

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

**BROWARD COLLEGE**

For the Fiscal Year Ended  
June 30, 2017



Sherrill F. Norman, CPA  
Auditor General

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During the 2016-17 fiscal year, J. David Armstrong Jr. served as President of Broward College and the following individuals served as Members of the Board of Trustees:

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The team leader was Ilene R. Gayle, CPA, and the audit was supervised by Diana G. Garza, CPA.

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

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**BROWARD COLLEGE**  
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## SUMMARY

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### SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Broward 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 Broward 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, 2017. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

### AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722  
Fax: (850) 488-6975

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 Broward 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, 2017, 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 Broward College and of its discretely presented component unit as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

#### *Required Supplementary Information*

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2018, on our consideration of the Broward 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 effectiveness of 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 Broward College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 25, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2017, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2017, and June 30, 2016.

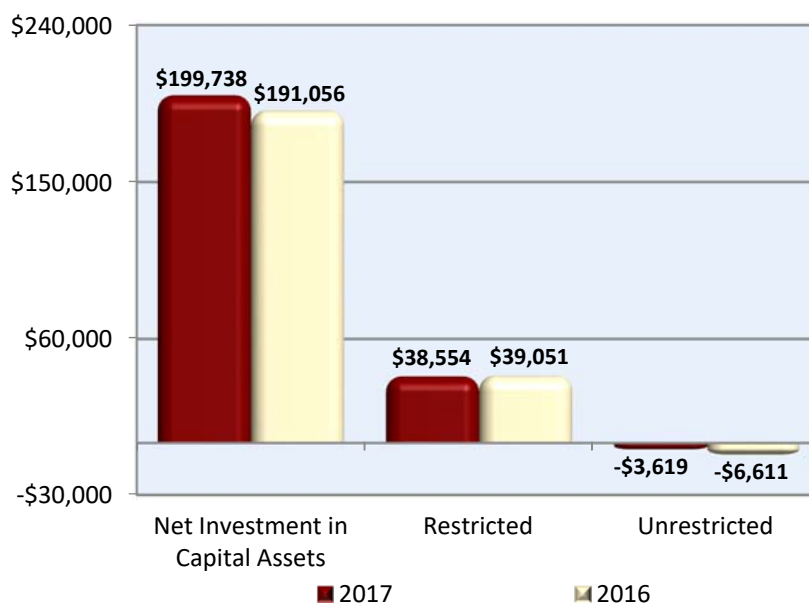
### FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$378 million at June 30, 2017. This balance reflects a \$27.4 million, or 7.8 percent, increase as compared to the 2015-16 fiscal year. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources also increased by \$16.2 million, or 12.7 percent, totaling \$143.8 million at June 30, 2017. As a result, the College's net position increased by \$11.2 million, resulting in a year-end balance of \$234.7 million.

The College's operating revenues totaled \$78.6 million for the 2016-17 fiscal year, representing a 1.2 percent decrease compared to the 2015-16 fiscal year. Operating expenses totaled \$285.9 million for the 2016-17 fiscal year, representing an increase of 3.4 percent as compared to the 2015-16 fiscal year.

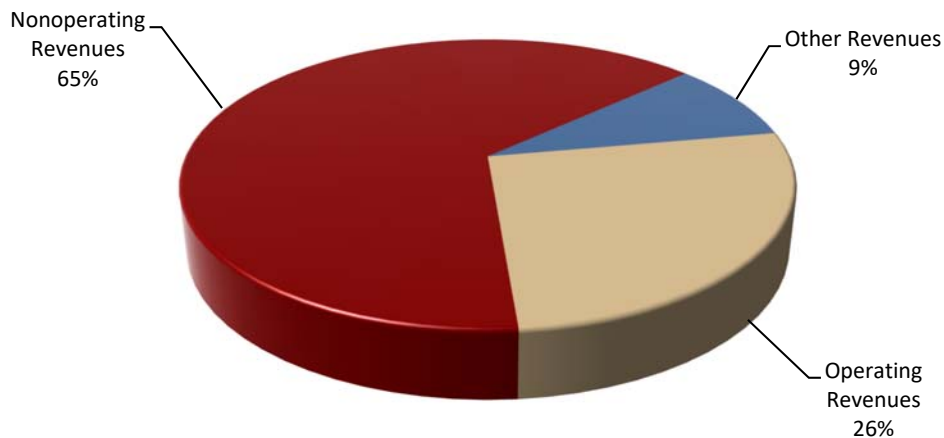
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2017, and June 30, 2016, is shown in the following graph:

