

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

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

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. Carol Probstfeld served as President of State College of Florida, Manatee-Sarasota and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Edward A. Bailey, Chair	Manatee
Lori A. Moran, Vice Chair	Sarasota
Carlos M. Beruff to 3-21-16 <sup>a</sup>	Manatee
Marlen J. Hager	Manatee
Peter R. Logan from 1-15-16	Manatee
J. Robert Long to 2-17-16 <sup>b</sup>	Sarasota
Charlene J. Neal to 10-22-15 <sup>c</sup>	Manatee
Eric W. Robinson	Sarasota
Dr. Craig A. Trigueiro	Sarasota
Robert A. Wyatt	Sarasota

<sup>a</sup> Board member resigned on 3-21-16, and position remained vacant through 6-30-16.

<sup>b</sup> Board member resigned on 2-17-16, and position remained vacant through 6-30-16.

<sup>c</sup> Board member resigned on 10-22-15, and position remained vacant through 1-14-16.

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 Kristina N. Schoen, CPA, and the audit was supervised by Rachel P. Sellers, CPA.

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

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**Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722**

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# SUMMARY

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## SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

## SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

## AUDIT OBJECTIVES AND SCOPE

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

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 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. 2017-027.

## AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of State College of Florida, Manatee-Sarasota, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 State College of Florida, Manatee-Sarasota 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 March 15, 2017, on our consideration of the State College of Florida, Manatee-Sarasota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 15, 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.

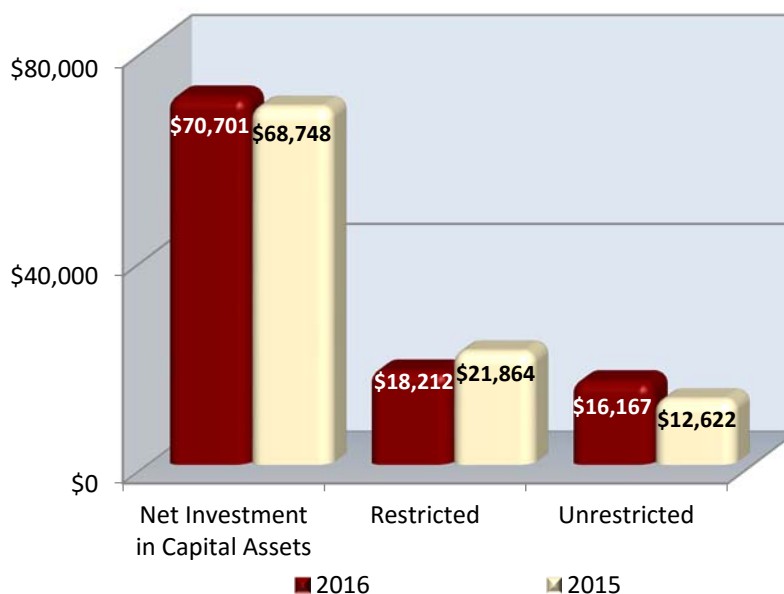
### FINANCIAL HIGHLIGHTS

The College's assets totaled \$124.9 million at June 30, 2016. This balance reflects a \$3.1 million, or 2.6 percent, increase as compared to the 2014-15 fiscal year, resulting from an increase in the number and dollar value of construction projects in progress. While assets grew, liabilities increased by \$5.6 million, or 36.1 percent, totaling \$21.1 million at June 30, 2016, compared to \$15.5 million at June 30, 2015. Deferred outflows and inflows of resources from reporting the defined benefit pension plans under GASB Statement No. 68 were \$3.5 million and \$2.2 million, respectively. As a result, the College's net position increased by \$1.8 million, resulting in a year-end balance of \$105.1 million.

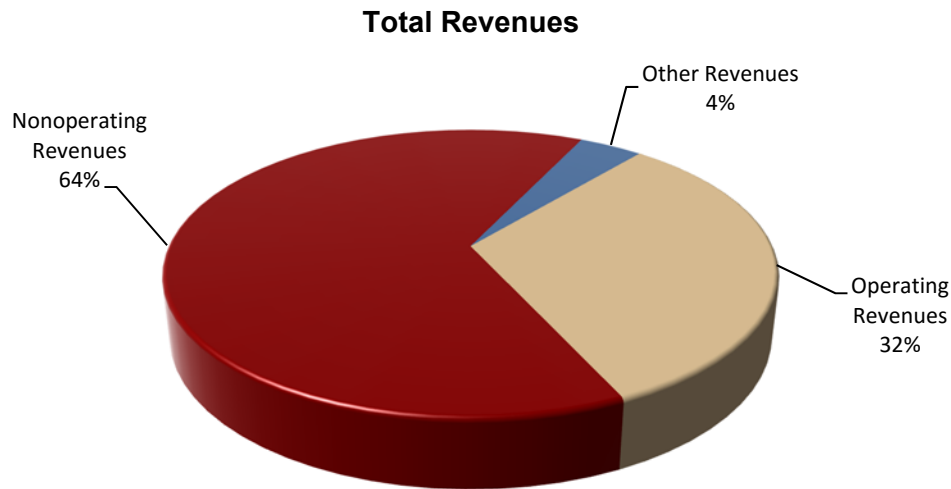
The College's operating revenues totaled \$22.8 million for the 2015-16 fiscal year, representing a 1.5 percent decrease compared to the 2014-15 fiscal year. Operating expenses totaled \$69.4 million for the 2015-16 fiscal year, representing a decrease of 1 percent as compared to the 2014-15 fiscal year due mainly to conservative spending practices.

Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2016, and June 30, 2015, is shown in the following graph:

**Net Position**  
(In Thousands)



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



**OVERVIEW OF FINANCIAL STATEMENTS**

Pursuant to GASB Statement No. 35, the College’s financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the College and its component unit. This component unit includes State College of Florida Foundation, Inc. Based on the application of the criteria for determining component units, the State College of Florida Foundation, Inc. is included within the College reporting entity as a discretely presented component unit.

Information regarding this component unit, including a summary of the discretely presented component unit’s separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the College, excluding the discretely presented component unit.

**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)

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current Assets	\$ 47,925	\$ 44,491
Capital Assets, Net	70,701	68,919
Other Noncurrent Assets	6,246	8,319
<b>Total Assets</b>	<u>124,872</u>	<u>121,729</u>
<b>Deferred Outflows of Resources</b>	<u>3,505</u>	<u>2,652</u>
<b>Liabilities</b>		
Current Liabilities	4,937	3,281
Noncurrent Liabilities	16,209	12,261
<b>Total Liabilities</b>	<u>21,146</u>	<u>15,542</u>
<b>Deferred Inflows of Resources</b>	<u>2,151</u>	<u>5,605</u>
<b>Net Position</b>		
Investment in Capital Assets	70,701	68,748
Restricted	18,212	21,864
Unrestricted	16,167	12,622
<b>Total Net Position</b>	<u>\$ 105,080</u>	<u>\$ 103,234</u>

The increase of \$3.1 million in the College's total assets is primarily due to an increase in construction projects. The increase of \$5.6 million in College's total liabilities and the decrease of \$3.5 million in the College's deferred inflows of resources are primarily due to pension activity during the 2015-16 fiscal year. As a result, the College's net position increased by \$1.8 million.

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

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

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

**Condensed Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Years  
(In Thousands)**

	<u>2015-16</u>	<u>2014-15</u>
Operating Revenues	\$ 22,846	\$ 23,189
Less, Operating Expenses	<u>69,396</u>	<u>70,103</u>
<b>Operating Loss</b>	(46,550)	(46,914)
Net Nonoperating Revenues	<u>45,745</u>	<u>46,041</u>
<b>Loss Before Other Revenues</b>	(805)	(873)
Other Revenues	<u>2,651</u>	<u>11,333</u>
<b>Net Increase In Net Position</b>	<u>1,846</u>	<u>10,460</u>
Net Position, Beginning of Year	103,234	106,202
Adjustment to Beginning Net Position (1)	<u>-</u>	<u>(13,428)</u>
<b>Net Position, Beginning of Year, as Restated</b>	<u>103,234</u>	<u>92,774</u>
<b>Net Position, End of Year</b>	<u>\$ 105,080</u>	<u>\$ 103,234</u>

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

**Operating Revenues**

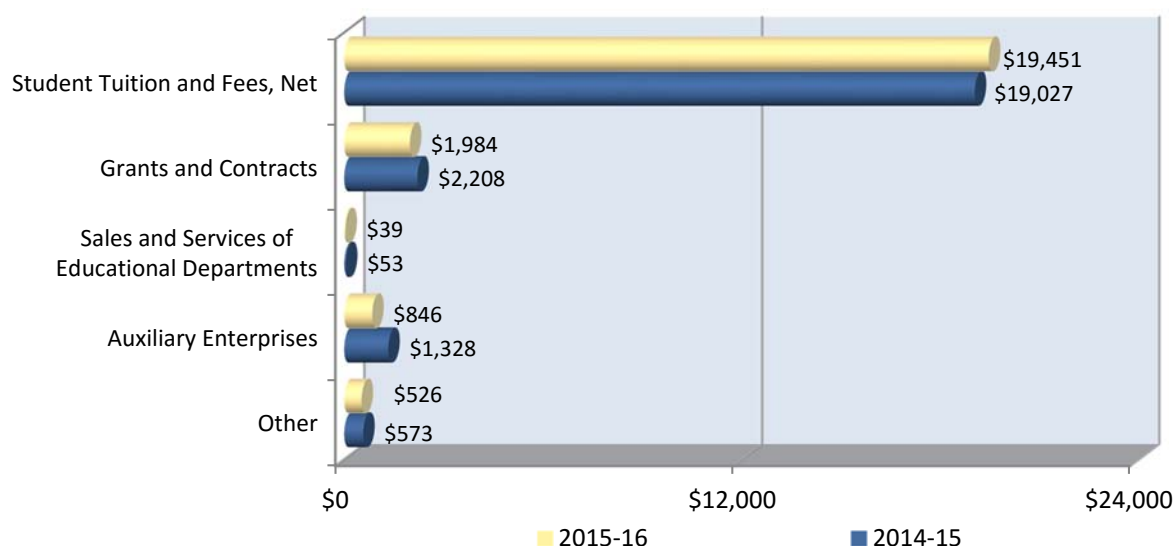
GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

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

<b>Operating Revenues For the Fiscal Years (In Thousands)</b>		
	<u>2015-16</u>	<u>2014-15</u>
Student Tuition and Fees, Net	\$ 19,451	\$ 19,027
Grants and Contracts	1,984	2,208
Sales and Services of Educational Departments	39	53
Auxiliary Enterprises	846	1,328
Other	<u>526</u>	<u>573</u>
<b>Total Operating Revenues</b>	<u>\$ 22,846</u>	<u>\$ 23,189</u>

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

**Operating Revenues**  
(In Thousands)



College operating revenue decreased by \$0.3 million, or 1.5 percent primarily due to a one-time payout in the 2014-15 fiscal year for sale of its bookstore.

