

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

SANTA FE COLLEGE

For the Fiscal Year Ended
June 30, 2016



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2015-16 fiscal year, Dr. Jackson N. Sasser served as President of Santa Fe College and the following individuals served as Members of the Board of Trustees:

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Jeffrey L. Oody, Vice Chair	Bradford
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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 Sheila Ginsberg, CPA, and the audit was supervised by Denita Tyre, CPA.

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

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SANTA FE COLLEGE
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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether Santa Fe College and its officers with administrative and stewardship responsibilities for College operations had:

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

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

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

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

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of College Contributions – Florida Retirement System Pension Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of College Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 16, 2017, on our consideration of the Santa Fe College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 16, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

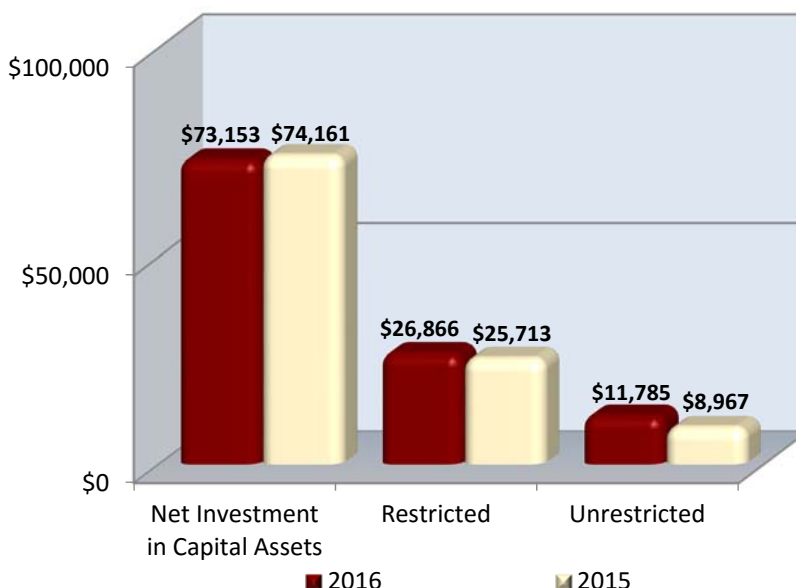
The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2016, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College and the Florida College System Risk Management Consortium (Consortium) for the fiscal years ended June 30, 2016, and June 30, 2015, and the College's component unit, the Santa Fe College Foundation, Inc., for the fiscal years ended December 31, 2015, and December 31, 2014. To better distinguish the activities of the College and Consortium within the primary government, the financial information relating to the Consortium is separately identified.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$159.5 million at June 30, 2016. This balance reflects a \$2.7 million, or 1.7 percent, decrease as compared to June 30, 2015, resulting primarily from a decrease in accounts receivable (\$2.6 million); a decrease in amounts due from other governmental agencies (\$639 thousand); and a decrease in capital assets (\$1.7 million), offset by an increase in cash and cash equivalents (\$2.2 million). Deferred outflows of resources at June 30, 2016, totaled \$7.1 million, a 21.8 percent increase over the prior year. Liabilities increased by \$2.3 million, or 4.6 percent, totaling \$50.9 million at June 30, 2016, as compared to \$48.6 million at June 30, 2015. Deferred inflows of resources at June 30, 2016, totaled \$4 million, a decrease of \$6.7 million, or 62.9 percent decrease over the prior year. As a result, the College's net position increased by \$3 million.

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

Net Position
(In Thousands)



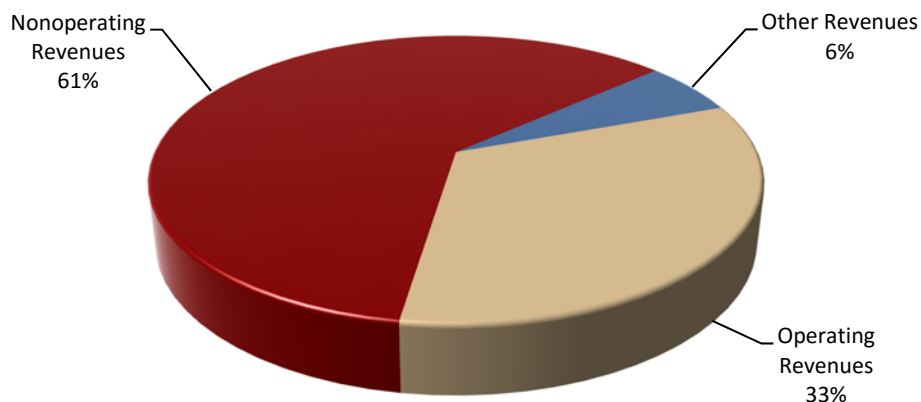
The College's net investment in capital assets represents capital assets, net of accumulated depreciation and outstanding debt principal attributable to the acquisition, construction, or improvement of those assets. The \$1 million, or 1.4 percent, decrease in net investment in capital assets compared to the prior fiscal year was primarily due to the excess depreciation expense over the additions to capital assets during the 2015-16 fiscal year.

Restricted net position is subject to externally imposed restrictions governing their use. The increase in restricted net position of \$1.2 million, or 4.5 percent, was primarily due to the increase in the amount of restricted expendable capital funding for the construction of new facilities as well as renovation and remodeling of existing structures. Variances from year to year for capital funding are expected based on the methods the State Legislature uses to allocate capital appropriations. Therefore, this portion of restricted net position will continue to fluctuate each year.

Unrestricted net position is not subject to externally imposed restrictions. The College reports liabilities for accrued leave, postemployment healthcare and life insurance benefits, and the College's proportionate share of the net pension liability for the Florida Retirement System (FRS) and Health Insurance Subsidy (HIS) pension plans, totaling \$32.9 million; however, State appropriations fund only the portion of accrued leave and postemployment benefits that are paid in the current fiscal year (see the notes to financial statements for further details). Even with this reporting requirement, unrestricted net position has a positive balance.

As more fully described in the Operating Expenses and the Revenues sections which follow, College revenues and other support exceeded expenses for the fiscal year ended June 30, 2016. The following chart provides a graphical presentation of College revenues by category for the 2015-16 fiscal year:

Total Revenues



Annual State appropriations are classified as nonoperating revenues according to generally accepted accounting principles, although State-appropriated funds are used to support the operations of the College. Nonoperating revenues, comprising 61 percent of total revenues, included State noncapital appropriations, Federal Pell Grant revenue, State scholarship revenue, revenues received from agreements between local school boards and the College for high school programs, and investment income; all of which supported operating expenses of the College. Operating revenues, comprising 33 percent of total revenues, consisted primarily of student tuition and fees, grants and contracts, sales and services of educational departments, and auxiliary enterprises. Other revenues, comprising 6 percent of total revenues, include State capital appropriations and capital grants, contracts, gifts, and fees designated for capital projects.

The component unit revenues exceeded expenses during the 2015 calendar year, resulting in an increase in net position of \$944 thousand, compared to a \$1.8 million increase in the prior year, primarily due to decreases in net investment income of \$2.8 million, and increases in endowments and other revenues of \$1.9 million.

OVERVIEW OF FINANCIAL STATEMENTS

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

Primary Government

- Santa Fe College (College) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services
- Florida College System Risk Management Consortium (Consortium), a Statewide college system risk management program – Although legally separate, the College is the fiscal administrator for the program and is required to report certain financial activities to the State of Florida. The required financial information reported includes the assets of cash and cash equivalents and

investments, with a corresponding liability representing that the assets are held in custody by the College for the Consortium.

Component Unit

- Santa Fe College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

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

One of the most important questions asked about the College's finances is, "Is Santa Fe College, as a whole, better off or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as Santa Fe College's operating results.

