6)	1,653,794	1,653,794	-	-	-	Not Rated
Equity Securities	38,201,062	38,201,062	-	-	-	Not Rated
Total Component Units Investments	\$ 55,555,536	\$ 40,908,126	\$ 7,234,791	\$ 4,436,603	\$ 2,976,016	

- Notes: (1) Rated by Standard & Poors.
(2) Disclosure of credit risk is not required for this investment type.
(3) These fixed income mutual funds have a weighted average maturity of less than 5 years.
(4) Components of these funds have credit ratings that range from AA to D.
(5) Components of these funds have credit ratings that range from AAA to NR.
(6) These are mutual funds consisting of mixed asset investments.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation's investment policy does not address custodial risk. Foundation investments in debt securities are uninsured, not registered in the name of the Foundation, and held by financial institutions and, as such, are exposed to custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investment in a single issuer. The Foundation's policy provides that investments in fixed income securities of a single issue must not exceed 5 percent of fair value total investment assets with each money manager. United States Government and Federal agency obligations are not subject to this limitation. For equities, no single major industry may represent more than 15 percent of the market value of the total amount each investment firm has to invest at the time of purchase, and in no case shall an individual security be purchased that exceeds 5 percent of the portfolio total without approval from the investment committee. The policy also provides that the target asset allocation for the investment portfolio is 65 percent in equities, 30 percent in fixed income, and 5 percent in alternative investments.

4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, uncollected commissions or rent from vendors under food, vending, and bookstore operations, accrued interest, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$1,981,748 allowance for uncollectible accounts.

5. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$5,336,672 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$1,587,988 of grant and contract reimbursements due from third parties.

6. Due From and To Component Units/College

The \$56,169 reported as due from component units consists of amounts owed to the College by the Foundation and Museum for programs and scholarships. The College's financial statements are reported for the fiscal year ended June 30, 2016. The College's component units' financial statements are reported for the fiscal year ended March 31, 2016. Accordingly, amounts reported by the College as due from component units on the statement of net position do not agree with amounts reported by the component units as due to the College.

7. 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</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 25,602,742	\$ 180,259	\$ 176,160	\$ 25,606,841
Construction in Progress	1,315,611	1,372,456	24,784	2,663,283
Total Nondepreciable Capital Assets	\$ 26,918,353	\$ 1,552,715	\$ 200,944	\$ 28,270,124
Depreciable Capital Assets:				
Buildings	\$ 339,468,854	\$ 1,647,096	\$ -	\$ 341,115,950
Other Structures and Improvements	12,479,211	20,179	-	12,499,390
Furniture, Machinery, and Equipment	19,828,921	541,107	1,336,885	19,033,143
Assets Under Capital Leases	6,459,935	3,489,278	212,857	9,736,356
Total Depreciable Capital Assets	378,236,921	5,697,660	1,549,742	382,384,839
Less, Accumulated Depreciation:				
Buildings	94,544,405	8,348,047	-	102,892,452
Other Structures and Improvements	11,352,410	179,691	-	11,532,101
Furniture, Machinery, and Equipment	16,918,088	914,077	1,336,885	16,495,280
Assets Under Capital Leases	3,842,244	1,677,126	203,361	5,316,009
Total Accumulated Depreciation	126,657,147	11,118,941	1,540,246	136,235,842
Total Depreciable Capital Assets, Net	\$ 251,579,774	\$ (5,421,281)	\$ 9,496	\$ 246,148,997

8. Unearned Revenue

Unearned revenue includes restricted grants and contracts, auxiliary enterprises revenue, and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2016, the College reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Grants and Contracts	\$ 13,109
Auxiliary Expenses	33,174
Student Tuition and Fees	1,337,817
Total Unearned Revenue	\$ 1,384,100

9. 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	\$ 24,690,000	\$ -	\$ 1,585,000	\$ 23,105,000	\$ 1,660,000
Note Payable	701,848	-	187,770	514,078	187,770
Capital Leases Payable	2,617,689	3,489,278	1,590,361	4,516,606	1,221,674
Compensated Absences Payable	11,524,847	1,803,925	1,457,976	11,870,796	1,187,080
Other Postemployment Benefits Payable	4,491,568	1,291,972	516,000	5,267,540	-
Net Pension Liability	32,302,510	32,024,138	17,116,806	47,209,842	1,232,924
Total Long-Term Liabilities	\$ 76,328,462	\$ 38,609,313	\$ 22,453,913	\$ 92,483,862	\$ 5,489,448