**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.

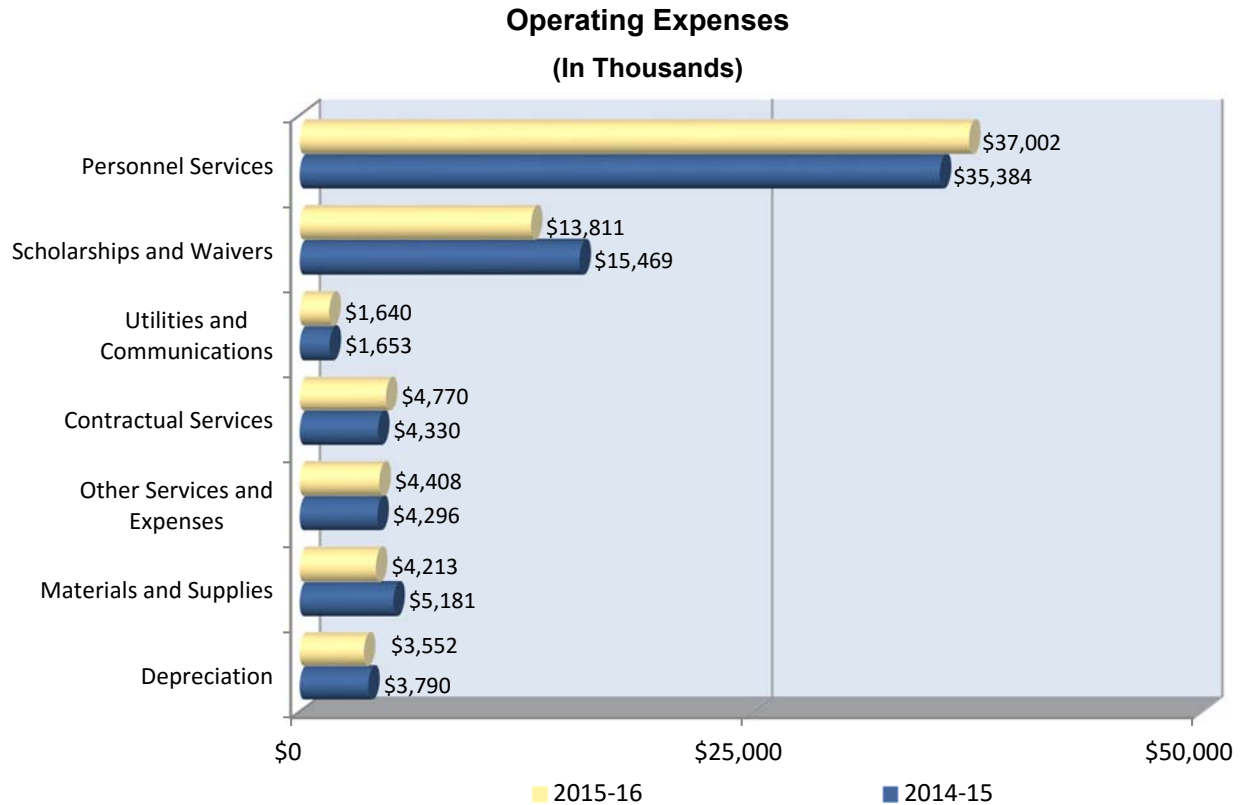
The following summarizes operating expenses by natural classification for the 2015-16 and 2014-15 fiscal years:

**Operating Expenses  
For the Fiscal Years**

(In Thousands)

	<u>2015-16</u>	<u>2014-15</u>
Personnel Services	\$ 37,002	\$ 35,384
Scholarships and Waivers	13,811	15,469
Utilities and Communications	1,640	1,653
Contractual Services	4,770	4,330
Other Services and Expenses	4,408	4,296
Materials and Supplies	4,213	5,181
Depreciation	3,552	3,790
<b>Total Operating Expenses</b>	<b>\$ 69,396</b>	<b>\$ 70,103</b>

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



College operating expense decreased by \$0.7 million, or 1 percent, due primarily to conservative spending practices.

**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)**

	<b>2015-16</b>	<b>2014-15</b>
State Noncapital Appropriations	\$ 24,503	\$ 22,832
Federal and State Student Financial Aid	17,895	20,676
Gifts and Grants	2,971	2,838
Investment Income	172	57
Other Nonoperating Revenues	208	43
Interest on Capital Asset-Related Debt	(4)	(14)
Loss on Disposal of Capital Assets	-	(379)
Other Nonoperating Expenses	-	(12)
<b>Net Nonoperating Revenues</b>	<b>\$ 45,745</b>	<b>\$ 46,041</b>

Overall, nonoperating revenues decreased by \$0.3 million, or 0.6 percent, primarily as a result of the following factors:

- \$2.8 million decrease in Federal and State student financial aid as a result of a decrease in the number of students eligible for financial aid.
- \$1.7 million increase in State recurring operational support and performance incentive funding.

**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)**

	<b>2015-16</b>	<b>2014-15</b>
State Capital Appropriations	\$ 816	\$ 9,470
Capital Grants, Contracts, Gifts, and Fees	1,835	1,863
<b>Total</b>	<b>\$ 2,651</b>	<b>\$ 11,333</b>

State capital appropriations decreased by \$8.7 million, or 91.4 percent, over the previous year as a result of a one-time increase in Public Education Capital Outlay appropriations funding in the 2014-15 fiscal year for the building of the new library.