These two statements report Santa Fe College's net position and changes in them. You can think of the College's net position (assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources) as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net position are one indication of whether its financial health is improving or deteriorating. You need to consider many other nonfinancial factors, such as certain trends, student retention, condition of the buildings, and safety of the campus, to assess the College's overall financial health.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account when earned or incurred, regardless of when cash is received or paid.

A condensed statement of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College, Consortium, and its component unit for the respective fiscal years ended are shown in the following table:

**Condensed Statement of Net Position at
(In Thousands)**

	Primary Government				Component Unit	
	College		Consortium (1)		12-31-15	12-31-14
	6-30-16	6-30-15	6-30-16	6-30-15		
Assets						
Current Assets	\$ 53,967	\$ 56,717	\$ 65,892	\$ 66,548	\$ 2,868	\$ 2,329
Capital Assets, Net	82,819	84,552	-	-	14,320	13,802
Other Noncurrent Assets	22,743	21,008	18,273	18,573	28,974	29,144
Total Assets	<u>159,529</u>	<u>162,277</u>	<u>84,165</u>	<u>85,121</u>	<u>46,162</u>	<u>45,275</u>
Deferred Outflows of Resources	<u>7,122</u>	<u>5,849</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities						
Current Liabilities	10,192	14,511	65,892	66,548	16	33
Noncurrent Liabilities	40,699	34,125	18,273	18,573	1,586	1,626
Total Liabilities	<u>50,891</u>	<u>48,636</u>	<u>84,165</u>	<u>85,121</u>	<u>1,602</u>	<u>1,659</u>
Deferred Inflows of Resources	<u>3,956</u>	<u>10,649</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position						
Net Investment in Capital Assets	73,153	74,161	-	-	14,320	13,802
Restricted	26,866	25,713	-	-	30,053	29,703
Unrestricted	11,785	8,967	-	-	187	111
Total Net Position	<u>\$ 111,804</u>	<u>\$ 108,841</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,560</u>	<u>\$ 43,616</u>
Increase in Net Position	<u>\$ 2,963</u>	2.7%	<u>\$ -</u>		<u>\$ 944</u>	2.2%

Note: (1) The financial information reported for the Consortium includes the assets of restricted cash and cash equivalents and investments with a corresponding liability representing that the assets are held in custody by the College for the Consortium.

Revenues and expenses of the College and its component unit (the College does not include operating results of the Consortium in its statements) for the respective fiscal years ended are shown in the following table:

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

(In Thousands)

	College		Component Unit	
	6-30-16	6-30-15	12-31-15	12-31-14
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 26,707	\$ 25,864	\$ -	\$ -
Federal Grants and Contracts	3,520	2,763	-	-
State and Local Grants and Contracts	730	648	-	-
Nongovernmental Grants and Contracts	280	422	316	413
Sales and Services of Educational Departments	1,209	1,115	-	-
Auxiliary Enterprises	1,691	1,563	-	-
Other Operating Revenues	436	451	533	513
Total Operating Revenues	34,573	32,826	849	926
Less, Operating Expenses	100,761	103,998	1,926	2,060
Operating Loss	(66,188)	(71,172)	(1,077)	(1,134)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	37,845	36,078	-	-
Federal and State Grants	22,726	25,653	-	-
Gifts, Grants, and Contracts	2,006	1,920	-	-
Other Nonoperating Revenues (Expenses), Net	851	(74)	(468)	2,381
Net Nonoperating Revenues (Expenses)	63,428	63,577	(468)	2,381
Income (Loss) Before Other Revenues	(2,760)	(7,595)	(1,545)	1,247
State Capital Appropriations	1,177	9,096	-	-
Endowment Principal Additions	-	-	2,330	599
Capital Grants, Contracts, Gifts, and Fees	4,546	4,411	159	-
Net Increase In Net Position	2,963	5,912	944	1,846
Net Position, Beginning of Year	108,841	125,509	43,616	41,770
Adjustment to Beginning Net Position (1)	-	(22,580)	-	-
Net Position, Beginning of Year, as Restated	108,841	102,929	43,616	41,770
Net Position, End of Year	\$ 111,804	\$ 108,841	\$ 44,560	\$ 43,616

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.

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. Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain grants, and investment income, are

defined by GASB as nonoperating. College revenues decreased \$6.2 million, or 5.6 percent, as compared to the prior fiscal year as a result of the following factors:

Operating Revenues

- Net student tuition and fee revenue increased by \$843 thousand, or 3.3 percent, as a result of an increase in tuition and fees and a decrease in the scholarship allowance.
- Grants and Contracts increased by \$697 thousand, or 18.2 percent, primarily due to an increase in Federal grants.
- Sales and services of educational departments increased by \$94 thousand, or 8.4 percent, due to sale increases at ancillary operations.
- Auxiliary enterprise revenue increased by \$128 thousand, or 8.2 percent, as a result of an increase in revenue associated with the inter-local agreement with the City of Gainesville for management services of the Gainesville Technology Entrepreneurship Center Incubator.

Nonoperating and Other Revenues and Gains

- State noncapital appropriations increased by \$1.8 million, or 4.9 percent, primarily due to increased funding in Florida College System Program funds.
- Federal and State grants revenue decreased by \$2.9 million, or 11.4 percent, due primarily to a decrease in Federal Pell Grant Program scholarship support.
- Investment income increased by \$892 thousand, or 208.8 percent, principally due to increases in interest rates.
- State capital appropriations decreased by \$7.9 million, or 87.1 percent. This was due to decreased Public Education Capital Outlay funding from the prior fiscal year for capital projects.
- Capital grants, contracts, gifts and fees increased by \$135 thousand, or 3.1 percent, primarily due to an increase in gifts for capital projects.

Component unit revenues decreased by \$1 million, or 26.5 percent, as compared to the prior fiscal year as a result of the following factors:

- Other nonoperating revenues decreased \$2.8 million, or 119.7 percent, mainly from a decrease in investment income, net of realized and unrealized gains or losses.
- Endowment principal additions increased \$1.7 million, or 289 percent, as a result of an increase in amounts designated by donors to be placed in permanent endowments.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

The following summarizes operating expenses by natural classification for the College (none are reported for the Consortium) and its component unit for the respective fiscal years ended:

**Operating Expenses
For the Fiscal Years Ended**

(In Thousands)

	College		Component Unit	
	6-30-16	6-30-15	12-31-15	12-31-14
Personnel Services	\$ 58,921	\$ 59,096	\$ -	\$ -
Scholarships and Waivers	16,216	18,237	784	834
Utilities and Communications	2,295	2,398	-	-
Contractual Services	6,652	6,495	-	-
Other Services and Expenses	4,372	4,082	747	832
Materials and Supplies	7,076	7,848	-	-
Depreciation	5,229	5,842	395	394
Total Operating Expenses	\$ 100,761	\$ 103,998	\$ 1,926	\$ 2,060

College total operating expenses decreased by \$3.2 million, or 3.1 percent, as compared to the prior fiscal year as a result of the following factors:

- The College provided a non-recurring periodic salary supplement of \$1,000 to all full-time personnel. These increases were offset with the recording of a net pension expense credit adjustment totaling \$852 thousand. As a result, personnel services decreased by \$175 thousand, or 0.3 percent, from the prior fiscal year.
- Scholarships and waivers provided to students decreased by \$2 million, or 11.1 percent, primarily due to decreases in Federal Title IV Higher Education Act student financial aid and the State's Bright Futures Scholarship Program and slight increases in waiver expense associated with the state fee waivers for non-Florida resident Florida high school graduates and veterans. Scholarship expenses, similar to tuition and fees revenue, are also shown net of scholarship allowances (amounts received from other than students and third party payers).
- Utilities and communications decreased by \$103 thousand, or 4.3 percent, primarily due to a decrease in electrical and fuel consumption.
- Contractual services increased by \$157 thousand, or 2.4 percent, primarily due to an increase in miscellaneous contractual services expensed by grants.
- Other services and expenses increased by \$290 thousand, or 7.1 percent, primarily due to an increase in repairs and maintenance expenses.
- Materials and supplies decreased by \$772 thousand, or 9.8 percent, which is attributable primarily to decreases in expenses for non-capitalized renovations and remodeling and minor equipment purchases offset with slight increases in educational materials and supplies and software expenses.
- Depreciation expense decreased by \$613 thousand, or 10.5 percent, as a result of several buildings and equipment reaching full depreciation in the 2015-16 fiscal year.

