STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2017-125
March 2017

SOUTH FLORIDA STATE 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. Thomas C. Leitzel served as President of South Florida State College and the following individuals served as Members of the Board of Trustees:

	County
Kris Y. Rider, Chair from 7-22-15, Vice Chair to 7-21-15	Highlands
Derren J. Bryan, Vice Chair from 7-22-15	Hardee
Kenneth A. Lambert, Chair to 7-21-15	Hardee
Timothy D. Backer	DeSoto
Tamela C. Cullens	Highlands
Dr. Louis H. Kirschner	DeSoto
Lana C. Puckorius	Highlands
P. Joseph Wright	Highlands

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 Pakeishia L. Johnson and the audit was supervised by David A. Blanton, 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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SOUTH FLORIDA STATE COLLEGE

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SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements of South Florida State 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 South Florida State 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. The results of our operational audit of the College are included in our report No. 2017-008.

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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Tallahassee, Florida 32399-1450

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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 South Florida State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of South Florida State College and of its discretely presented component unit as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of College Contributions – Florida Retirement System Pension Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of College Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 24, 2017, on our consideration of the South Florida State 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 the South Florida State College's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
February 24, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

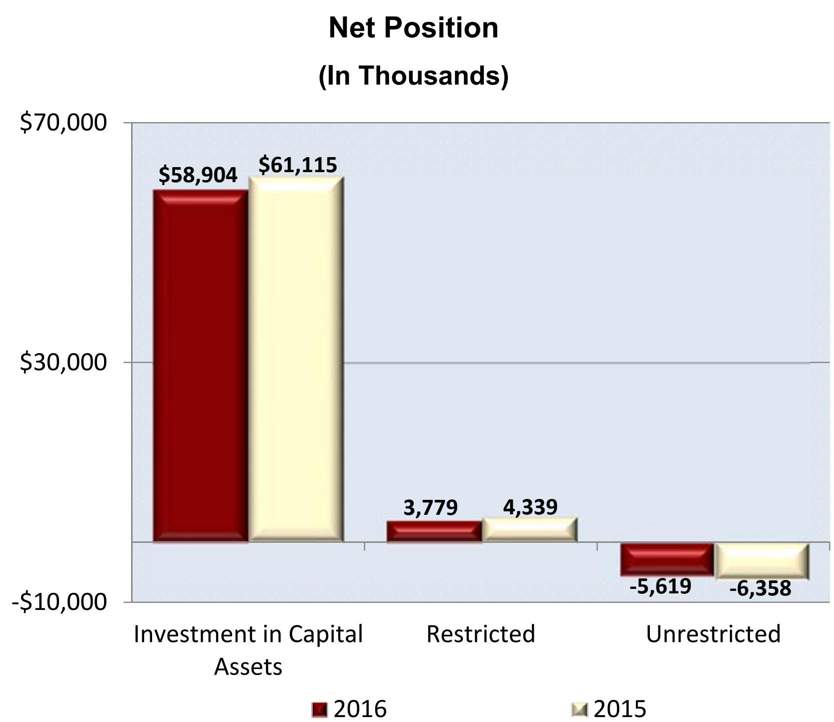
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2016, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are 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

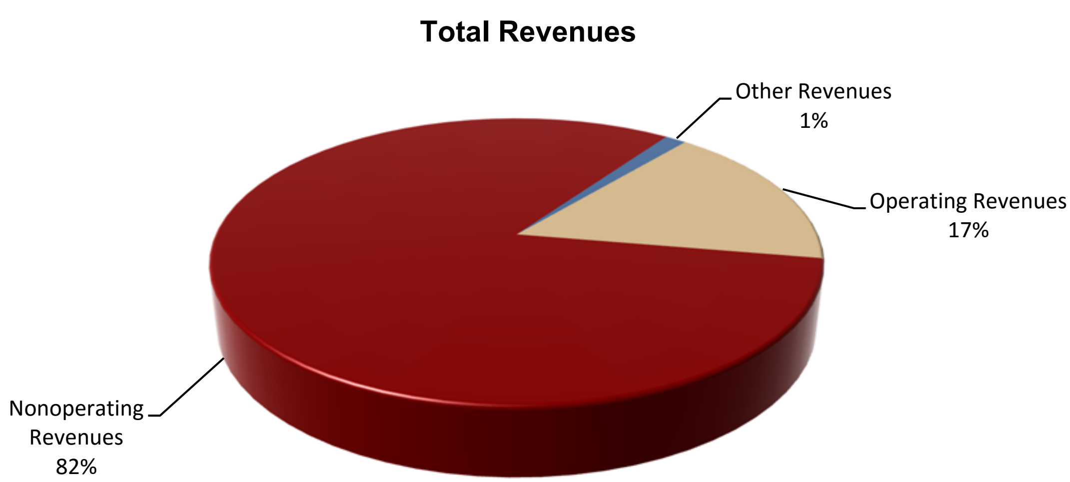
The College's assets totaled $68.8 million at June 30, 2016. This balance reflects a $3.2 million, or 4.5 percent, decrease as compared to the 2014-15 fiscal year, resulting primarily from depreciation of assets and a reduction in due from other governmental agencies related to Public Education Capital Outlay funds. While assets declined, liabilities increased by $2.1 million, or 18.4 percent, totaling $13.4 million at June 30, 2016, compared to $11.3 million at June 30, 2015, resulting mainly from an increase in College pension liabilities. As a result, the College's net position decreased by $2 million, resulting in a year-end balance of $57.1 million.