**The Statement of Cash Flows**

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of

cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes the College's cash flows for the 2015-16 and 2014-15 fiscal years:

**Condensed Statement of Cash Flows  
For the Fiscal Years**

(In Thousands)

	<u>2015-16</u>	<u>2014-15</u>
Cash Provided (Used) by:		
Operating Activities	\$ (41,604)	\$ (42,528)
Noncapital Financing Activities	45,368	46,344
Capital and Related Financing Activities	(1,266)	298
Investing Activities	172	85
	<u>2,670</u>	<u>4,199</u>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>2,670</b>	<b>4,199</b>
Cash and Cash Equivalents, Beginning of Year	40,216	36,017
	<u>42,886</u>	<u>40,216</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 42,886</b>	<b>\$ 40,216</b>

Major sources of funds came from State noncapital appropriations (\$24.5 million), Federal Direct Student Loan program receipts (\$11.5 million), net student tuition and fees (\$19.7 million), and Federal and State student financial aid (\$17.9 million). Major uses of funds were for payments to employees and for employee benefits (\$36.4 million), payments for scholarships (\$13.8 million), payments to suppliers (\$12.9 million), disbursements to students for Federal Direct Student Loans (\$11.5 million), and purchases of capital assets (\$4.9 million).

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

- The \$0.9 million decrease in net cash used by operating activities is primarily the result of decreases in payments to suppliers (\$0.7 million) and in scholarships (\$1.6 million), offset by decreases in auxiliary enterprise revenue (\$0.6 million) grants and contracts revenue (\$0.8 million).
- The \$1 million decrease in cash provided by noncapital financing activities is primarily the result of decreases in Federal and State student financial aid payments (\$2.8 million), offset by an increase in State noncapital appropriations (\$1.7 million).
- The \$1.6 million increase in net cash used for capital and related financing activities is primarily the result of decreases in State capital appropriations (\$.5 million), and an increase in purchases of capital assets (\$1.1 million)

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

**Capital Assets**

At June 30, 2016, the College had \$131.4 million in capital assets, less accumulated depreciation of \$60.7 million, for net capital assets of \$70.7 million. Depreciation charges for the current fiscal year totaled \$3.6 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)

	<u>2016</u>	<u>2015</u>
Land	\$ 2,113	\$ 2,113
Artwork/Artifacts	40	40
Construction in Progress	4,384	1,230
Buildings	59,548	60,551
Other Structures and Improvements	3,437	3,734
Furniture, Machinery, and Equipment	1,179	1,159
Assets Under Capital Lease	-	92
<b>Capital Assets, Net</b>	<b><u>\$ 70,701</u></b>	<b><u>\$ 68,919</u></b>

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

### **Capital Expenses and Commitments**

Major capital expenses through June 30, 2016, were incurred on the following projects: Chiller Renovation – Bradenton Campus (\$1.3 million) and New Library – Bradenton Campus (\$1.2 million). The College's construction commitments at June 30, 2016, are as follows:

	<b>Amount</b> <b>(In Thousands)</b>
Total Committed	\$ 5,393
Completed to Date	<u>(4,384)</u>
<b>Balance Committed</b>	<b><u>\$ 1,009</u></b>

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

### **Debt Administration**

As of June 30, 2016, the College had \$6,544 in an outstanding note payable. During the 2015-16 fiscal year, the capital lease was paid in full, representing a total decrease of 97 percent from the prior fiscal year. Debt repayments during the 2015-16 fiscal year totaled \$189,853.

Additional information about the College's long-term debt is presented in the notes to financial statements.

## ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2016-17 fiscal year. In response to a desire to keep a college education affordable for students, the Board of Trustees did not increase the tuition rate for the 2016-17 fiscal year. The College has adjusted its 2016-17 financial and capital plans to accommodate this decision.

## REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Finance and Administrative Services, State College of Florida, Manatee-Sarasota, 5840 26<sup>th</sup> Street West, Bradenton, Florida 34207.

# BASIC FINANCIAL STATEMENTS

## State College of Florida, Manatee-Sarasota A Component Unit of the State of Florida Statement of Net Position

June 30, 2016

	College	Component Unit
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 30,327,058	\$ 897,875
Restricted Cash and Cash Equivalents	6,312,456	-
Accounts Receivable, Net	1,237,032	96,169
Due from Other Governmental Agencies	9,287,521	-
Due from Component Unit	103,451	-
Inventories	15,294	-
Prepaid Expenses	641,888	34,384
Other Assets	-	2,434,788
<b>Total Current Assets</b>	<b>47,924,700</b>	<b>3,463,216</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	6,246,366	-
Investments	-	47,045,787
Depreciable Capital Assets, Net	64,164,041	316
Nondepreciable Capital Assets	6,536,629	-
<b>Total Noncurrent Assets</b>	<b>76,947,036</b>	<b>47,046,103</b>
<b>TOTAL ASSETS</b>	<b>124,871,736</b>	<b>50,509,319</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	3,505,545	-
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	1,068,450	51,717
Salary and Payroll Taxes Payable	2,832,140	-
Retainage Payable	106,109	-
Due to Other Governmental Agencies	282	-
Due to College	-	110,580
Unearned Revenue	95,349	82,837
Deposits Held for Others	269,731	-
Long-Term Liabilities - Current Portion:		
Note Payable	6,544	-
Special Termination Benefits Payable	125,886	-
Compensated Absences Payable	66,280	-
Net Pension Liability	366,231	-
<b>Total Current Liabilities</b>	<b>4,937,002</b>	<b>245,134</b>

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

**June 30, 2016**

	<b>College</b>	<b>Component Unit</b>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Special Termination Benefits Payable	246,743	-
Compensated Absences Payable	2,551,656	-
Other Postemployment Benefits Payable	218,707	-
Net Pension Liability	13,192,177	-
<b>Total Noncurrent Liabilities</b>	16,209,283	-
<b>TOTAL LIABILITIES</b>	21,146,285	245,134
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	2,151,083	-
<b>NET POSITION</b>		
Investment in Capital Assets	70,700,670	316
Restricted:		
Nonexpendable:		
Endowment	-	12,046,486
Expendable:		
Grants and Loans	2,982,480	13,804,243
Scholarships	574,550	17,100,077
Capital Projects	14,654,745	-
Unrestricted	16,167,468	7,313,063
<b>TOTAL NET POSITION</b>	<b>\$ 105,079,913</b>	<b>\$ 50,264,185</b>