Total operating expenses for the component unit decreased \$134 thousand primarily due to slight decreases in scholarships provided to students and academic program support expenses.

The Statement of Cash Flows

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity

during a period. 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. 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 statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows.
- Its ability to meet its obligations as they come due.
- Its need for external financing.

A summary of the College's and the Consortium's cash flows for the 2015-16 and 2014-15 fiscal years is presented in the following table:

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

	College		Consortium	
	2015-16	2014-15	2015-16	2014-15
Cash Provided (Used) by:				
Operating Activities	\$(63,393)	\$(65,292)	\$ (54)	\$ (7,554)
Noncapital Financing Activities	62,509	63,709	-	-
Capital and Related Financing Activities	1,861	818	-	-
Investing Activities	1,221	421	(408)	(71)
Net Increase (Decrease) in Cash and Cash Equivalents	2,198	(344)	(462)	(7,625)
Cash and Cash Equivalents, Beginning of Year	54,602	54,946	64,558	72,183
Cash and Cash Equivalents, End of Year	\$ 56,800	\$ 54,602	\$ 64,096	\$ 64,558

The College's cash and cash equivalents increased during the 2015-16 fiscal year. The following discussion amplifies the overview of cash flows:

- Cash outflows for operating activities decreased \$1.9 million as compared to the prior fiscal year. The primary component of this change was the decrease in cash outflows of \$2 million for payments for scholarships.
- The primary sources of cash inflows in noncapital financing activities are State noncapital appropriations (\$37.8 million), and Federal and State grants (\$22.7 million). Cash inflows from noncapital financing decreased \$1.2 million, as compared to the prior fiscal year, predominantly due to an increase in State noncapital appropriations (\$1.8 million) and a decrease in Federal and State grants (\$2.9 million).
- The primary sources of cash inflows for capital and related financing activities are State capital appropriations (\$1.8 million) and capital grants and gifts (\$4.8 million). Net cash inflows for capital and related financing activities increased \$1 million as compared to the prior fiscal year, primarily due to an increase in State capital appropriations (\$634 thousand) and capital grants and gifts (\$713 thousand) offset by an increase in the purchase of capital assets (\$474 thousand).

- Cash inflows for investing activities of the College increased by \$800 thousand primarily due to an increase in investment income.

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

At June 30, 2016, the College had \$190.3 million in capital assets, less accumulated depreciation of \$107.5 million, for net capital assets of \$82.8 million. Depreciation charges for the current fiscal year totaled \$5.2 million. The following table summarizes the College's capital assets activity for the fiscal year ending June 30, 2016:

Capital Assets, Net at June 30: College

<u>Capital Assets</u>	(In Thousands)			Ending
	Beginning Balance	Additions	Reductions	Balance
Land	\$ 5,117	\$ 1,007	\$ -	\$ 6,124
Artwork and Artifacts	18	-	-	18
Buildings	140,140	-	-	140,140
Other Structures and Improvements	31,014	2,893	-	33,907
Furniture, Machinery, and Equipment	8,969	1,228	746	9,451
Construction in Progress	2,351	1,261	2,892	720
Total	<u>187,609</u>	<u>6,389</u>	<u>3,638</u>	<u>190,360</u>
Less, Accumulated Depreciation				
Buildings	67,056	3,111	-	70,167
Other Structures and Improvements	28,307	1,237	-	29,544
Furniture, Machinery, and Equipment	7,694	882	746	7,830
Total Accumulated Depreciation	<u>103,057</u>	<u>5,230</u>	<u>746</u>	<u>107,541</u>
Capital Assets, Net	<u>\$ 84,552</u>	<u>\$ 1,159</u>	<u>\$ 2,892</u>	<u>\$ 82,819</u>

The component unit had \$20 million in capital assets, less accumulated depreciation of \$5.7 million, for net capital assets of \$14.3 million. Depreciation charges for the current fiscal year totaled \$394 thousand. Details of the component unit's capital assets activity for the fiscal year ended December 31, 2015, are shown in the following table:

Capital Assets, Net at December 31: Component Unit

(In Thousands)

<u>Capital Assets</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land	\$ 3,622	\$ -	\$ -	\$ 3,622
Art Collection	473	70	-	543
Equipment	4	-	-	4
Land and Buildings Held for Investment	2,082	873	31	2,924
Buildings and Improvements	11,933	-	-	11,933
Film Costs (Depreciable)	962	-	-	962
Total	19,076	943	31	19,988
Less, Accumulated Depreciation	5,274	394	-	5,668
Capital Assets, Net	\$ 13,802	\$ 549	\$ 31	\$ 14,320

More detailed information about the College's and its component unit's capital assets is presented in the notes to the financial statements.

Capital Expenses and Commitments

Capital expenses through June 30, 2016, included roof replacement of building L (\$417 thousand), and planning for the building expansion and renovation at the Institute of Public Safety Kirkpatrick Center (\$272 thousand).

The College has \$640 thousand in construction contract commitments at June 30, 2016. The contract commitments are for projects that include the construction of the Law Enforcement and Emergency Medical Technician facility, college signage, Building L roof replacement, and renovations to Building T, the College's police station. State capital appropriations together with local funds are expected to finance the construction and renovation of facilities. The College's construction commitments at June 30, 2016, are as follows:

Major Construction Commitments: College

(In Thousands)

Total Committed	\$ 1,359
Completed to Date	<u>719</u>
Balance Committed	<u>\$ 640</u>

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

Debt Administration

At fiscal year-end, the College had \$9.7 million in outstanding capital outlay and capital improvement bonds payable versus \$10.4 million at the end of the prior fiscal year, a decrease of 7 percent. Proceeds from bonds were used to construct and renovate College facilities. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30: College

(In Thousands)

	<u>2016</u>	<u>2015</u>
SBE Capital Outlay Bonds	\$ 26	\$ 96
Capital Improvement Revenue Bonds	9,640	10,295
Total	<u>\$ 9,666</u>	<u>\$ 10,391</u>

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. The College's current financial and capital plans indicate that additional financial resources will be necessary to maintain its present level of services. Fifty-one percent of the College's planned recurring 2016-17 operating funds are received through State noncapital appropriations. State allocations for the 2016-17 fiscal year were slightly higher than the 2015-16 fiscal year allocation. While the revenue projections for the State continue to be positive, the demands for State resources continues to grow and, therefore, the College does not anticipate a major increase or decrease in State appropriations in the future. The College continues to designate reserves in excess of the statutory level to be utilized as needed for maintaining operations during the upcoming fiscal year.

On-going efforts to develop new revenue sources and contain costs continue to serve the College well in its commitment to the growth of educational programs, improved student access, and overall excellence in service to its students and communities. The conservative budgetary stance taken by the College provides a framework for a focused response in support of our educational mission and provides financial stability in the face of limited economic growth and increased demand for State resources.