The College's operating revenues totaled $4.9 million for the 2015-16 fiscal year, representing a 10.2 percent increase compared to the 2014-15 fiscal year due mainly to an increase in student tuition and a decrease in scholarship allowances. Fees increased as did auxiliary revenues. Operating expenses totaled $31.3 million for the 2015-16 fiscal year, representing a decrease of 2.1 percent as compared to the 2014-15 fiscal year due mainly to decreases in personnel services and scholarships and waivers.

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:



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



Overview of Financial Statements

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

- South Florida State College (Primary Institution) — Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- South Florida State College Foundation, Inc. (Component Unit) — Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida. This component unit provides funding and services to support and foster the pursuit of higher education at the College.

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	$ 6,422	$ 7,847
Capital Assets, Net	58,904	61,115
Other Noncurrent Assets	3,473	3,053
Total Assets	68,799	72,015
Deferred Outflows of Resources	3,004	2,285
Liabilities		
Current Liabilities	1,895	2,469
Noncurrent Liabilities	11,488	8,832
Total Liabilities	13,383	11,301
Deferred Inflows of Resources	1,356	3,903
Net Position		
Investment in Capital Assets	58,904	61,115
Restricted	3,779	4,339
Unrestricted	(5,619)	(6,358)
Total Net Position	$ 57,064	$ 59,096

The College's current assets decreased $1.4 million primarily due to a decrease in due from other governmental agencies while net capital assets decreased by $2.2 million due to depreciation exceeding capital asset additions. There was a decrease of $574 thousand in current liabilities primarily caused by a decrease in salaries and payroll taxes payable. There was an increase of $2.7 million in noncurrent liabilities that was primarily caused by the increase in net pension liabilities reported in accordance with GASB 68. Additionally, the changes in deferred outflows and inflows were related to the College's pension liabilities. As a consequence, the College's net position decreased $2 million, or 3.4 percent, from the prior year.

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	$ 4,854	$ 4,406
Less, Operating Expenses	31,336	32,010
Operating Loss	(26,482)	(27,604)
Net Nonoperating Revenues	24,055	24,726
Loss Before Other Revenues	(2,427)	(2,878)
Other Revenues	395	638
Net Decrease In Net Position	(2,032)	(2,240)
Net Position, Beginning of Year	59,096	69,710
Adjustment to Beginning Net Position (1)	-	(8,374)
Net Position, Beginning of Year, as Restated	59,096	61,336
Net Position, End of Year	$ 57,064	$ 59,096

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 employer's proportionate share of the net pension liability of the defined benefit pension plans.