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

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

	<u>College</u>	<u>Component Unit</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$5,080,995	\$ 19,451,442	\$ -
Federal Grants and Contracts	590,007	-
State and Local Grants and Contracts	593,204	30,999
Nongovernmental Grants and Contracts	799,971	1,819,176
Sales and Services of Educational Departments	38,989	-
Auxiliary Enterprises	845,942	-
Other Operating Revenues	526,466	433,092
<b>Total Operating Revenues</b>	<u>22,846,021</u>	<u>2,283,267</u>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	37,001,408	463,818
Scholarships and Waivers	13,811,371	1,440,234
Utilities and Communications	1,639,891	-
Contractual Services	4,769,993	61,268
Other Services and Expenses	4,407,993	822,607
Materials and Supplies	4,213,280	27,869
Depreciation	3,551,974	322
<b>Total Operating Expenses</b>	<u>69,395,910</u>	<u>2,816,118</u>
<b>Operating Loss</b>	<u>(46,549,889)</u>	<u>(532,851)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	24,502,572	-
Federal and State Student Financial Aid	17,895,452	-
Gifts and Grants	2,971,329	-
Investment Income (Loss)	171,912	(1,737,891)
Other Nonoperating Revenues	207,628	27,984
Interest on Capital Asset-Related Debt	(4,337)	-
<b>Net Nonoperating Revenues (Expenses)</b>	<u>45,744,556</u>	<u>(1,709,907)</u>
<b>Loss Before Other Revenues</b>	<u>(805,333)</u>	<u>(2,242,758)</u>
State Capital Appropriations	816,150	-
Capital Grants, Contracts, Gifts, and Fees	1,835,512	-
<b>Total Other Revenues</b>	<u>2,651,662</u>	<u>-</u>
<b>Increase (Decrease) in Net Position</b>	<u>1,846,329</u>	<u>(2,242,758)</u>
Net Position, Beginning of Year	103,233,584	52,431,482
Adjustment to Beginning Net Position	-	75,461
<b>Net Position, Beginning of Year, as Restated</b>	<u>103,233,584</u>	<u>52,506,943</u>
<b>Net Position, End of Year</b>	<u>\$ 105,079,913</u>	<u>\$ 50,264,185</u>

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

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**State College of Florida, Manatee-Sarasota  
A Component Unit of the State of Florida  
Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2016**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 19,667,560
Grants and Contracts	2,130,223
Payments to Suppliers	(12,943,052)
Payments for Utilities and Communications	(1,639,891)
Payments to Employees	(28,612,649)
Payments for Employee Benefits	(7,750,653)
Payments for Scholarships	(13,811,371)
Auxiliary Enterprises	845,942
Sales and Services of Educational Departments	38,989
Other Receipts	471,014
	<b>(41,603,888)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	24,502,572
Federal and State Student Financial Aid	17,895,452
Federal Direct Loan Program Receipts	11,527,520
Federal Direct Loan Program Disbursements	(11,527,520)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	2,971,329
Other Nonoperating Disbursements	(900)
	<b>45,368,453</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	1,970,419
Capital Grants and Gifts	1,835,512
Purchases of Capital Assets	(4,878,648)
Principal Paid on Note Payable and Capital Lease	(189,853)
Interest Paid on Note Payable and Capital Lease	(4,337)
	<b>(1,266,907)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	171,912
	<b>2,669,570</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>40,216,310</b>
Cash and Cash Equivalents, Beginning of Year	40,216,310
	<b>\$ 42,885,880</b>

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

**For the Fiscal Year Ended June 30, 20161**

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (46,549,889)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,551,974
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	334,595
Inventories	1,955
Prepaid Expenses	(182,543)
Accounts Payable	628,802
Salary and Payroll Taxes Payable	1,139,989
Unearned Revenue	28,564
Deposits Held for Others	(55,451)
Special Termination Benefits Payable	108,204
Compensated Absences Payable	10,672
Other Postemployment Benefits Payable	(76,430)
Net Pension Liability	3,762,799
Deferred Outflows of Resources Related to Pensions	(853,324)
Deferred Inflows of Resources Related to Pensions	<u>(3,453,805)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b><u>\$ (41,603,888)</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING</b>	
<b>ACTIVITIES</b>	
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 207,628

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

# **NOTES TO FINANCIAL STATEMENTS**

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

**Reporting Entity.** The governing body of State College of Florida, Manatee-Sarasota, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education (SBE) rules. However, the Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and SBE rules. Geographic boundaries of the College correspond with those of Manatee and Sarasota Counties.

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

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

The Foundation is also a direct-support organization, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, is financially accountable to the College. The Foundation is managed independently, outside the College's budgeting process, and its powers generally are vested in a governing board pursuant to various State statutes. The Foundation receives, holds, invests, and administers property, and makes 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 at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended September 30, 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, investment income, and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College computes its scholarship allowances by determining through its accounting records, the cash payments to students.

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

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

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

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

At June 30, 2016, the College reported as cash equivalents \$33,148,315 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 and artifacts, construction in progress, buildings, other structures and improvements, 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 other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

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

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

## **2. Adjustment to Beginning Net Position – Component Unit**

The beginning net position of the discretely presented component unit was increased by \$75,461 due to an understatement of investment income in the prior year. The adjustment has no effect on the results of the current year's activities.