The component unit's reliance on charitable giving is also affected by the general state of the economy as well as by the health of the stock market and prospective donors' perception of the benefiting organization. Toward this latter factor, the College has historically enjoyed a very positive reputation in the communities it serves. The continuation of the component unit's history of very steady growth is expected.

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 Administrative Affairs/CFO, Santa Fe College, 3000 Northwest 83rd Street, Gainesville, Florida 32606.

BASIC FINANCIAL STATEMENTS

Santa Fe College A Component Unit of the State of Florida Statement of Net Position

June 30, 2016

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 37,355,824	\$ 255,219
Restricted Cash and Cash Equivalents	3,474,543	1,513,263
Investments	1,642,233	19,220
Restricted Investments	-	941,748
Accounts Receivable, Net	1,520,836	138,473
Due from Other Governmental Agencies	9,826,598	-
Due from Component Unit	6,666	-
Inventories	72,676	-
Prepaid Expenses	68,256	-
Risk Management Consortium:		
Restricted Cash and Cash Equivalents	64,096,207	-
Restricted Investments	1,795,323	-
Total Current Assets	119,859,162	2,867,923
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	15,969,409	-
Investments	6,772,869	469,266
Restricted Investments	681	3,454,346
Endowment Investments	-	25,050,308
Depreciable Capital Assets, Net	75,957,760	7,224,711
Nondepreciable Capital Assets	6,860,842	7,095,653
Risk Management Consortium:		
Restricted Deposit	3,807,344	-
Restricted Investments	14,465,961	-
Total Noncurrent Assets	123,834,866	43,294,284
TOTAL ASSETS	243,694,028	46,162,207
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	7,122,069	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,139,428	16,304
Salary and Payroll Taxes Payable	4,289,047	-
Retainage Payable	64,128	-
Due to Other Governmental Agencies	19,369	-
Unearned Revenue	1,761,536	-
Deposits Held for Others	1,092,690	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	706,000	-
Compensated Absences Payable	709,435	-
Net Pension Liability	410,056	-
Risk Management Consortium:		
Deposits Held for Others	65,891,530	-
Total Current Liabilities	76,083,219	16,304

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

June 30, 2016

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	8,960,000	-
Compensated Absences Payable	7,919,539	-
Other Postemployment Benefits Payable	511,271	-
Net Pension Liability	23,309,005	-
Other Noncurrent Liabilities:	-	1,586,012
Risk Management Consortium:		
Deposits Held in Custody	18,273,305	-
Total Noncurrent Liabilities	58,973,120	1,586,012
TOTAL LIABILITIES	135,056,339	1,602,316
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	3,955,558	-
NET POSITION		
Net Investment in Capital Assets	73,152,602	14,320,364
Restricted:		
Nonexpendable:		
Endowment	-	26,248,759
Expendable:		
Grants	1,786,017	-
Loans	487,100	-
Scholarships	-	1,593,676
Capital Projects	24,592,693	-
Debt Service	681	-
Other	-	2,210,048
Unrestricted	11,785,107	187,044
TOTAL NET POSITION	\$ 111,804,200	\$ 44,559,891

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

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

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$8,978,853	\$ 26,707,250	\$ -
Federal Grants and Contracts	3,520,389	-
State and Local Grants and Contracts	730,027	-
Nongovernmental Grants and Contracts	279,733	315,640
Sales and Services of Educational Departments	1,208,665	-
Auxiliary Enterprises	1,690,907	-
Other Operating Revenues	436,005	533,133
Total Operating Revenues	34,572,976	848,773
EXPENSES		
Operating Expenses:		
Personnel Services	58,921,061	-
Scholarships and Waivers	16,216,435	784,508
Utilities and Communications	2,294,439	-
Contractual Services	6,652,092	-
Other Services and Expenses	4,372,228	747,460
Materials and Supplies	7,075,727	-
Depreciation	5,229,244	394,513
Total Operating Expenses	100,761,226	1,926,481
Operating Loss	(66,188,250)	(1,077,708)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	37,845,493	-
Federal and State Grants	22,725,759	-
Gifts, Grants, and Contracts	2,006,356	-
Investment Income (Loss)	1,318,397	(467,672)
Gain on Disposal of Capital Assets	15,587	-
Interest on Capital Asset-Related Debt	(481,212)	-
Other Nonoperating Expenses	(2,250)	-
Net Nonoperating Revenues (Expenses)	63,428,130	(467,672)
Loss Before Other Revenues	(2,760,120)	(1,545,380)
State Capital Appropriations	1,177,249	-
Endowment Principal Additions	-	2,330,192
Capital Grants, Contracts, Gifts, and Fees	4,546,080	159,460
Total Other Revenues	5,723,329	2,489,652
Increase in Net Position	2,963,209	944,272
Net Position, Beginning of Year	108,840,991	43,615,619
Net Position, End of Year	\$ 111,804,200	\$ 44,559,891

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

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Santa Fe College
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2016

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 26,206,662
Grants and Contracts	4,411,431
Payments to Suppliers	(18,071,089)
Payments for Utilities and Communications	(2,294,439)
Payments to Employees	(48,387,845)
Payments for Employee Benefits	(11,540,805)
Payments for Scholarships	(16,216,435)
Loans Issued to Students	(1,505)
Collection on Loans to Students	5,941
Auxiliary Enterprises	1,302,492
Sales and Services of Educational Departments	1,208,665
Other Payments	(16,551)
Risk Management Consortium:	
Other Payments	(54,149)
Net Cash Used by Operating Activities	(63,447,627)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	37,845,493
Federal and State Grants	22,725,759
Federal Direct Loan Program Receipts	20,347,782
Federal Direct Loan Program Disbursements	(20,413,788)
Gifts, Grants, and Contracts	2,006,356
Other Nonoperating Disbursements	(2,250)
Net Cash Provided by Noncapital Financing Activities	62,509,352
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,773,758
Capital Grants and Gifts	4,804,231
Purchases of Capital Assets	(3,511,103)
Principal Paid on Capital Debt	(725,000)
Interest Paid on Capital Debt	(481,212)
Net Cash Provided by Capital and Related Financing Activities	1,860,674
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	7,395,352
Purchases of Investments	(7,495,534)
Investment Income	1,321,484
Risk Management Consortium:	
Proceeds from the Sales and Maturities of Investments	11,798,092
Purchase of Investments	(12,205,811)
Net Cash Provided by Investing Activities	813,583
Net Increase in Cash and Cash Equivalents	1,735,982
Cash and Cash Equivalents, Beginning of Year	119,160,001
Cash and Cash Equivalents, End of Year	\$ 120,895,983

Santa Fe College
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2016

	College
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (66,188,250)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,229,244
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Accounts Receivable, Net	2,571,399
Notes Receivable	4,436
Due from Other Governmental Agencies	(191,359)
Due from Component Unit	72,490
Inventories	23,958
Deposits Receivable	5,000
Prepaid Expenses	(5,914)
Accounts Payable	(543,537)
Salary and Payroll Taxes Payable	(144,502)
Due to Other Governmental Agencies	15,866
Unearned Revenue	(3,460,249)
Deposits Held for Others	81,028
Compensated Absences Payable	(3,179)
Other Postemployment Benefits Payable	(8,302)
Net Pension Liability	7,115,349
Deferred Outflows of Resources Related to Pensions	(1,273,140)
Deferred Inflows of Resources Related to Pensions	(6,693,815)
Risk Management Consortium:	
Restricted Deposit	901,912
Deposits Held for Others	(956,062)
NET CASH USED BY OPERATING ACTIVITIES	\$ (63,447,627)

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

An unrealized loss on investments was recognized as a decrease to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (3,087)
Donations 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.	\$ 41,605

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

Reported within the College's financial statements are certain assets and liabilities of the Florida College System Risk Management Consortium (Consortium). The College is the fiscal agent for the Consortium, which is the administrator of an Employee Benefit Plan and a Property and Casualty Plan for participating Florida colleges. As fiscal agent, the College is responsible for receiving, disbursing, and administering all moneys due to or payable from the Consortium and for personnel functions (hiring, records maintenance, etc.) of the Consortium. The financial information reported for the Consortium includes restricted cash and cash equivalents, restricted deposits, and restricted investments with a corresponding liability representing that the assets are held in custody by the College for the Consortium. Annual audits of the Consortium and its financial activities are conducted by independent certified public accountants and are available at the College.