Operating Revenues

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

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

Operating Revenues
For the Fiscal Years

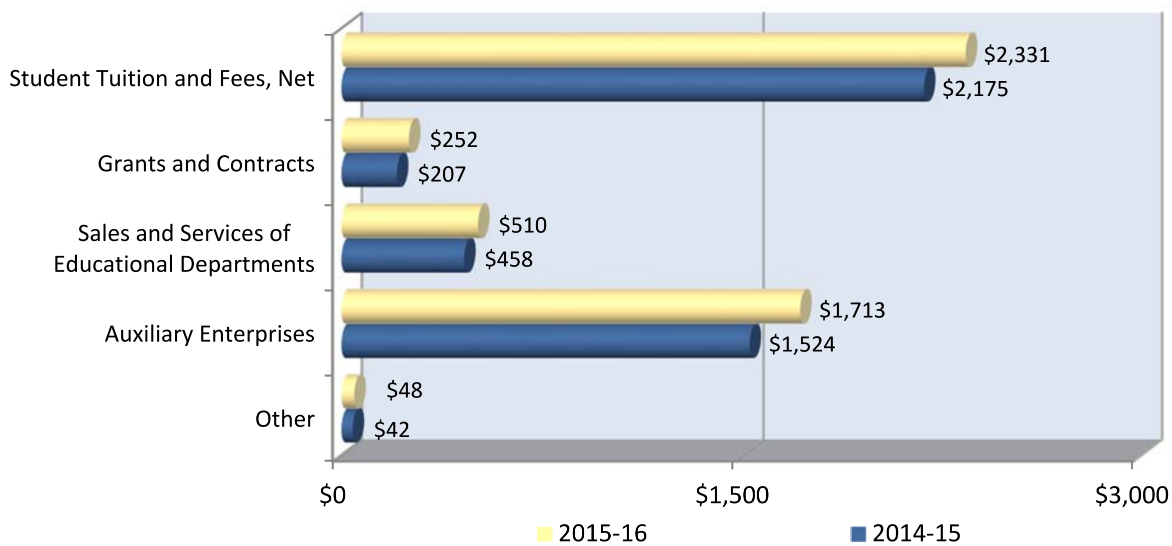
(In Thousands)

	2015-16	2014-15
Student Tuition and Fees, Net	$ 2,331	$ 2,175
Grants and Contracts	252	207
Sales and Services of Educational Departments	510	458
Auxiliary Enterprises	1,713	1,524
Other	48	42
Total Operating Revenues	$ 4,854	$ 4,406

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

Operating Revenues

(In Thousands)



College operating revenue changes were the result of the following factors:

- Net student tuition and fees increased by $156 thousand in the current year for a 7.2 percent increase over the prior year. Although gross student tuition and fees declined slightly from the prior fiscal year due to lower student attendance, the scholarship allowance declined by an even larger amount due to reduced scholarships from sources other than the component unit.
- Auxiliary enterprises and sales and services of educational departments performed better than in the prior year.

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

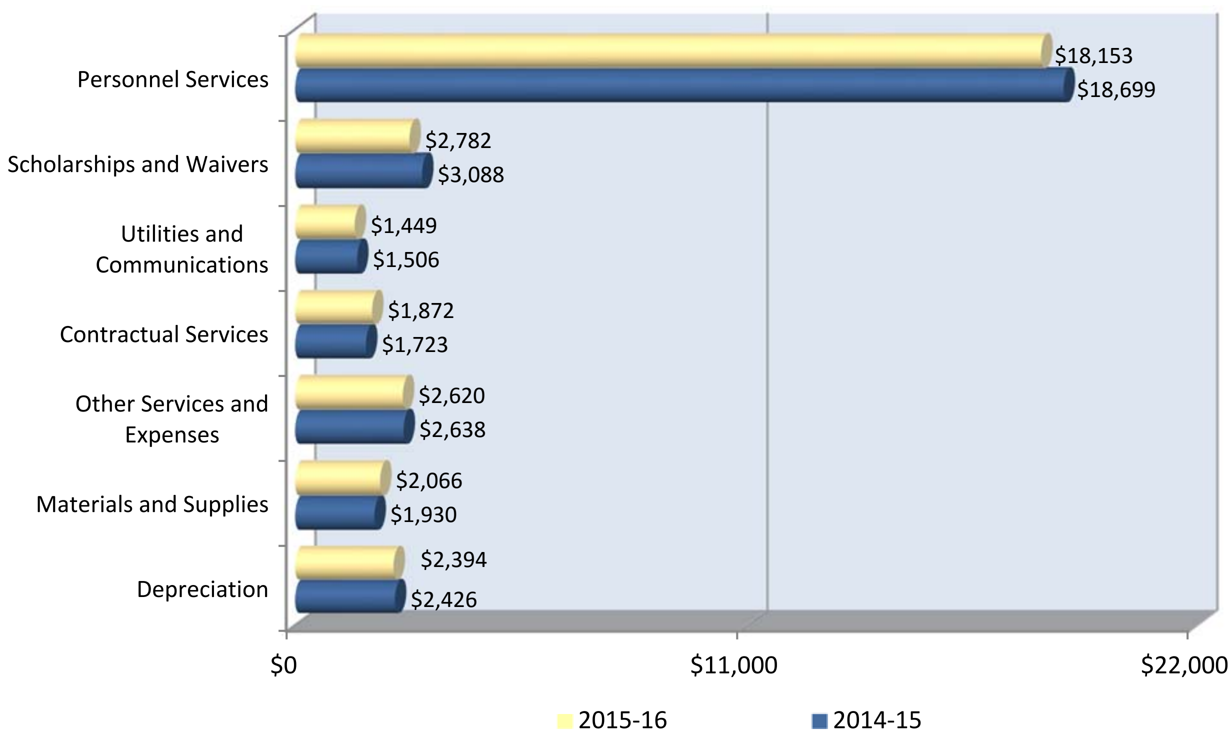
(In Thousands)