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 and 2010A.** 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. The Governing Board authorized the sale of 2010A Bonds by the Third Supplemental Resolution adopted on May 11, 2010, which also amended the 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 and 2010A bonds will share the lien of such additional bonds on the Series 2006A and 2010A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The Series 2006A and 2010A 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 2009A	\$ 855,000	5.00	2019
Series 2010A	1,540,000	3.50-5.00	2030
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2006A	13,450,000	3.50-5.00	2027
Series 2010A	7,260,000	4.00-4.375	2030
Total	\$ 23,105,000		

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	\$ 1,660,000	\$ 1,031,563	\$ 2,691,563
2018	1,750,000	952,513	2,702,513
2019	1,840,000	869,162	2,709,162
2020	1,620,000	782,112	2,402,112
2021	1,705,000	705,563	2,410,563
2022-2026	9,875,000	2,242,013	12,117,013
2027-2030	4,655,000	391,793	5,046,793
Total	\$ 23,105,000	\$ 6,974,719	\$ 30,079,719

Note Payable. On March 16, 2011, the College borrowed \$2,166,667, at a stated interest rate of zero percent, to finance the remaining cost of a building acquisition with property. The note matures on, April 1, 2019, and principal payments are made quarterly. Annual requirements to amortize the outstanding note as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>
2017	\$ 187,770
2018	187,770
2019	138,538
Total	\$ 514,078

Capital Leases Payable. Network server equipment in the amount of \$7,296,379, Chiller plant equipment in the amount of \$1,511,514, Dental Hygiene Program equipment in the amount of \$403,259, Audio-Visual equipment in the amount of \$299,994, and Fire & Public Safety Program equipment in the amount of \$225,210 are being acquired under capital lease agreements. The stated interest rates range from 3.031 percent to 16.586 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 1,368,762
2018	1,049,126
2019	718,635
2020	402,957
2021	82,361
2022-2026	532,910
2027-2031	617,789
2032-2036	<u>677,382</u>
Total Minimum Payments	5,449,922
Less, Amount Representing Interest	<u>933,316</u>
Present Value of Minimum Payments	<u>\$ 4,516,606</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 \$11,870,796. The current portion of the compensated absences liability, \$1,187,080, is the amount expected to be paid in the coming fiscal year. The current portion of the compensated absences was determined by calculating 10 percent of the compensated absences liability as of June 30, 2016.

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 health care benefits administered by the College.

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the College. 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 self-insured dental, health and hospitalization plan for medical and prescription drug coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the 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 coverage as soon as they are eligible. The College does not issue a stand-alone report 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 has established and can amend plan benefits and contribution rates. The College has not advance-funded 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, 86 retirees received OPEB benefits. The College provided required contributions of \$516,000 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$711,522, which represents 0.9 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)	\$ 727,000
Amortization of Unfunded Actuarial Accrued Liability	459,000
Interest on Normal Cost and Amortization	53,000
Annual Required Contribution	1,239,000
Interest on Net OPEB Obligation	202,691
Adjustment to Annual Required Contribution	(149,719)
Annual OPEB Cost (Expense)	1,291,972
Contribution Toward the OPEB Cost	(516,000)
Increase in Net OPEB Obligation	775,972
Net OPEB Obligation, Beginning of Year	4,491,568
Net OPEB Obligation, End of Year	<u>\$ 5,267,540</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	\$ 1,197,000	37.03%	\$ 3,779,000
2014-15	1,220,568	41.62%	4,491,568
2015-16	1,291,972	39.94%	5,267,540

Funded Status and Funding Progress. As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$16,714,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$16,714,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$79,776,447 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 21 percent.

Actuarial valuations for an ongoing 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 methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2015, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2016, and the College's 2015-16 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.5 percent per year, an inflation rate of 3 percent, and an annual healthcare cost trend rate of 7.5 percent for the 2015-16 fiscal year, reduced by 0.5 percent per year, until an ultimate rate of 4.5 percent is reached. 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.

10. 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 (SMSC) employed by the State and faculty and specified employees of State colleges.