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 Santa Fe College Foundation, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the

College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2015.

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

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

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

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

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College identifies within its accounting system amounts paid for tuition and fees from grants, loans, or others providing financial aid sources. The total amount of these payments is deducted from student tuition and fees.

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

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

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

At June 30, 2016, the College and the Consortium reported as cash equivalents at fair value \$44,493,770 and \$63,039,893, respectively, in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 4.). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.61 years and fair value factor of 1.0143 at June 30, 2016. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The College relies on policies developed by the State Treasury for managing interest rate risk or credit

risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2016, the College and the Consortium reported as cash equivalents \$10,448,074 and \$2,931, respectively, in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The 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; and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and 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, Pianos – 7 years

Capital Assets – Component Unit. Property and equipment acquisitions of the College’s component unit are recorded at cost, if purchased. Contributed property and equipment are recorded at estimated value, as determined by the donor or the component unit, at the date of receipt. Capitalized assets have a useful life greater than one year and an original cost of \$500 or greater. Buildings and equipment, not held for investment, are depreciated using the straight-line method, based on a 40-year useful life for buildings, 5 to 7 years useful life for equipment, and 10 years for film production costs. Land and buildings held as investments are recorded at fair market value, based on comparable sales in the market, as of December 31, 2015. Changes in fair value during the reporting period are recorded as investment income or loss.

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

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

2. Reporting Changes

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

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

3. Restricted Deposit

Pursuant to a collateral agreement, the Consortium has a \$3,807,344 collateral deposit held by an insurance company (company) for workers’ compensation insurance claims. Although the Consortium is required to reimburse the company for claims paid, the company is authorized to use the collateral to pay any and all of the Consortium’s obligations owed under the agreement. The deposit is held by the company in an interest bearing account; however, the deposit is exposed to custodial credit risk because it is not covered by depository insurance and is uncollateralized. The Consortium does not have a policy for custodial credit risk.

4. Investments

College and Consortium

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

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

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

The general investment policy of both the College and the Consortium is to apply the prudent person rule: investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment. In addition to the investments allowed by Section 218.415(16), Florida Statutes, the investment policies of the College and the Consortium authorize investments in repurchase agreements, corporate notes, and money market instruments. The Consortium also includes asset-backed securities as an authorized investment.

All of the College's and Consortium's recurring fair value measurements as of June 30, 2016, are valued using a matrix-pricing model (Level 2 inputs), with the exception of SBA Debt Service Accounts and United State Treasury Notes which are valued using the quoted market prices (Level 1 inputs).

The College's and the Consortium's investments at June 30, 2016, are reported as follows:

	Amount	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by fair value level - College			
SBA Debt Service Accounts	\$ 681	\$ 681	\$ -
United States Treasury Notes	4,139,490	4,139,490	-
Obligations of United States Government-Sponsored Enterprises	2,643,420	-	2,643,420
Commercial Paper	698,700	-	698,700
Corporate Notes	594,427	-	594,427
Federal Agency Collateralized Mortgage Obligations	124,572	-	124,572
Mortgage-Backed Pass-Throughs	203,489	-	203,489
Money Market Mutual Funds	11,004	-	11,004
Total investments by fair value level - College	8,415,783	4,140,171	4,275,612
Investments by fair value level - Consortium			
United States Treasury Notes	3,499,174	3,499,174	-
Obligations of United States Government and Government-Sponsored Enterprises	2,701,457	-	2,701,457
Commercial Paper	1,497,774	-	1,497,774
Corporate Notes	5,680,773	-	5,680,773
Federal Agency Collateralized Mortgage Obligations	591,693	-	591,693
Foreign Notes	945,922	-	945,922
Asset-Backed Securities	281,076	-	281,076
Mortgage-Backed Pass-Throughs	990,629	-	990,629
Money Market Mutual Funds	72,786	-	72,786
Total investments by fair value level - Consortium	16,261,284	3,499,174	12,762,110
Total investments by fair value level - College and Consortium	\$ 24,677,067	\$ 7,639,345	\$ 17,037,722

State Board of Administration Debt Service Accounts

The College reported investments totaling \$681 at June 30, 2016, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Other Investments

The College and the Consortium invested in various debt and equity securities and money market funds. The following risks apply to College and Consortium investments:

Interest Rate Risk: Interest rate risk is the risk that changing interest rates will adversely affect the fair value of an investment. The investment policy of the College limits the maximum average duration of the

investment portfolio to no greater than 120 percent of the target benchmarks' average duration. The College's benchmark is the Merrill Lynch 1-3 Year U.S. Treasury Index. The investment policy of the Consortium limits the maximum effective duration of the aggregate portfolio to 3 years. The performance benchmark for the Consortium is the Merrill Lynch 1-5 Year U.S. Treasury Index.

At June 30, 2016, the Merrill Lynch 1-3 and 1-5 Year U.S. Treasury Indexes' effective durations were 1.83 and 2.66 years, respectively. The effective duration of the College and Consortium's portfolios at June 30, 2016, were 1.84 and 2.59 years, respectively. Recognizing that market volatility is a function of duration, the investment policies of the College and the Consortium state that the portfolios are to be maintained as short- to intermediary-term duration portfolios. The maximum duration of floating rate and individual securities from date of purchase is 5 years for the College and 5.5 years for the Consortium. At June 30, 2016, the Consortium's longest individual security effective duration was 4.64 years. Furthermore, the College's investment policy is designed to limit principal fluctuation so that no more than 20 percent of the portfolio has an effective duration greater than 3 years. An additional objective of the College is to provide sufficient liquidity and stability of principal, so that no less than 10 percent of the portfolio has an effective duration of 1 year or less.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policies of the College provide for the following regarding credit risk:

- Repurchase agreements must be fully collateralized at 102 percent by United States Treasuries.
- Money market instruments including, but not limited to, commercial paper, time deposits, and banker's acceptances, at the time of purchase must, at a minimum, be rated "A1/P1" or the equivalent by Standard & Poor's and/or Moody's and all other nationally recognized credit rating organizations.
- Corporate bonds and notes must have at least an "AAA" rating by at least two of the following three credit rating organizations: Standard & Poor's, Moody's, or Fitch.
- Money market funds must be registered with the SEC with the highest credit quality rating from a nationally recognized rating company.
- A total quality rating of 8 or higher for the College must be maintained using the following scale:
 - United States Government Fully Guaranteed 10
 - Government-Sponsored Enterprises 9
 - "AAA" – Rated Securities 8
 - "AA" – Rated Securities 7
 - "A" – Rated Securities 6

As of June 30, 2016, using the above scale, the College's total quality rating was 9.21.