	2015-16	2014-15
Personnel Services	$ 18,153	$ 18,699
Scholarships and Waivers	2,782	3,088
Utilities and Communications	1,449	1,506
Contractual Services	1,872	1,723
Other Services and Expenses	2,620	2,638
Materials and Supplies	2,066	1,930
Depreciation	2,394	2,426
Total Operating Expenses	$ 31,336	$ 32,010

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

Operating Expenses

(In Thousands)



College operating expense changes were the result of the following factors:

- Personnel services decreased by $546 thousand or 2.9 percent compared to prior year. This was primarily due to the retirement of several long-term employees.

- Scholarships and waivers decreased by $306 thousand or 9.9 percent. This was due to a decrease in loans and financial aid in the 2015-16 fiscal year that are used to calculate the allowance.

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	$ 16,182	$ 16,144
Federal and State Student Financial Aid	5,254	5,813
Gifts and Grants	2,580	2,780
Investment Income	38	16
Other Nonoperating Revenues	1	4
Loss on Disposal of Capital Assets	-	(31)
Net Nonoperating Revenues	$ 24,055	$ 24,726

The decrease in Federal and State student aid of $559 thousand reflects the application and award of aid to fewer students qualifying for student aid. The decrease in gifts and grants is attributed to the decreased expenditures in the National Science Foundation grant due to the 2015-16 fiscal year being the grant's final year.

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	$ 63	$ 280
Capital Grants, Contracts, Gifts, and Fees	332	358
Total	$ 395	$ 638

State capital appropriations decreased $217 thousand due to the Fire Science Project finalizing in the prior fiscal year.

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	$ (25,091)	$ (25,478)
Noncapital Financing Activities	23,910	24,747
Capital and Related Financing Activities	1,087	614
Investing Activities	38	16
Net Decrease in Cash and Cash Equivalents	(56)	(101)
Cash and Cash Equivalents, Beginning of Year	8,877	8,978
Cash and Cash Equivalents, End of Year	$ 8,821	$ 8,877

Major sources of funds came from State noncapital appropriations ($16.2 million), Federal and State student financial aid ($5.3 million), noncapital gifts and grants ($2.5 million), and net student tuition and fees ($2.3 million). Major uses of funds were for payments to employees and employee benefits ($19 million), payments to suppliers ($6.6 million), and payments for scholarships ($2.8 million).

Cash and cash equivalents did not change significantly from the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the College had $104.1 million in capital assets, less accumulated depreciation of $45.2 million, for net capital assets of $58.9 million. Depreciation charges for the current fiscal year totaled $2.4 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	$ 2,478	$ 2,478
Artwork/Artifacts	535	535
Buildings	54,158	55,990
Other Structures and Improvements	560	939
Furniture, Machinery, and Equipment	489	440
Computer Software, Depreciable	105	154
Computer Software, Perpetual Licenses	579	579
Capital Assets, Net	$ 58,904	$ 61,115

Total capital assets declined primarily as a result of depreciation exceeding capital asset additions. Additional information about the College's capital assets is presented in the notes to the financial statements.

Debt Administration

As of June 30, 2016, the long-term liabilities consisted of accrued liabilities for compensated absences payable, other postemployment benefits payable, and the net pension liability. Otherwise, the College had no long-term debt at fiscal year-end. Additional information about the College's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2016-17 fiscal year. In response, the Board of Trustees elected to maintain the same tuition rate charged for the 2015-16 fiscal year in the 2016-2017 fiscal year. However, the College's current financial and capital plans indicate that the infusion of additional financial resources from the State and students may be necessary to maintain its present level of services.