**Net Position**  
(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2016-17 fiscal year:

**Total Revenues  
2016-17 Fiscal Year**



**OVERVIEW OF FINANCIAL STATEMENTS**

Pursuant to GASB Statement No. 35, the College’s financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the College and its component units. These component units include:

- Broward College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Broward 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.

Information regarding the component unit is presented in the notes to financial statements. This MD&A focuses on the College, excluding the discretely presented component unit.

**The Statement of Net Position**

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, which is one indicator of the College’s current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the College’s financial condition.

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

## Condensed Statement of Net Position at June 30

(In Thousands)

	2017	2016
<b>Assets</b>		
Current Assets	\$ 42,179	\$ 37,396
Capital Assets, Net	223,660	218,536
Other Noncurrent Assets	78,366	76,633
<b>Total Assets</b>	<b>344,205</b>	<b>332,565</b>
<b>Deferred Outflows of Resources</b>	<b>34,274</b>	<b>18,517</b>
<b>Liabilities</b>		
Current Liabilities	23,213	22,507
Noncurrent Liabilities	116,278	97,900
<b>Total Liabilities</b>	<b>139,491</b>	<b>120,407</b>
<b>Deferred Inflows of Resources</b>	<b>4,315</b>	<b>7,179</b>
<b>Net Position</b>		
Net Investment in Capital Assets	199,738	191,056
Restricted	38,554	39,051
Unrestricted	(3,619)	(6,611)
<b>Total Net Position</b>	<b>\$ 234,673</b>	<b>\$ 223,496</b>

Significant changes were the result of the following factors:

- The increase in current assets of \$4.8 million is primarily due to a net increase of \$7.4 million due from other governmental agencies mainly related to Public Education Capital Outlay (PECO) funds offset by a decrease of \$1.7 million in prepaid expenses, and a decrease of \$1.6 million due from the component unit.
- The increase in net capital assets of \$5.1 million is primarily due to a net increase of \$7.2 million in capitalized assets for North Campus renovations and the South Campus Automotive Facility, and an increase of \$1 million in software in progress offset by a net decrease of \$3.6 million due to the sale of the College's automotive/marine center property.
- The increase in deferred outflows of resources of \$15.8 million is due to changes in the amounts associated with the Florida Retirement System (FRS) pension liability including differences between expected and actual experience and the net difference between projected and actual earnings on FRS pension plan investments.
- The increase in noncurrent liabilities of \$18.4 million is primarily due to a net increase of \$22.8 million in pension liabilities related to the GASB Statement No. 68 accounting, offset by a decrease of \$3.6 million in bonds payable and notes payable, and a decrease of \$1.1 million in compensated absences payable.
- The decrease in deferred inflows of resources of \$2.9 million is due to changes in the amounts associated with the FRS pension and Health Insurance Subsidy (HIS) liabilities including changes in assumptions, and net differences between projected and actual earnings on HIS pension plan investments.

- The increase of \$8.7 million in net investment in capital assets was primarily due to an increase of \$5.1 million in net capital assets and a \$3.6 million reduction in debt related to capital assets.
- The increase in unrestricted fund balance of \$3 million is primarily due to an increase of revenue over expenditures in the unrestricted fund partially due to the reclassification of auxiliary parking funds from restricted to unrestricted funds.