The investment policies of the Consortium provide for the following regarding credit risk:

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement ¹	Maximum Maturity
U.S. Treasury	100%	100%	N/A	5.50 Years (5.50 Years avg. life ⁴ for GNMA)
Government National Mortgage Association (GNMA)		40%		
Other U.S. Government Guaranteed; (e.g. Agency for International Development, Government Trust Certificates)		10%		
Federal Agency/Government Sponsored Enterprise (GSE): Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Banks, Federal Farm Credit Banks	75%	40% ³	N/A	5.50 Years
Federal Agency/GSE other than those above		10%		
Supranationals where U.S. is a shareholder and voting member	25%	10%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.50 Years
Supranationals other than those above		5%		5.50 Years
Foreign Sovereign Governments (Organization for Economic Cooperation and Development countries only) and Canadian Provinces	10%	5%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.50 Years
Foreign Sovereign Agencies (OECD countries only)	10%	5%	Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)	5.50 Years
Corporates	50% ²	5%	Highest ST or Three Highest LT Rating Categories (A-1/P-1, BBB/Baa or equivalent)	5.50 Years
Municipals	25%	5%	Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)	5.50 Years
Agency Mortgage-Backed Securities	25%	40% ³	N/A	5.50 Years Avg. Life ⁴
Asset-Backed Securities	25%	5%	Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)	5.50 Years Avg. Life ⁴
Non-Negotiable Collateralized Bank Deposits or Savings Accounts	50%	None, if fully collateralized	None, if fully collateralized.	2 Years
Commercial Paper	50% ²	5%	Highest ST Rating Category (A-1/P-1, or equivalent)	270 Days
Bankers' Acceptances	10% ²	5%	Highest ST Rating Category (A-1/P-1, or equivalent)	180 Days
Repurchase Agreements	40%	20%	Counterparty (or if the counterparty is not rated by an Nationally Recognized Statistical Rating Organization (NRSRO), then the counterparty's parent) must be rated in the Highest ST Rating Category (A-1/P-1, or equivalent) If the counterparty is a Federal Reserve Bank, no rating is required	1 Year

Sector	Sector Maximum (%)	Per Issuer Maximum (%)	Minimum Ratings Requirement ¹	Maximum Maturity
Money Market Funds	50%	25%	Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)	N/A
Fixed-Income Mutual Funds & Exchange-Traded Funds	20%	10%	N/A	N/A
Intergovernmental Pools	50%	25%	Highest Fund Quality and Volatility Rating Categories by NRSROs who rate the fund (AAAm/AAAf, S1, or equivalent)	N/A

Notes: (1) Rating by at least one SEC-registered NRSRO, unless otherwise noted. ST=Short-term; LT=Long-term.

(2) Maximum allocation to all corporate and bank credit instruments is 50% combined.

(3) Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency MBS, is 40%.

(4) The maturity limit for MBS and ABS is based on the expected average life at time of purchase, measured using Bloomberg or other industry standard methods.

At June 30, 2016, the investments of the College and the Consortium in obligations of the United States Governmental and Government-sponsored enterprises, Federal agency collateralized mortgage obligations, corporate notes, mortgage-backed pass-throughs, commercial paper, foreign notes, asset-backed securities, and money market mutual funds were rated by Standard & Poor's as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>
<u>College</u>		
United States Treasury Notes	\$ 4,139,490	AA+
Obligations of United States Government and Government-Sponsored Enterprises	\$ 2,643,420	AA+
Commercial Paper	\$ 698,700	A-1 to A-1+
Corporate Notes	\$ 594,427	AA+ to AAA
Federal Agency Collateralized Mortgage Obligations	\$ 124,572	AA+
Mortgage-Backed Pass-Throughs	\$ 203,489	AA+
Money Market Mutual Funds	\$ 11,004	AAAm
<u>Consortium</u>		
United States Treasury Notes	\$ 3,499,174	AA+
Obligations of United States Government and Government-Sponsored Enterprises	\$ 2,701,457	AA+
Commercial Paper	\$ 1,497,774	A-1
Corporate Notes	\$ 5,680,773	A to BBB+
Federal Agency Collateralized Mortgage Obligations	\$ 591,693	AA+
Foreign Notes	\$ 945,922	A+
Asset-Backed Securities	\$ 281,076	AAA
Mortgage-Backed Pass-Throughs	\$ 990,629	AA+
Money Market Mutual Funds	\$ 72,786	AAAm

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investment in a single issuer. The investment policies of the College and the Consortium provide that a maximum of 5 percent of the portfolio's individual corporate exposure may be invested in securities of a single issuer. The maximum corporate exposure at June 30, 2016, was as follows:

- College: 2.98%
- Consortium: 3.98%

Component Unit Investments

Investments held by the College's component unit (Foundation) at December 31, 2015, were reported at fair value as follows:

<u>Description</u>	<u>Current Year Unrealized Appreciation (Depreciation)</u>	<u>Fair Value</u>
Mutual/Closed-End Funds	\$ -	\$ 388,088
Corporate Common Stocks and Mutual Funds	(1,259,429)	11,005,722
United States Government and Federal Agency Bonds	(88)	2,032
Corporate Preferred Stocks	64,960	1,119,320
Corporate Bonds	(852,543)	15,808,456
Municipal Bonds	(22,029)	1,611,270
Total	<u>\$ (2,069,129)</u>	<u>\$ 29,934,888</u>

There was \$2,069,129 in unrealized depreciation in the fair value of investments during the fiscal year ended December 31, 2015. The carrying value of investments at December 31, 2015, includes all material changes in fair value, including unrealized gains and losses that occurred both during the current year and previous years.

The Foundation invested in various debt and equity securities. To smooth distributions from the aggregate portfolio, the Foundation uses the moving average method of determining year-to-year spending. This policy provides for a more consistent and predictable spending for programs and it allows the Foundation to design an investment strategy that is more consistent with a higher expected average return over time. The following risks apply to the Foundation's investments:

Interest Rate Risk: The Foundation's investment policy does not limit debt obligation maturities. However, the Foundation manages its exposure to fair value losses arising from increasing interest rates through the segmented-time distribution method. The durations for the Foundation investments as of December 30, 2015, are as follows:

<u>Maturities in Years</u>	<u>% of Total Assets</u>	<u>Total</u>
Less than 1	3.21%	\$ 960,968
1 to 2	6.92%	2,070,221
3 to 5	13.08%	3,916,884
6 to 10	12.42%	3,716,046
11 to 15	12.77%	3,821,992
16 to 20	7.57%	2,266,638
20 Plus	3.81%	1,141,290
None	40.22%	12,040,849
	<u>100.00%</u>	<u>\$ 29,934,888</u>

Credit Risk: The Foundation's investment policy limits investments to investment grade securities (BBB or higher) issued by banks, corporations, or the Federal Government. Those securities listed at below investment grade have been downgraded subsequent to purchase. In each case the Foundation's Board of Directors, through its Finance Committee, has determined that the downgraded security has a reasonable expectation of recovery and has elected to maintain its position. The policy provides that 20 percent of the total investment in securities may be made in preferred corporate securities. Obligations of United States government agencies and instrumentalities, certificates of deposit, and domestic equities do not require disclosure of credit quality. The credit ratings, by nationally recognized rating agencies (e.g., Moody's Investors Service), of the portfolio held by the Foundation at December 31, 2015, were as follows:

<u>Rating</u>	<u>% of Total Assets</u>	<u>Total</u>
Aaa/AAA	1.08%	\$ 321,836
Aa/AA	6.04%	1,808,088
A/A	15.22%	4,560,188
Baa/BBB	33.18%	9,931,454
Below Investment Grade	5.93%	1,774,769
Total Rated	61.45%	18,396,335
Government Backed	0.01%	2,031
Corporate Stocks	35.26%	10,557,319
Mutual Funds	1.77%	528,768
Corporate Bonds	0.01%	2,033
Limited Partnerships	1.50%	448,402
Total Non-Rated	38.55%	11,538,553
Total Investments	100.00%	\$29,934,888

Custodial Credit Risk: The Foundation has no formal policy on custodial credit risk. However, all investments are insured, registered, or held in the Foundation's name by a custodial bank as an agent for the Foundation.