Essentially all regular employees of the College are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and 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 \$4,150,023 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 as follows:

<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 \$4,235,961 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 \$23,449,527 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 0.181549298 percent, which was an increase of 0.004165965 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of \$2,305,262. 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	\$ 2,475,576	\$ 556,151
Change of assumptions	1,556,424	-
Net difference between projected and actual earnings on FRS Plan investments	-	5,599,355
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	2,806,813	-
College FRS contributions subsequent to the measurement date	4,235,961	-
Total	<u>\$ 11,074,774</u>	<u>\$ 6,155,506</u>

The deferred outflows of resources related to pensions totaling \$4,235,961, 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	\$ (1,226,282)
2018	(1,226,282)
2019	(1,226,282)
2020	3,393,361
2021	797,716
Thereafter	171,076
Total	<u>\$ 683,307</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	\$ 60,763,027	\$ 23,449,527	\$ (7,601,435)

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

Payables to the Pension Plan. At June 30, 2016, the College reported a payable of \$41,360 for the outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2016.

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 \$1,232,924 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2016, the College reported a net pension liability of \$23,760,315 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 0.232980193 percent, which was an increase of 0.003258718 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of \$1,844,761. In addition, the College reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>
Change of assumptions	\$ 1,869,317
Net difference between projected and actual earnings on HIS Plan investments	12,862
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	428,816
College contributions subsequent to the measurement date	1,232,924
Total	\$ 3,543,919

The deferred outflows of resources totaling \$1,232,924, 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 related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 407,123
2018	407,123
2019	407,124
2020	404,509
2021	403,254
Thereafter	281,862
Total	\$ 2,310,995

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 (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
College's proportionate share of the net pension liability	\$ 27,073,773	\$ 23,760,315	\$ 20,997,388

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

Payables to the Pension Plan. At June 30, 2016, the College reported a payable of \$12,354 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2016.

11. 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:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 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 \$1,534,034 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 5.05 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, for a total of 7.7 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The College's contributions to the Program totaled \$617,401 and employee contributions totaled \$366,773 for the 2015-16 fiscal year.

Senior Management Service Optional Annuity Program. Section 121.055, Florida Statutes, created the Senior Management Service Optional Annuity Program (Annuity Program) as an optional retirement program for College employees that are members of the FRS Senior Management Service Class.

The Annuity Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. College employees

in eligible positions make an irrevocable election to participate in the Annuity Program in lieu of the Senior Management Service Class of FRS, and purchase retirement and death benefits through contracts with participating provider companies. The College contributes 6.27 percent of the participant's salary to the participant's account and 15.41 percent to cover the unfunded actuarial liability of the FRS pension plan for a total of 21.68 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by salary reduction, an additional amount not to exceed the percentage contributed by the College. These contributions are invested in the companies selected by the employee to create a fund for the purchase of annuities at retirement.

The College's contributions to the Annuity Program totaled \$15,868 and employee contributions totaled \$7,592 for the 2015-16 fiscal year.

12. Construction Commitments

The College's construction commitments at June 30, 2016, are as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Bay Pines Center	\$ 4,619,179	\$ 1,441,580	\$ 3,177,599
Clearwater Library (1)	13,308,493	1,059,833	12,248,660
Smaller Projects (2)	1,564,168	161,870	1,402,298
Total	\$ 19,491,840	\$ 2,663,283	\$ 16,828,557

- Notes: (1) Intergovernmental agreement with City of Clearwater and College for library project. College proportionate share is 62.2 percent and City of Clearwater share is 37.8 percent.
- (2) Individual projects with current balance committed of less than \$1 million at June 30, 2016.

13. Operating Lease Commitments

The College leased computer equipment, copiers, and audio-visual equipment under operating leases with various expiration dates through 2021. These 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. Future minimum lease commitments for these noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 1,872,417
2018	1,355,726
2019	516,952
2020	40,357
2021	1,413
Total Minimum Payments Required	\$ 3,786,865

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, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

Life insurance coverage is provided through purchased commercial insurance.

Self-Insured Program. The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College's liability was limited by excess reinsurance to \$350,000 per insured person for the 2015-16 fiscal year. The plan is provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributes a portion of the employee premiums as a fringe benefit. The remaining portion of the employee premium and dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The liability includes an amount for claims that have been incurred, but not reported. Because the actual claims liability depends on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. The College reevaluates the claims liability periodically and the claims liability totaled \$1,300,807 as of June 30, 2016.