## **3. Component Unit Investments**

The College's component unit (Foundation) categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. As of September 30, 2015, investments held by the Foundation are reported at fair value as follows:

	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
United States Treasury Securities	\$ 280,667	\$ 280,667	\$ -	\$ -
Obligations of United States Government				
Agencies and Instrumentalities	583,574	583,574	-	-
Bonds and Notes	806,940	806,940	-	-
Stocks and Other Equity Securities	2,379,230	2,379,230	-	-
Alternative Investments	7,139,300	-	-	7,139,300
Mutual Funds				
Domestic Equities	17,323,530	17,323,530	-	-
International Equities	10,533,563	10,533,563	-	-
Bonds and Notes	7,998,983	7,998,983	-	-
<b>Total Investments by fair value level</b>	<b>\$ 47,045,787</b>	<b>\$ 39,906,487</b>	<b>\$ -</b>	<b>\$ 7,139,300</b>

#### 4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$452,000 allowance for doubtful accounts.

#### 5. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$8,463,032 of Public Education Capital Outlay allocations due from the State for construction of College facilities, \$477,663 for Federal Pell and SEOG grants, and \$129,708 for Federal Direct Loans.

#### 6. Due From and To Component Unit/College

The \$103,451 reported as due from component unit consists of amounts owed to the College by the Foundation for scholarships and student aid. The College's financial statements are reported for the fiscal year ended June 30, 2016. The College's component unit's financial statements are reported for the fiscal year ended September 30, 2015. Accordingly, amounts reported by the College as due from component unit on the statement of net position do not agree with amounts reported by the component unit as due to the College.

## 7. Capital Assets

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Adjustments (1)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:					
Land	\$ 2,112,647	\$ -	\$ -	\$ -	\$ 2,112,647
Artwork/Artifacts	39,661	-	-	-	39,661
Construction in Progress	1,230,278	-	4,674,905	1,520,862	4,384,321
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 3,382,586</b>	<b>\$ -</b>	<b>\$ 4,674,905</b>	<b>\$ 1,520,862</b>	<b>\$ 6,536,629</b>
Depreciable Capital Assets:					
Buildings	\$ 93,157,579	\$ -	\$ 1,036,522	\$ -	\$ 94,194,101
Other Structures and Improvements	19,951,675	1,840,630	487,758	-	22,280,063
Furniture, Machinery, and Equipment	8,238,568	-	655,257	472,484	8,421,341
Assets Under Capital Lease	1,840,630	(1,840,630)	-	-	-
<b>Total Depreciable Capital Assets</b>	<b>123,188,452</b>	<b>-</b>	<b>2,179,537</b>	<b>472,484</b>	<b>124,895,505</b>
Less, Accumulated Depreciation:					
Buildings	32,606,627	-	2,039,074	-	34,645,701
Other Structures and Improvements	16,217,553	1,748,599	877,010	-	18,843,162
Furniture, Machinery, and Equipment	7,079,195	-	635,890	472,484	7,242,601
Assets Under Capital Lease	1,748,599	(1,748,599)	-	-	-
<b>Total Accumulated Depreciation</b>	<b>57,651,974</b>	<b>-</b>	<b>3,551,974</b>	<b>472,484</b>	<b>60,731,464</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 65,536,478</b>	<b>\$ -</b>	<b>\$ (1,372,437)</b>	<b>\$ -</b>	<b>\$ 64,164,041</b>

Note: (1) The class of property and related accumulated depreciation, previously reported as assets under capital lease has been reclassified as other structures and improvements

## 8. Unearned Revenue

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

<u>Description</u>	<u>Amount</u>
Grant and Contracts	\$ 16,595
Student Tuition and Fees	78,754
<b>Total Unearned Revenue</b>	<b>\$ 95,349</b>

## 9. Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital Lease Payable	\$ 170,908	\$ 3,418	\$ 174,326	\$ -	\$ -
Note Payable	22,071	-	15,527	6,544	6,544
Special Termination Benefits Payable	264,425	254,258	146,054	372,629	125,886
Compensated Absences Payable	2,607,264	797,270	786,598	2,617,936	66,280
Other Postemployment Benefits Payable	295,137	133,198	209,628	218,707	-
Net Pension Liability	9,795,609	8,421,695	4,658,896	13,558,408	366,231
<b>Total Long-Term Liabilities</b>	<b>\$ 13,155,414</b>	<b>\$ 9,609,839</b>	<b>\$ 5,991,029</b>	<b>\$ 16,774,224</b>	<b>\$ 564,941</b>

**Note Payable.** On July 31, 2014, the State College of Florida Collegiate School (Charter School) entered into a 3-year agreement financing \$19,664 of computer equipment at a stated rate of 7.13 percent. The Charter School is a restricted fund of State College of Florida, Manatee-Sarasota and operates under a charter with the sponsoring school district, the School Board of Manatee County. Annual requirements to amortize the outstanding notes as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 7,010
<b>Total Minimum Payments</b>	7,010
Less, Amount Representing Interest	466
<b>Present Value of Minimum Payments</b>	<b>\$ 6,544</b>

**Special Termination Benefits Payable.** On March 17, 1993, the Board of Trustees established Retirement Incentive Program (Program) whereby employees meeting certain eligibility guidelines could receive benefits under the Program. For qualifying employees, the Program provides payment of 100 percent of the hospitalization coverage (or 100 percent Medicare Supplement) for a period of 5 years, payments for \$5,000 Retiree Group Life through age 69, and 2.5 percent accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. The College recognized a Retirement Incentive Program payable of \$847 as of June 30, 2016, for 2 participants who gave notice to retire under the Retirement Incentive Program. The Program terminated on June 30, 2006. Any otherwise eligible employee as of that date must have retired no later than June 30, 2006 to participate.