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 Glenn W. Little, Vice President, Administrative Services, South Florida State College, 600 W. College Drive, Avon Park, Florida 33825.

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

June 30, 2016

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 4,586,576	$ 638,944
Restricted Cash and Cash Equivalents	759,596	-
Investments	-	4,614,063
Accounts Receivable	235,099	48,893
Due from Other Governmental Agencies	525,849	-
Due from Component Unit	180,171	-
Inventories	40,538	-
Prepaid Expenses	94,315	38,373
Total Current Assets	6,422,144	5,340,273
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,473,463	762,844
Restricted Investments	-	5,367,044
Depreciable Capital Assets, Net	55,311,594	815,564
Nondepreciable Capital Assets	3,591,990	303,220
Total Noncurrent Assets	62,377,047	7,248,672
TOTAL ASSETS	68,799,191	12,588,945
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	3,004,226	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	330,297	323,935
Salary and Payroll Taxes Payable	979,175	-
Due to Other Governmental Agencies	2,322	-
Unearned Revenue	211,247	194,705
Deposits Held for Others	70,122	6,900
Long-Term Liabilities - Current Portion:		
Compensated Absences Payable	143,276	-
Net Pension Liability	158,986	-
Total Current Liabilities	1,895,425	525,540

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

June 30, 2016

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Compensated Absences Payable	2,076,543	-
Other Postemployment Benefits Payable	290,332	-
Net Pension Liability	9,121,230	-
Total Noncurrent Liabilities	11,488,105	-
TOTAL LIABILITIES	13,383,530	525,540
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	1,355,953	-
NET POSITION		
Investment in Capital Assets	58,903,584	1,118,784
Restricted:		
Nonexpendable:		
Endowment	-	6,129,888
Expendable:		
Grants and Loans	100,720	-
Scholarships	98,616	4,397,007
Capital Projects	3,579,798	-
Unrestricted	(5,618,784)	417,726
TOTAL NET POSITION	$ 57,063,934	$ 12,063,405

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

South Florida State 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 Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $2,824,547	$ 2,330,599	$ -
Federal Grants and Contracts	127,590	-
State and Local Grants and Contracts	104,500	-
Nongovernmental Grants and Contracts	19,765	-
Sales and Services of Educational Departments	510,119	-
Auxiliary Enterprises	1,713,290	-
Other Operating Revenues	47,977	281,444
Total Operating Revenues	4,853,840	281,444
EXPENSES		
Operating Expenses:		
Personnel Services	18,152,906	-
Scholarships and Waivers	2,782,016	931,127
Utilities and Communications	1,449,505	-
Contractual Services	1,871,902	-
Other Services and Expenses	2,619,674	368,386
Materials and Supplies	2,066,212	407,523
Depreciation	2,393,830	35,640
Total Operating Expenses	31,336,045	1,742,676
Operating Loss	(26,482,205)	(1,461,232)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	16,182,322	-
Federal and State Student Financial Aid	5,254,624	-
Gifts and Grants	2,580,292	1,153,069
Investment Income	37,884	(35,950)
Other Nonoperating Revenues	146	276
Net Nonoperating Revenues	24,055,268	1,117,395
Loss Before Other Revenues	(2,426,937)	(343,837)
State Capital Appropriations	63,200	-
Capital Grants, Contracts, Gifts, and Fees	331,954	-
Total Other Revenues	395,154	-
Decrease in Net Position	(2,031,783)	(343,837)
Net Position, Beginning of Year	59,095,717	12,407,242
Net Position, End of Year	$ 57,063,934	$ 12,063,405