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

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year</u>
2014-15	\$ 1,205,318	\$ 16,029,651	\$ (15,776,145)	\$ 1,458,824
2015-16	1,458,824	16,704,143	(16,862,160)	1,300,807

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	\$ 82,319,840
Public Services	2,488
Academic Support	28,313,626
Student Services	24,733,472
Institutional Support	21,315,006
Operation and Maintenance of Plant	18,828,575
Scholarships and Fellowships	34,046,990
Depreciation	11,118,941
Auxiliary Operations	242,581
Total Operating Expenses	\$ 220,921,519

16. Discretely Presented Component Units

The College has three discretely presented component units as discussed in Note 1. These component units represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

Condensed Statement of Net Position

	<u>Direct-Support Organizations</u>			<u>Total</u>
	<u>St. Petersburg College Foundation, Inc. 3/31/2016</u>	<u>The Leepa-Rattner Museum of Art, Inc. 3/31/2016</u>	<u>Institute for Strategic Policy Solutions, Inc. 3/31/2016</u>	
Assets:				
Current Assets	\$ 30,304,486	\$ 217,019	\$ 112,571	\$ 30,634,076
Other Noncurrent Assets	27,187,058	299,305	-	27,486,363
Total Assets	57,491,544	516,324	112,571	58,120,439
Liabilities:				
Current Liabilities	-	12,860	1,548	14,408
Total Liabilities	-	12,860	1,548	14,408
Net Position:				
Restricted Nonexpendable	26,660,356	-	-	26,660,356
Restricted Expendable	28,967,341	109,446	-	29,076,787
Unrestricted	1,863,847	394,018	111,023	2,368,888
Total Net Position	\$ 57,491,544	\$ 503,464	\$ 111,023	\$ 58,106,031

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

	Direct-Support Organizations			Total
	St. Petersburg College Foundation, Inc. 3/31/2016	The Leepa-Rattner Museum of Art, Inc. 3/31/2016	Institute for Strategic Policy Solutions, Inc. 3/31/2016	
Operating Revenues	\$ 2,622,574	\$ 800,980	\$ 418,098	\$ 3,841,652
Operating Expenses	(3,829,580)	(901,633)	(380,027)	(5,111,240)
Operating Income (Loss)	(1,207,006)	(100,653)	38,071	(1,269,588)
Net Nonoperating Revenues (Expenses)	(3,088,694)	140,467	-	(2,948,227)
Other Revenues	239,130	-	-	239,130
Increase (Decrease) in Net Position	(4,056,570)	39,814	38,071	(3,978,685)
Net Position, Beginning of Year	61,548,114	463,650	72,952	62,084,716
Net Position, End of Year	\$ 57,491,544	\$ 503,464	\$ 111,023	\$ 58,106,031

17. Current Unrestricted Funds

The Southern Association of Colleges and Schools, Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net position, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net position. To meet this requirement, statements of net position and revenues, expenses, and changes in net position for the current unrestricted funds are presented, as follows:

Statement of Current Unrestricted Funds Net Position

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 12,835,938
Accounts Receivable, Net	1,453,725
Due from Other Governmental Agencies	7,960
Due from Other Funds	2,863,582
Due from Component Units	3,241
Inventories	106,202
Prepaid Expenses	139,972
Other Assets	636

TOTAL CURRENT ASSETS

17,411,256

Noncurrent Assets:

Investments	<u>7,200,895</u>
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TOTAL ASSETS

24,612,151

DEFERRED OUTFLOWS OF RESOURCES

Deferred Amounts Related to Pensions	<u>14,618,693</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	858,464
Salary and Payroll Taxes Payable	1,231,476
Unearned Revenue	1,110,440
Due to Other Funds	4,018
Compensated Absences Payable	1,158,110
Net Pension Liability	1,232,924

Total Current Liabilities

5,595,432

Noncurrent Liabilities:

Compensated Absences Payable	10,422,992
Other Postemployment Benefits Payable	5,267,540
Net Pension Liability	45,976,918