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

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

The following summarizes the College's activity for the 2016-17 and 2015-16 fiscal years:

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

(In Thousands)

	<b>2016-17</b>	<b>2015-16</b>
Operating Revenues	\$ 78,579	\$ 79,536
Less, Operating Expenses	285,852	276,585
<b>Operating Loss</b>	(207,273)	(197,049)
Net Nonoperating Revenues	191,841	194,975
<b>Loss Before Other Revenues</b>	(15,432)	(2,074)
Other Revenues	26,609	13,964
<b>Net Increase In Net Position</b>	11,177	11,890
Net Position, Beginning of Year	223,496	211,606
<b>Net Position, End of Year</b>	\$ 234,673	\$ 223,496

### **Operating Revenues**

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

The following summarizes the operating revenues by source that were used to fund operating activities for the 2016-17 and 2015-16 fiscal years:

## Operating Revenues For the Fiscal Years

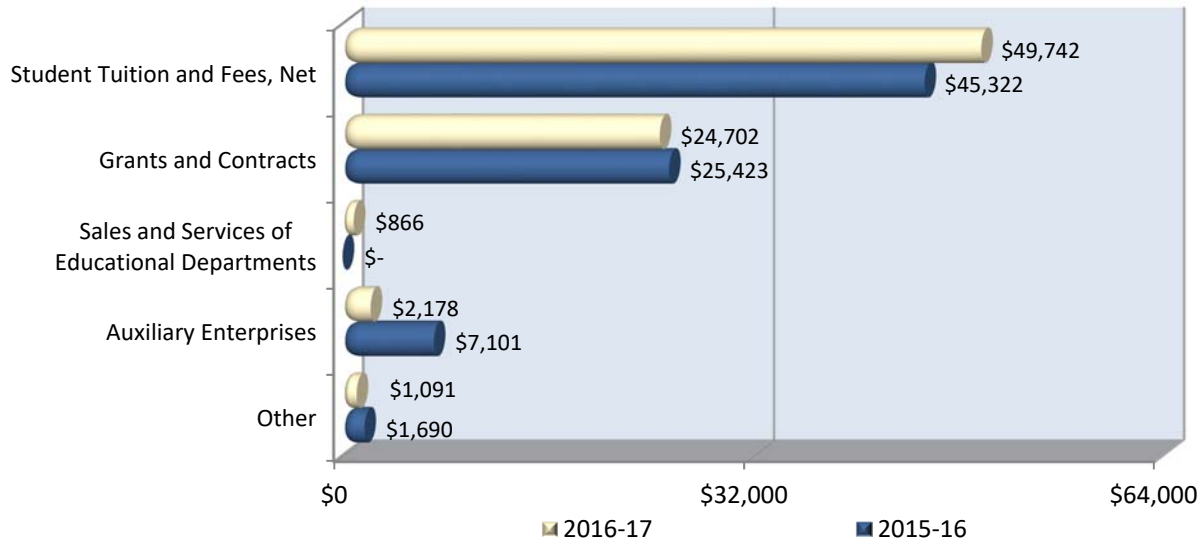
(In Thousands)

	2016-17	2015-16
Student Tuition and Fees, Net	\$ 49,742	\$ 45,322
Grants and Contracts	24,702	25,423
Sales and Services of Educational Departments	866	-
Auxiliary Enterprises	2,178	7,101
Other	1,091	1,690
<b>Total Operating Revenues</b>	<b>\$ 78,579</b>	<b>\$ 79,536</b>

The following chart presents the College's operating revenues for the 2016-17 and 2015-16 fiscal years:

### Operating Revenues

(In Thousands)



College operating revenue changes were the result of the following factors: (1) a net decrease of \$0.7 million in grants and contracts; (2) a decrease of \$4.9 million in Auxiliary Enterprises; and (3) an increase of \$4.4 million in student tuition and fees due to a \$1.6 million reduction in scholarship allowance resulting from disbursing less Federal financial aid, reclassification of auxiliary parking fees of \$2.6 million, and addition of a \$2 per credit hour library fee.