Concentration of Credit Risk: Composition of the Foundation's investment portfolio is limited by its investment policy, which restricts investment in any one issue to no more than 5 percent of the value of the entire portfolio. At December 31, 2015, no single issues represented more than 2 percent of the total portfolio value.

5. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, Title IV Federal grant and State Bright Futures program repayments due from students, agency billings, investment income, and commissions and rent due from vendors under contract for food, vending, and bookstore operations. The receivables for students are reported net of a \$495,722 allowance for uncollectible student accounts. Other receivables are considered to be fully collectible.

6. Due From Other Governmental Agencies

This amount primarily consists of \$9,014,735 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$688,666 of Federal grant allocations due from the Federal government primarily for the following grants:

- Training for Manufactured Construction – U.S. Department of Labor
- Upward Bound – U.S. Department of Education
- Federal Work-Study – U.S. Department of Education
- Community College Administrator Program – U.S. Department of State
- Talent Search – U.S. Department of Education
- Adult and Financial Literacy – U.S. Department of Education

- GeoPaths – National Science Foundation

7. Due From Component Unit

The \$6,666 reported as due from the component unit primarily consists of the remaining amount owed to the College by the Foundation for donor contributed and matching funds. 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 calendar year ended December 31, 2015; accordingly, there is no amount reported as due to the College by the Foundation.

8. Capital Assets

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 5,116,319	\$ 1,007,008	\$ -	\$ 6,123,327
Artwork and Artifacts	18,000	-	-	18,000
Construction in Progress	2,351,092	1,260,761	2,892,338	719,515
Total Nondepreciable Capital Assets	\$ 7,485,411	\$ 2,267,769	\$ 2,892,338	\$ 6,860,842
Depreciable Capital Assets:				
Buildings	\$ 140,140,075	\$ -	\$ -	\$ 140,140,075
Other Structures and Improvements	31,014,922	2,892,338	-	33,907,260
Furniture, Machinery, and Equipment	8,969,656	1,228,157	746,263	9,451,550
Total Depreciable Capital Assets	180,124,653	4,120,495	746,263	183,498,885
Less, Accumulated Depreciation:				
Buildings	67,056,866	3,110,021	-	70,166,887
Other Structures and Improvements	28,306,708	1,237,626	-	29,544,334
Furniture, Machinery, and Equipment	7,694,570	881,597	746,263	7,829,904
Total Accumulated Depreciation	103,058,144	5,229,244	746,263	107,541,125
Total Depreciable Capital Assets, Net	\$ 77,066,509	\$ (1,108,749)	\$ -	\$ 75,957,760

Capital assets activity of the College's component unit for the fiscal year ended December 31, 2015, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 3,622,393	\$ -	\$ -	\$ 3,622,393
Art Collection	473,393	70,069	-	543,462
Equipment	4,375	-	-	4,375
Land Held for Investment	191,500	125,000	31,000	285,500
Buildings Held for Investment	1,891,452	748,471	-	2,639,923
Total Nondepreciable Capital Assets	\$ 6,183,113	\$ 943,540	\$ 31,000	\$ 7,095,653
Depreciable Capital Assets:				
Buildings and Improvements	\$ 11,932,518	\$ -	\$ -	\$ 11,932,518
Film Costs	961,992	-	-	961,992
Total Depreciable Capital Assets	12,894,510	-	-	12,894,510
Less, Accumulated Depreciation:				
Buildings and Improvements	4,794,291	298,314	-	5,092,605
Film Costs	480,995	96,199	-	577,194
Total Accumulated Depreciation	5,275,286	394,513	-	5,669,799
Total Depreciable Capital Assets, Net	\$ 7,619,224	\$ (394,513)	\$ -	\$ 7,224,711

9. Unearned Revenue

Unearned revenue includes student tuition and fees, grant revenue, and rent revenue received prior to the 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>
Student Tuition and Fees	\$ 1,668,885
Grant Revenue	87,612
Rent Revenue	5,039
Total Unearned Revenue	\$ 1,761,536

10. Long-Term Liabilities

Long-term liabilities of the College at June 30, 2016, include bonds payable, compensated absences payable, other postemployment benefits payable, and net pension liability. Long-term liabilities activity for the fiscal year ended June 30, 2016, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable	\$ 10,391,000	\$ -	\$ 725,000	\$ 9,666,000	\$ 706,000
Compensated Absences Payable	8,632,153	683,503	686,682	8,628,974	709,435
Other Postemployment Benefits Payable	519,573	77,083	85,385	511,271	-
Net Pension Liability	16,603,712	16,919,836	9,804,487	23,719,061	410,056
Total Long-Term Liabilities	\$ 36,146,438	\$ 17,680,422	\$ 11,301,554	\$ 42,525,306	\$ 1,825,491

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

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

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

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
SBE Capital Outlay Bonds: Series 2014B, Refunding	\$ 26,000	5.0	2017
Florida Department of Education Capital Improvement Revenue Bonds: Series 2006A	9,640,000	3.5 - 5.0	2027
Total	\$ 9,666,000		

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
SBE Capital Outlay Bonds:			
2017	\$ 26,000	\$ 650	\$ 26,650
Capital Improvement Revenue Bonds:			
2017	680,000	449,825	1,129,825
2018	715,000	415,825	1,130,825
2019	750,000	380,075	1,130,075
2020	785,000	342,575	1,127,575
2021	825,000	303,325	1,128,325
2022-2026	4,795,000	854,125	5,649,125
2027	1,090,000	38,150	1,128,150
Subtotal	9,640,000	2,783,900	12,423,900
Total Bonds Payable	\$ 9,666,000	\$ 2,784,550	\$ 12,450,550

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 \$8,628,974. The current portion of the compensated absences liability, \$709,435, is the amount expected to be paid in the coming fiscal year based upon the College's prior experience.

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

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

Funding Policy. OPEB Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend OPEB Plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2015-16 fiscal year, 99 retirees received postemployment healthcare benefits, and 55 retirees received postemployment life insurance benefits. The College provided required contributions of \$85,385 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 \$640,074, which represents 1.8 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)	\$ 38,004
Amortization of Unfunded Actuarial Accrued Liability	37,494
Annual Required Contribution	75,498
Interest on Net OPEB Obligation	20,783
Adjustment to Annual Required Contribution	(19,198)
Annual OPEB Cost (Expense)	77,083
Contribution Toward the OPEB Cost	(85,385)
Decrease in Net OPEB Obligation	(8,302)
Net OPEB Obligation, Beginning of Year	519,573
Net OPEB Obligation, End of Year	<u>\$ 511,271</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>	Percentage of		
	<u>Annual</u>	<u>Annual</u>	<u>Net OPEB</u>
	<u>OPEB Cost</u>	<u>OPEB Cost</u>	<u>Obligation</u>
		<u>Contributed</u>	
2013-14	\$ 90,145	39.0%	\$ 489,667
2014-15	94,821	68.5%	519,573
2015-16	77,083	110.8%	511,271

Funded Status and Funding Progress. As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$1,014,734 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,014,734 and a funded ratio of 0 percent. The covered payroll

(annual payroll of active participating employees) was \$35,933,262 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.82 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 method to estimate the actuarial accrued liability as of June 30, 2016, and the College's 2015-16 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year (comprised of a real wage growth rate of 0.65 percent and inflation), compounded annually, 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 after 4 years for pre-Medicare and 1 year for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2016, was 21 years.

11. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

certain members of the Senior Management Service Class employed by the State and faculty and specified employees of State colleges.