Total Noncurrent Liabilities

61,667,450

TOTAL LIABILITIES

67,262,882

DEFERRED INFLOWS OF RESOURCES

Deferred Amounts Related to Pensions	<u>6,155,506</u>
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TOTAL NET POSITION

\$(34,187,544)

**Statement of Current Unrestricted Funds Revenues,
Expenses, and Changes in Net Position**

REVENUES

Operating Revenues:

Student Tuition and Fees (1)	\$ 66,724,391
State and Local Grants and Contracts	1,562,940
Sales and Services of Educational Departments	2,098,490
Auxiliary Enterprises	3,432,144
Other Operating Revenues	<u>116,544</u>
Total Operating Revenues	<u><u>73,934,509</u></u>

EXPENSES

Operating Expenses:

Personnel Services	118,677,025
Scholarships and Waivers	3,023,604
Utilities and Communications	6,150,873
Contractual Services	7,929,551
Other Services and Expenses	7,225,152
Materials and Supplies	<u>7,787,165</u>
Total Operating Expenses	<u><u>150,793,370</u></u>

Operating Loss (76,858,861)

NONOPERATING REVENUES

State Noncapital Appropriations	71,503,949
Gifts and Grants	968,831
Investment Income	310,204
Other Nonoperating Revenues	<u>10,179</u>

Nonoperating Revenues 72,793,163

Loss Before Transfers (4,065,698)

Transfers to Other Funds (505,414)

Decrease in Net Position (4,571,112)

Net Position, Beginning of Year (29,616,432)

Net Position, End of Year \$ (34,187,544)

Note: (1) Student tuition and fees revenue is reported net of scholarship allowances on the statement of revenues, expenses, and changes in net position; however, scholarship allowances are not reflected in student tuition and fees revenue for purposes of this disclosure.

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	\$ -	\$ 10,586,000	\$ 10,586,000	0%	\$ 73,173,278	14.5%
7/1/2013	-	11,245,000	11,245,000	0%	76,426,236	14.7%
7/1/2015	-	16,714,000	16,714,000	0%	79,776,447	21.0%

Note: (1) The College's OPEB actuarial valuation used the project unit credit actuarial method to estimate the unfunded 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	0.181549298%	0.177383333%	0.158148060%
College's proportionate share of the FRS net pension liability	\$ 23,449,527	\$ 10,822,992	\$ 27,224,320
College's covered-employee payroll (2)	\$ 83,468,575	\$ 81,597,410	\$ 79,520,264
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	28.09%	13.26%	34.24%
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, 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	\$ 4,235,961	\$ 4,426,326	\$ 3,885,448
FRS contributions in relation to the contractually required contribution	<u>(4,235,961)</u>	<u>(4,426,326)</u>	<u>(3,885,448)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 86,803,263	\$ 83,468,575	\$ 81,597,410
FRS contributions as a percentage of covered-employee payroll	4.88%	5.30%	4.76%

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

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

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

	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
College's proportion of the HIS net pension liability	0.232980193%	0.229721475%	0.226924036%
College's proportionate share of the HIS net pension liability	\$ 23,760,315	\$ 21,479,518	\$ 19,756,721
College's covered-employee payroll (2)	\$ 83,468,575	\$ 81,597,410	\$ 79,520,264
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	28.47%	26.23%	24.84%
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	\$ 1,232,924	\$ 890,585	\$ 786,948
HIS contributions in relation to the contractually required HIS contribution	<u>(1,232,924)</u>	<u>(890,585)</u>	<u>(786,948)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 86,803,263	\$ 83,468,575	\$ 81,597,410
HIS contributions as a percentage of covered-employee payroll	1.42%	1.07%	0.96%

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

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

1. Schedule of Funding Progress – Other Postemployment Benefit Plan

The July 1, 2015, unfunded actuarial accrued liability (UAAL) of \$16,714,000 was 48.6 percent higher than the July 1, 2013, UAAL of \$11,245,000. This increase was due to a lower interest rate, reflecting more recent market conditions; updated mortality assumptions; and a larger population of potential retirees.

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

Changes of Assumptions. As of June 30, 2015, the municipal rate used to determine total pension liability decreased from 4.29 percent to 3.80 percent.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Petersburg College, a component unit of the State of Florida, and its aggregate discretely presented component units 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 25, 2017, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of 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 25, 2017