On September 21, 2005, the Board of Trustees established the Retirement Enhancement Program (Program) whereby employees meeting certain eligibility guidelines could receive benefits under the Program. For qualifying employees hired prior to October 1, 2005, the Program provides payment of hospitalization coverage (or equivalent Medicare Supplement) at the rate in effect on January 1, 2006, for a period of 5 years, payments for \$5,000 Retiree Group Life for a period of 5 years, and 2.5 percent of accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. For new qualifying employees hired on or after October 1, 2005, the Program provides for payment of hospitalization coverage (or equivalent Medicare Supplement) at a rate in effect

on January 1, 2006, for a period of 3 years, payment of \$5,000 Retiree Group Life for a period of 3 years, and the standard sick leave payout per College rule. The College recognized a Retirement Enhancement Program payable of \$371,782 at June 30, 2016, for 43 employees who gave notice to retire under the Retirement Enhancement Program.

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2016, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$2,617,936. The current portion of the compensated absences liability, \$66,280, is the amount expected to be paid in the coming fiscal year, and represents the average amount for the last 17 years of leave paid out to total accrued leave liability.

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

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

*Funding Policy.* OPEB Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend OPEB Plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual 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, 47 retirees received postemployment healthcare benefits, and 38 retirees received postemployment life insurance benefits. The College provided required contributions of \$209,628 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 \$149,888, which represents 0.8 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 67,787
Amortization of Unfunded Actuarial Accrued Liability	<u>64,511</u>
<b>Annual Required Contribution</b>	132,298
Interest on Net OPEB Obligation	11,805
Adjustment to Annual Required Contribution	<u>(10,905)</u>
<b>Annual OPEB Cost (Expense)</b>	133,198
Contribution Toward the OPEB Cost	<u>(209,628)</u>
<b>Decrease in Net OPEB Obligation</b>	(76,430)
Net OPEB Obligation, Beginning of Year	<u>295,137</u>
<b>Net OPEB Obligation, End of Year</b>	<u>\$ 218,707</u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2016, and for the 2 preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013-14	\$ 188,468	92.4%	\$ 333,697
2014-15	193,886	119.9%	295,137
2015-16	133,198	157.4%	218,707

*Funded Status and Funding Progress.* As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$1,745,938, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,745,938 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$19,698,422 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.86 percent.

Actuarial valuations for an OPEB plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Actuarially determined amounts regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend

information that shows whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial valuations used actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The College's OPEB actuarial valuation as of July 1, 2015, used the entry age normal cost actuarial method to estimate the actuarial accrued liability as of June 30, 2016, and the College's 2015-16 fiscal year ARC. This method was selected in anticipation of the change outlined in the 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. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year, an inflation rate of 2.6 percent per year, 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 in 2017 for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2016, was 21 years.

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

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

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

The College's FRS and HIS pension expense totaled \$979,694 for the fiscal year ended June 30, 2016.

### **FRS Pension Plan**

*Plan Description.* The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

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

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

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

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

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

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

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

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

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

The College's contributions to the Plan totaled \$1,157,793 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 \$6,473,970 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The College's proportionate share of the net pension liability was based on the College's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the College's proportionate share was 0.050122319 percent, which was a decrease of 0.001607143 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of \$494,489. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 683,460	\$ 153,543
Change of assumptions	429,699	-
Net difference between projected and actual earnings on FRS Plan investments	-	1,545,875
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	307,167	210,927
College FRS contributions subsequent to the measurement date	1,157,793	-
<b>Total</b>	<b>\$ 2,578,119</b>	<b>\$ 1,910,345</b>

The deferred outflows of resources related to pensions totaling \$1,157,793, resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ (480,504)
2018	(480,504)
2019	(480,504)
2020	794,892
2021	129,854
Thereafter	26,747
<b>Total</b>	<b>\$ (490,019)</b>

*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:

<b>Asset Class</b>	<b>Target Allocation (1)</b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>	<b>Standard Deviation</b>
Cash	1%	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%
<b>Total</b>	<b>100%</b>			
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:

	<b>1% Decrease (6.65%)</b>	<b>Current Discount Rate (7.65%)</b>	<b>1% Increase (8.65%)</b>
College's proportionate share of the net pension liability	\$ 16,775,520	\$ 6,473,970	\$(2,098,612)

*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 \$79,485 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 \$366,231 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 \$7,084,438 for its proportionate share of the net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within one year, net of the College's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to the HIS Plan actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the College's proportionate share was 0.069465990 percent, which was a decrease of 0.001541259 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of \$485,205. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 557,360	\$ -
Net difference between projected and actual earnings on HIS Plan investments	3,835	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	-	240,738
College contributions subsequent to the measurement date	366,231	-
<b>Total</b>	<b>\$ 927,426</b>	<b>\$ 240,738</b>

The deferred outflows of resources totaling \$366,231, resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 63,436
2018	63,436
2019	63,436
2020	62,657
2021	62,282
Thereafter	5,210
<b>Total</b>	<b>\$ 320,457</b>

*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:

	<u>1% Decrease (2.80%)</u>	<u>Current Discount Rate (3.80%)</u>	<u>1% Increase (4.80%)</u>
College's proportionate share of the net pension liability	\$ 8,072,388	\$ 7,084,438	\$ 6,260,637

*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 \$35,713 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2016.

## 11. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. The allocation to the Investment Plan Regular Class member accounts during the 2015-16 fiscal year was at 6.30 percent of gross compensation.

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

Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 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 \$483,152 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 \$191,084 and employee contributions totaled \$75,870 for the 2015-16 fiscal year.