### Operating Expenses

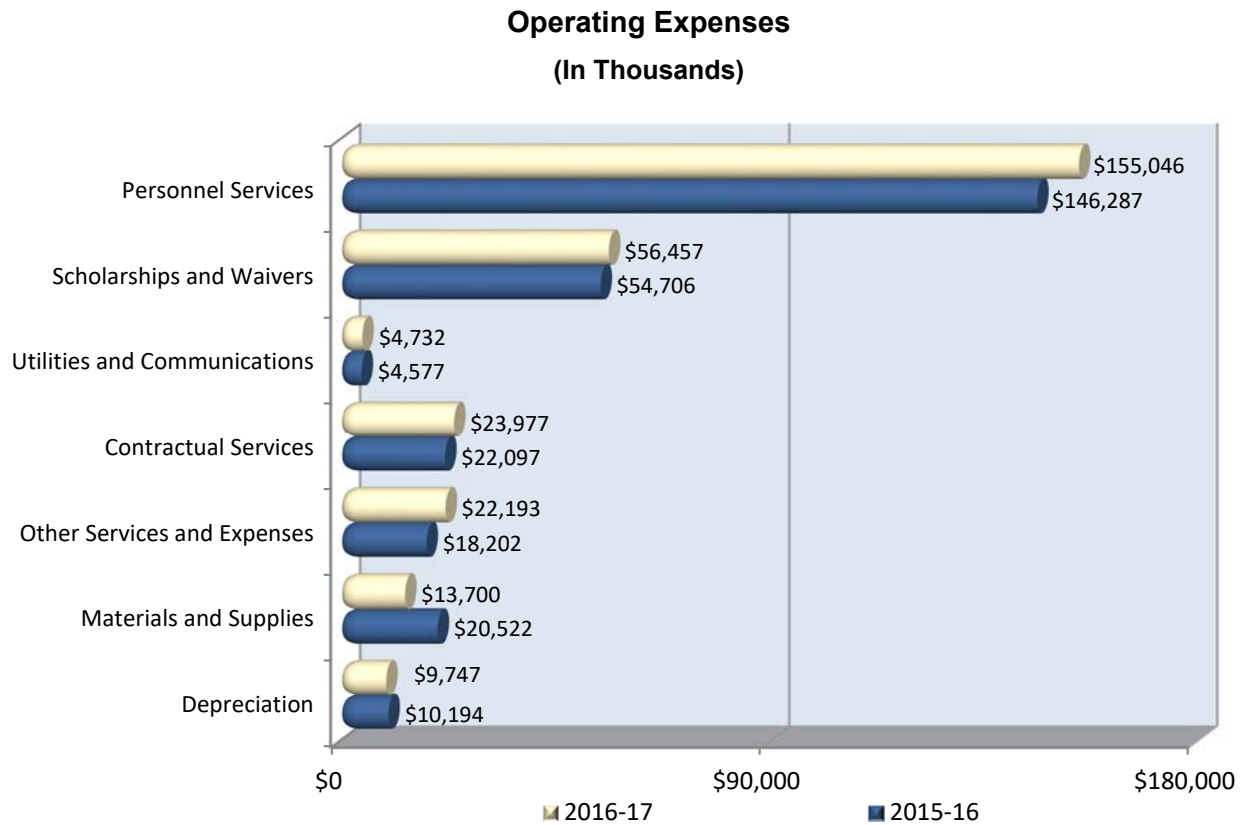
Expenses are categorized as operating or nonoperating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen 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 2016-17 and 2015-16 fiscal years:

**Operating Expenses  
For the Fiscal Years**  
(In Thousands)

	<u>2016-17</u>	<u>2015-16</u>
Personnel Services	\$ 155,046	\$ 146,287
Scholarships and Waivers	56,457	54,706
Utilities and Communications	4,732	4,577
Contractual Services	23,977	22,097
Other Services and Expenses	22,193	18,202
Materials and Supplies	13,700	20,522
Depreciation	9,747	10,194
<b>Total Operating Expenses</b>	<b><u>\$ 285,852</u></b>	<b><u>\$ 276,585</u></b>