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

The College's FRS and HIS pension expense totaled \$1,912,922 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.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

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, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Special Risk Regular	
Service on and after October 1, 1974	3.00
Senior Management Service Class	
	2.00

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

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

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.26
FRS, Senior Management Service	3.00	21.43
FRS, Special Risk	3.00	22.04
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)

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

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

The College's contributions to the Plan totaled \$2,208,964 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the College reported a liability of \$12,546,757 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 0.097138630 percent, which was a decrease of 0.003747417 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of \$1,098,283. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,324,566	\$ 297,571
Change of assumptions	832,770	-
Net difference between projected and actual earnings on FRS Plan investments	-	2,995,956
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	1,264,452	491,824
College FRS contributions subsequent to the measurement date	2,208,964	-
Total	\$ 5,630,752	\$ 3,785,351

The deferred outflows of resources related to pensions totaling \$2,208,964, 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	\$ (791,284)
2018	(791,284)
2019	(791,284)
2020	1,680,473
2021	282,678
Thereafter	47,138
Total	\$ (363,563)

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:

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

Note: (1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
College's proportionate share of the net pension liability	\$ 32,511,485	\$ 12,546,757	\$ (4,067,176)

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled \$555,564 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 \$11,172,304 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 0.109549292 percent, which was a decrease of 0.00219304 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of \$814,639. 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	\$ 878,969	\$ -
Net difference between projected and actual earnings on HIS Plan investments	6,048	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	50,736	170,207
College contributions subsequent to the measurement date	555,564	-
Total	<u>\$ 1,491,317</u>	<u>\$ 170,207</u>

The deferred outflows of resources totaling \$555,564, 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	\$ 135,375
2018	135,375
2019	135,375
2020	134,145
2021	133,555
Thereafter	91,721
Total	<u>\$ 765,546</u>

Actuarial Assumptions. The total pension liability at July 1, 2015, determined by applying update procedures to the actuarial valuation at July 1, 2014, used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.80 percent

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

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.8 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used to determine the total pension liability decreased from 4.29 percent from the prior measurement date.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 3.8 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate:

	1% Decrease (2.8%)	Current Discount Rate (3.8%)	1% Increase (4.8%)
College's proportionate share of the net pension liability	\$ 12,730,321	\$ 11,172,304	\$ 9,873,153

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

12. Retirement Plans – Defined Contribution Pension Plans

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

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

Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2015-16 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

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 \$543,246 for the fiscal year ended June 30, 2016.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes 5.15 percent of the participant's salary to the participant's account and 2.65 percent to cover the unfunded actuarial liability of the FRS pension plan, 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 \$466,274 and employee contributions totaled \$179,339 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 9.65 percent and employees contribute 3 percent of the employee's salary to the Local Annuity Program. Additionally, 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. These contributions are invested in the companies selected by the employee to create a fund for the purchase of annuities at retirement. The College's contributions to the Local Annuity Program totaled \$98,230 and employee contributions totaled \$14,061 for the 2015-16 fiscal year.

13. Construction Commitments

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Capitalized:			
83rd Street Signage Reconstruction:			
Engineer	\$ 12,464	\$ 9,531	\$ 2,933
Construction Manager	172,760	-	172,760
Construction EMT, Law Enforcement Labs & Library:			
Architect	599,842	221,866	377,976
General Contractor	74,504	50,197	24,307
Building T Renovations:			
Architect	46,784	21,348	25,436
Building L Roofing:			
Architect	38,000	37,316	684
Construction Manager	413,970	378,467	35,503
General Contractor	790	790	-
Total Capitalized Projects	1,359,114	719,515	639,599
Noncapitalized:			
Building D Renovations:			
Engineer	10,500	9,135	1,365
Construction Manager	135,002	-	135,002
General Contractor	9,474	1,860	7,614
Building A, G, HA, J, K, L, M, W Classroom Renovations:			
Architect	20,640	14,684	5,956
Construction Manager	487,494	155,788	331,706
General Contractor	10,810	-	10,810
Building CA, K, L, O, P, S, U, X, Y Renovations:			
Architect	6,485	3,242	3,243
Construction Manager	87,500	-	87,500
General Contractor	99,331	15,312	84,019
Storm Drain Modifications Between P and R:			
General Contractor	31,377	-	31,377
Wireless Locks and Security System Buildings D, K:			
General Contractor	53,119	-	53,119
Zoo Area Drainage Improvements:			
General Contractor	36,413	-	36,413
Zoo Doors Replacement:			
General Contractor	41,591	28,719	12,872
Projects Committed for less than \$25,000	108,997	30,926	78,071
Total Noncapitalized Projects	1,138,733	259,666	879,067
Total Construction Commitments	\$ 2,497,847	\$ 979,181	\$ 1,518,666

14. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop,

implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to \$200 million for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

15. Functional Distribution of Operating Expenses

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 34,030,624
Public Services	1,049,325
Academic Support	8,360,430
Student Services	11,656,444
Institutional Support	13,051,578
Operation and Maintenance of Plant	10,669,602
Scholarships and Waivers	16,311,802
Depreciation	5,229,244
Auxiliary Enterprises	402,177
Total Operating Expenses	\$ 100,761,226

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2011	\$ -	\$ 913,031	\$ 913,031	0%	\$ 45,323,385	2.01%
7/1/2013	-	874,575	874,575	0%	35,632,325	2.45%
7/1/2015	-	1,014,734	1,014,734	0%	35,933,262	2.82%

Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial 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

	2015 (1)	2014 (1)	2013 (1)
College's proportion of the FRS net pension liability	0.097138630%	0.100886047%	0.090124341%
College's proportionate share of the FRS net pension liability	\$ 12,546,757	\$ 6,155,532	\$ 15,514,410
College's covered-employee payroll (2)	\$ 33,322,876	\$ 33,203,064	\$ 32,202,548
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	37.65%	18.54%	48.18%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%	88.54%

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

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

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

	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required FRS contribution	\$ 2,208,964	\$ 2,368,322	\$ 2,209,833
FRS contributions in relation to the contractually required contribution	<u>(2,208,964)</u>	<u>(2,368,322)</u>	<u>(2,209,833)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 33,453,417	\$ 33,322,876	\$ 33,203,064
FRS contributions as a percentage of covered-employee payroll	6.60%	7.11%	6.66%

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

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

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

	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
College's proportion of the HIS net pension liability	0.109549292%	0.111742332%	0.110935455%
College's proportionate share of the HIS net pension liability	\$ 11,172,304	\$ 10,448,180	\$ 9,658,390
College's covered-employee payroll (2)	\$ 33,322,876	\$ 33,203,064	\$ 32,202,548
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	33.53%	31.47%	29.99%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%	1.78%

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

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

**Schedule of College Contributions –
Health Insurance Subsidy Pension Plan**

	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required HIS contribution	\$ 555,564	\$ 418,766	\$ 382,792
HIS contributions in relation to the contractually required HIS contribution	<u>(555,564)</u>	<u>(418,766)</u>	<u>(382,792)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 33,453,417	\$ 33,322,876	\$ 33,203,064
HIS contributions as a percentage of covered-employee payroll	1.66%	1.26%	1.15%

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 \$1,014,734 increased by 16.03 percent from the July 1, 2013, liability of \$874,575 primarily due to:

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

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

Changes of Assumptions. As of June 30, 2015, there were no changes in the actuarial assumptions. The inflation rate assumption remained at 2.60 percent, the real payroll growth assumption remained at 0.65 percent, and the overall payroll growth rate assumption remained at 3.25 percent. The long-term expected rate of return remained at 7.65 percent.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 4.29 percent to 3.8 percent.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Fe College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 16, 2017, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 16, 2017