**Senior Management Service Local Annuity Program.** Section 121.055(1)(b)2., Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the FRS, Senior Management Service Class, may elect to withdraw from the FRS altogether and participate in a local annuity program. Pursuant thereto, the College established the Senior Management Service Class Local Annuity Program (Local Annuity Program). Employees in eligible positions are allowed to make an irrevocable election to participate in the Local Annuity Program, rather than the FRS.

The Local Annuity Program is defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. The College contributes 12.49 percent of the employee's salary to the Local Annuity Program. The participants may make contributions toward the Local Annuity Program by way of salary reduction or by deduction of a percentage of the employee's gross compensation not to exceed the percentage contributed by the employer.

The College's contributions to the Local Annuity Program totaled \$52,959 for the 2015-16 fiscal year.

## 12. Construction Commitments

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

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Chiller Renovation - Bradenton Campus	\$ 1,301,895	\$ 1,273,559	\$ 28,336
New Library - Bradenton Campus	1,478,188	1,175,150	303,038
<b>Subtotal</b>	<u>2,780,083</u>	<u>2,448,709</u>	<u>331,374</u>
Other Projects (1)	<u>2,612,974</u>	<u>1,935,612</u>	<u>677,362</u>
<b>Total</b>	<u>\$ 5,393,057</u>	<u>\$ 4,384,321</u>	<u>\$ 1,008,736</u>

Note: (1) Individual projects with current balance committed of less than \$1 million at June 30, 2016.

## 13. 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.

## 14. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program

elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 22,841,466
Public Services	141,570
Academic Support	3,273,662
Student Services	6,325,989
Institutional Support	12,373,989
Operation and Maintenance of Plant	6,743,735
Scholarships and Waivers	13,811,371
Depreciation	3,551,974
Auxiliary Enterprises	<u>332,154</u>
<b>Total Operating Expenses</b>	<b><u>\$ 69,395,910</u></b>

## 15. Subsequent Events

The College was contacted by the United States Department of Education in October 2016 regarding student financial aid data. As of the date of the audit report, the College is working to comply with the directives of the DOE, and have not received any indication of further action.

## **OTHER REQUIRED SUPPLEMENTARY INFORMATION**

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

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (1) (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b-a)/c]</b>
7/1/2011	\$ -	\$ 1,332,841	\$ 1,332,841	0%	\$ 20,555,206	6.5%
7/1/2013	-	2,308,747	2,308,747	0%	20,404,033	11.3%
7/1/2015	-	1,745,938	1,745,938	0%	19,698,422	8.9%

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

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

	<b>2015 (1)</b>	<b>2014 (1)</b>	<b>2013 (1)</b>
College's proportion of the FRS net pension liability	0.050122319%	0.051729462%	0.049115172%
College's proportionate share of the FRS net pension liability	\$ 6,473,970	\$ 3,156,258	\$ 8,454,907
College's covered-employee payroll (2)	\$ 23,869,764	\$ 23,897,709	\$ 24,494,086
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	27.12%	13.21%	34.52%
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**

	<b>2016 (1)</b>	<b>2015 (1)</b>	<b>2014 (1)</b>
Contractually required FRS contribution	\$ 1,157,793	\$ 1,222,025	\$ 1,133,095
FRS contributions in relation to the contractually required contribution	<u>(1,157,793)</u>	<u>(1,222,025)</u>	<u>(1,133,095)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 25,307,019	\$ 23,869,764	\$ 23,897,709
FRS contributions as a percentage of covered-employee payroll	4.57%	5.12%	4.74%

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

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

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

	<b>2015 (1)</b>	<b>2014 (1)</b>	<b>2013 (1)</b>
College's proportion of the HIS net pension liability	0.069465990%	0.071007249%	0.072933436%
College's proportionate share of the HIS net pension liability	\$ 7,084,438	\$ 6,639,351	\$ 6,349,815
College's covered-employee payroll (2)	\$ 23,869,764	\$ 23,897,709	\$ 24,494,086
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	29.68%	27.78%	25.92%
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**

	<b>2016 (1)</b>	<b>2015 (1)</b>	<b>2014 (1)</b>
Contractually required HIS contribution	\$ 366,231	\$ 265,542	\$ 243,247
HIS contributions in relation to the contractually required HIS contribution	<u>(366,231)</u>	<u>(265,542)</u>	<u>(243,247)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 25,307,019	\$ 23,869,764	\$ 23,897,709
HIS contributions as a percentage of covered-employee payroll	1.45%	1.11%	1.02%

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

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

### **1. Schedule of Funding Progress – Other Postemployment Benefit Plan**

The July 1, 2015, unfunded actuarial accrued liability of \$1,745,938 was significantly lower than the July 1, 2013, liability of \$2,308,747 as a result of the following factors:

- Demographic assumptions (rates of withdrawal, retirement, disability and mortality) were revised to be consistent with those used for the Florida Retirement System (FRS).
- The assumed rates of participation in the Plan were adjusted to reflect current experience.
- The assumed per capita costs of health care were updated.
- The assumed rates of health care inflation used to project the per capita health care costs were revised to reflect recent experience.
- The general payroll growth rate and salary scale assumptions were revised to be consistent with the rates used by the Florida Retirement System (FRS).
- The actuarial cost method was changed from projected unit credit (PUC) to entry age normal (EAN) in anticipation of new disclosure requirements developed by the Governmental Accounting Standards Board (GASB).

### **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.



Sherrill F. Norman, CPA  
Auditor General

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

## **INDEPENDENT AUDITOR'S REPORT 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 State College of Florida, Manatee-Sarasota, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 March 15, 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 certain matters that we reported to College management in our operational audit report No. 2017-027.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 15, 2017