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

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South Florida State 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	$ 2,295,561
Grants and Contracts	251,855
Payments to Suppliers	(6,572,171)
Payments for Utilities and Communications	(1,449,505)
Payments to Employees	(14,899,401)
Payments for Employee Benefits	(4,121,065)
Payments for Scholarships	(2,782,016)
Auxiliary Enterprises	1,716,282
Sales and Services of Educational Departments	510,119
Other Payments	(40,966)
Net Cash Used by Operating Activities	(25,091,307)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	16,182,322
Federal and State Student Financial Aid	5,254,624
Federal Direct Loan Program Receipts	982,964
Federal Direct Loan Program Disbursements	(982,964)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	2,499,546
Other Nonoperating Disbursements	(26,920)
Net Cash Provided by Noncapital Financing Activities	23,909,572
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	937,274
Capital Grants and Gifts	331,954
Purchases of Capital Assets	(182,322)
Net Cash Provided by Capital and Related Financing Activities	1,086,906
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	37,884
Net Cash Provided by Investing Activities	37,884
Net Decrease in Cash and Cash Equivalents	(56,945)
Cash and Cash Equivalents, Beginning of Year	8,876,580
Cash and Cash Equivalents, End of Year	$ 8,819,635

South Florida State 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	$	(26,482,205)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		2,393,830
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:		
Receivables		23,270
Inventories		(2,005)
Prepaid Expenses		159,170
Accounts Payable		(171,548)
Salary and Payroll Taxes Payable		(291,033)
Due to Other Governmental Agencies		2,468
Unearned Revenue		(35,038)
Deposits Held for Others		(111,690)
Compensated Absences Payable		(335,213)
Other Postemployment Benefits Payable		17,193
Net Pension Liability		3,007,610
Deferred Outflows of Resources Related to Pensions		(719,116)
Deferred Inflows of Resources Related to Pensions		(2,547,000)
NET CASH USED BY OPERATING ACTIVITIES	$	(25,091,307)

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 South Florida State College, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of eight members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by 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 DeSoto, Hardee, and Highlands Counties.

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2015.

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

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

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

The College’s component unit uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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

The College’s principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, gifts and grants, investment income, and revenues for capital construction projects.

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

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

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

College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to 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 $6,033,960 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 [State Board of Administration] 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; artwork/artifacts; computer software; buildings; other structures and improvements; and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at 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 $65,000 for other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Other Structures and Improvements
  - Non Technological Other Structures and Improvements — 10 years
  - Technological Other Structures and Improvements — 5 years
- Furniture, Machinery, and Equipment:
  - Computer Equipment – 3 years
  - Vehicles, Office Machines, and Educational Equipment – 5 years
  - Furniture – 7 years
- Computer Software – 5 years

Land, buildings, and equipment of the College's component unit are stated at cost except for donated property which is stated at acquisition value at the date of the donation and is net of accumulated depreciation of $962,761. The College's component unit depreciates buildings and equipment using the straight-line method.

Noncurrent Liabilities. Noncurrent liabilities include 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.

Fund		Net Position
Current Funds - Unrestricted	$	(7,716,970)
Auxiliary Funds		2,098,186
Total	$	(5,618,784)

3. Investments

Investments held by the College's component unit (Foundation) totaled $9,981,107 at December 31, 2015. The investments are reported at fair value and consist of equity investments, money market funds, and United States government securities, corporate bonds, common stocks, real estate, the cash value of life insurance policies, and mutual funds.

4. Accounts Receivable

Accounts receivable of $235,099 represent amounts for student fee deferments, various student services provided by the College, uncollected vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are expected to be collected in full.

5. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of $166,885 of Public Education Capital Outlay allocations due from the State for equipment and maintenance of College facilities. An additional $358,964 was due for reimbursement of expenditures made in relation to grants, operational agreements, and contracts.

6. Due From Component Unit

The College reported a due from component unit of $180,171, which represents expenses made by the College that will be reimbursed by the Foundation. The College's financial statements are reported for the fiscal year ended June 30, 2016. The component unit's financial statements are reported for the fiscal year ended December 31, 2015. Accordingly, although the College reported an amount due from the component unit on the statement of net position, the component unit did not report an amount due to the College.

7. Inventories

Inventories totaling $40,538 consist of items for resale by the Hotel Jacaranda, the cafeteria, the Museum of Florida Art and Culture store, and the purchasing department, and are valued using the last invoice cost, which approximates the first-in, first-out method of inventory valuation. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

8. Capital Assets

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 2,477,518	$ -	$ -	$ 2,477,518
Artwork/Artifacts	535,443	-	-	535,443
Computer Software	579,029	-	-	579,029
Total Nondepreciable Capital Assets	$ 3,591,990	$ -	$ -	$ 3,591,990
Depreciable Capital Assets:				
Buildings	$ 83,881,310	$ -	$ -	$ 83,881,310
Other Structures and Improvements	12,905,098	-	-	12,905,098
Furniture, Machinery, and Equipment	2,834,289	182,322	14,821	3,001,790
Computer Software	757,467	-	-	757,467
Total Depreciable Capital Assets	100,378,164	182,322	14,821	100,545,665
Less, Accumulated Depreciation:				
Buildings	27,891,667	1,831,984	-	29,723,651
Other Structures and Improvements	11,965,612	379,731	-	12,345,343
Furniture, Machinery, and Equipment	2,394,703	132,631	14,821	2,512,513
Computer Software	603,080	49,484	-	652,564
Total Accumulated Depreciation	42,855,062	2,393,830	14,821	45,234,071
Total Depreciable Capital Assets, Net	$ 57,523,102	$ (2,211,508)	$ -	$ 55,311,594

9. Art and Artifact Collections

In addition to the Museum of Florida Art and Culture (MOFAC) collection, which is capitalized and not depreciated, the College has the McDearman collection that it does not capitalize. The MOFAC collection adheres to the College's policy to: (a) maintain them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit noncapitalized collections like the McDearman collection to be charged to operations at the time of purchase rather than capitalized.

10. Unearned Revenue

Unearned revenue includes prepayments of cultural program sales and donations and moneys for services yet to be rendered at the Hotel Jacaranda. As of June 30, 2016, the College reported the following amounts as unearned revenue:

Description	Amount
Cultural Program - Advance Sales and Donations	$ 209,431
Hotel Jacaranda - Prepaid Sales	1,816
Total Unearned Revenue	$ 211,247

11. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2016, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	$ 2,555,032	$ 16,848	$ 352,061	$ 2,219,819	$ 143,276
Other Postemployment Benefits Payable	273,139	34,385	17,192	290,332	-
Net Pension Liability	6,272,606	4,146,266	1,138,656	9,280,216	158,986
Total Long-Term Liabilities	$ 9,100,777	$ 4,197,499	$ 1,507,909	$ 11,790,367	$ 302,262

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 $2,219,819. The current portion of the compensated absences liability, $143,276, is the amount expected to be paid in the coming fiscal year.

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

Plan Description. The College contributes to an agent multiple-employer defined benefit plan administered by the Consortium for postemployment benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Other Postemployment Benefit Plan (OPEB Plan) at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone report for the OPEB Plan and the OPEB Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. OPEB Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend OPEB plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2015-16 fiscal year, 25 retirees received postemployment healthcare benefits, and 28 retirees received postemployment life insurance benefits. The College provided required contributions of $17,192 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $118,589, which represents 1 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the College's net OPEB obligation:

Description	**Amount**
Normal Cost (Service Cost for One Year)	$ 20,158
Amortization of Unfunded Actuarial Accrued Liability	13,393
Annual Required Contribution	33,551
Interest on Net OPEB Obligation	10,926
Adjustment to Annual Required Contribution	(10,092)
Annual OPEB Cost (Expense)	34,385
Contribution Toward the OPEB Cost	(17,192)
Increase in Net OPEB Obligation	17,193
Net OPEB Obligation, Beginning of Year	273,139
Net OPEB Obligation, End of Year	$ 290,332

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:

Fiscal Year	**Annual OPEB Cost**	**Percentage of Annual OPEB Cost Contributed**	**Net OPEB Obligation**
2013-14	$ 46,746	49.5%	$ 239,497
2014-15	49,049	31.4%	273,139
2015-16	34,385	50.0%	290,332

Funded Status and Funding Progress. As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was $362,461, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $362,461, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $11,466,899 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.2 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 calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial valuations used actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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

12. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

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

The College's FRS and HIS pension expense totaled $826,968 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:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
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:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
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 $875,057 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 $4,948,521 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 .038312104 percent, which was an increase of .001477538 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of $513,829. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 522,417	$ 117,364
Change of assumptions	328,450	-
Net difference between projected and actual earnings on FRS Plan investments	-	1,181,624
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	724,749	-
College FRS contributions subsequent to the measurement date	875,057	-
Total	$ 2,450,673	$ 1,298,988

The deferred outflows of resources related to pensions totaling $875,057, 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:

Fiscal Year Ending June 30	Amount
2017	$ (230,781)
2018	(230,781)
2019	(230,781)
2020	744,096
2021	185,165
Thereafter	39,710
Total	$ 276,628

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	$12,822,740	$ 4,948,521	$(1,604,121)

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 $130,744 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 $210,417 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the College reported a net pension liability of $4,331,695 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 1 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 .042474145 percent, which was a decrease of .000574533 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of $313,139. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 340,791	$ -
Net difference between projected and actual earnings on HIS Plan investments	2,345	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	-	56,965
College contributions subsequent to the measurement date	210,417	-
Total	$ 553,553	$ 56,965

The deferred outflows of resources totaling $210,417, 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:

Fiscal Year Ending June 30	Amount
2017	$ 50,692
2018	50,692
2019	50,692
2020	50,215
2021	49,986
Thereafter	33,894
Total	$ 286,171

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	$4,935,764	$ 4,331,695	$3,827,991

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 $3,078 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2016.

13. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2015-16 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Senior Management Service	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

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

The College's Investment Plan pension expense totaled $195,170 for the fiscal year ended June 30, 2016.

State College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible college instructors and administrators. The Program is designed to aid colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes 5.15 percent of the participant's salary to the participant's account, 2.65 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover the administrative costs, for a total of 7.8 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 $33,728 and employee contributions totaled $12,971 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 $29,211 and employee contributions totaled $4,145 for the 2015-16 fiscal year.

14. Risk Management Programs

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

Board member bonds, coverage for student drivers in the truck driving classes, bonds for employees who are notaries and professional liability policies are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past 3 fiscal years.

15. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 8,545,441
Academic Support	3,246,300
Student Services	3,203,966
Institutional Support	4,317,780
Operation and Maintenance of Plant	5,127,385
Scholarships and Waivers	2,834,339
Depreciation	2,393,830
Auxiliary Enterprises	1,667,004
Total Operating Expenses	$ 31,336,045

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	$ -	$ 629,875	$ 629,875	0%	$ 12,829,820	4.9%
7/1/2013	-	389,487	389,487	0%	11,822,197	3.3%
7/1/2015	-	362,461	362,461	0%	11,466,899	3.2%

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

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

	2015 (1)	**2014** (1)	**2013** (1)
College's proportion of the FRS net pension liability	0.038312104%	0.036834566%	0.032316671%
College's proportionate share of the FRS net pension liability	$ 4,948,521	$ 2,247,450	$ 5,563,137
College's covered-employee payroll (2)	$ 13,474,073	$ 13,144,837	$ 13,104,533
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	36.73%	17.10%	42.45%
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

	2016 (1)	**2015** (1)	**2014** (1)
Contractually required FRS contribution	$ 875,057	$ 934,082	$ 806,833
FRS contributions in relation to the contractually required contribution	(875,057)	(934,082)	(806,833)
FRS contribution deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll (2)	$ 13,109,698	$ 13,474,073	$ 13,144,837
FRS contributions as a percentage of covered-employee payroll	6.67%	6.93%	6.14%

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

	2015 (1)	**2014** (1)	**2013** (1)
College's proportion of the HIS net pension liability	0.042474145%	0.043048678%	0.043245473%
College's proportionate share of the HIS net pension liability	$ 4,331,695	$ 4,025,156	$ 3,765,087
College's covered-employee payroll (2)	$ 13,474,073	$ 13,144,837	$ 13,104,533
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	32.15%	30.62%	28.73%
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

	2016 (1)	**2015** (1)	**2014** (1)
Contractually required HIS contribution	$ 210,417	$ 162,363	$ 147,470
HIS contributions in relation to the contractually required HIS contribution	(210,417)	(162,363)	(147,470)
HIS contribution deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll (2)	$ 13,109,698	$ 13,474,073	$ 13,144,837
HIS contributions as a percentage of covered-employee payroll	1.61%	1.21%	1.12%

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 of $362,461 was lower than the July 1, 2013, liability of $389,487 as a result of the following:

- Demographic assumptions (rates of termination, retirement, disability, and mortality) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of healthcare were updated.
- The assumed rates of healthcare inflation used to project the per capita healthcare costs were revised.
- The rates of participation in the OPEB Plan were adjusted to reflect current experience.
- The actuarial cost method was changed from the projected unit credit method to the entry age normal cost method.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 4.29 percent to 3.80 percent.

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Legislative Auditing Committee

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the South Florida State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 February 24, 2017, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted a certain matter that we reported to College management in our operational audit report No. 2017-008.

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

Sherrill F. Norman, CPA
Tallahassee, Florida
February 24, 2017