The following chart presents the College’s operating expenses for the 2016-17 and 2015-16 fiscal years:



College operating expenses increased by \$9.3 million, or 3.4 percent, compared to the prior fiscal year. Significant changes were the result of the following factors:

- Personnel services increased by \$8.8 million primarily due to an increase of \$5 million in net pension expense, a \$2.7 million increase in salaries, and a \$1 million increase in healthcare costs.

- Other services and expenses increased by \$4 million, or 21.9 percent primarily due to a return of Title IV financial aid to the United States Department of Education, Office of Federal Student Aid of \$5.6 million, offset by a decrease of \$2.3 million in repairs and maintenance expenses.
- Materials and supplies decreased by \$6.8 million, or 33.2 percent primarily due to a decrease of \$6.4 million in expenses reclassified from materials and supplies to buildings and other structures for capitalization.

### **Nonoperating Revenues and Expenses**

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2016-17 and 2015-16 fiscal years:

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

(In Thousands)

	<b>2016-17</b>	<b>2015-16</b>
State Noncapital Appropriations	\$ 92,564	\$ 89,826
Federal and State Student Financial Aid	97,412	100,928
Gifts and Grants	2,425	2,293
Investment Income	1,735	1,674
Other Nonoperating Revenues	68	1,167
Gain or Loss on Disposal of Capital Assets	(1,485)	40
Interest on Capital Asset-Related Debt	(878)	(953)
<b>Net Nonoperating Revenues</b>	<b>\$ 191,841</b>	<b>\$ 194,975</b>

Net nonoperating revenues decreased by \$3.1 million, or 1.6 percent, mainly due to the following:

- State noncapital appropriations increased by \$2.7 million, or 3 percent primarily due to an increase of \$2.2 million in Lottery funds received for the Community College Program, an increase of \$2 million in Performance Based Incentive Funding from the Florida College System Program Fund, offset by a decrease of \$0.9 million in general revenue appropriations received from Florida College System Program Funds and a decrease of \$0.6 million due to a financial statement reclassification of License Tax Fees to State Capital Appropriations.
- Federal and State student financial aid decreased by \$3.5 million, or 3.5 percent, mainly due to a decrease in Pell Grant funds.
- Loss on Disposal of Capital Assets increased by \$1.5 million, or 3,813 percent, primarily due to the sale of the College's automotive/marine center property.

### **Other Revenues**

This category is mainly composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2016-17 and 2015-16 fiscal years:

**Other Revenues  
For the Fiscal Years  
(In Thousands)**

	<b>2016-17</b>	<b>2015-16</b>
State Capital Appropriations	\$ 8,455	\$ 1,857
Capital Grants, Contracts, Gifts, and Fees	18,139	12,089
Other Revenues	15	18
<b>Total</b>	<b>\$ 26,609</b>	<b>\$ 13,964</b>

Other Revenues increased by \$12.6 million, or 90.6 percent. Significant changes were the result of State capital appropriations increasing by \$6.6 million, mainly due to \$6.1 million more PECO funds appropriated for the fiscal year 2017.

**The Statement of Cash Flows**

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes the College's cash flows for the 2016-17 and 2015-16 fiscal years:

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

	<b>2016-17</b>	<b>2015-16</b>
Cash Provided (Used) by:		
Operating Activities	\$ (190,402)	\$ (191,901)
Noncapital Financing Activities	191,604	192,618
Capital and Related Financing Activities	(1,065)	7,218
Investing Activities	2	13
<b>Net Increase in Cash and Cash Equivalents</b>	139	7,948
Cash and Cash Equivalents, Beginning of Year	18,886	10,938
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 19,025</b>	<b>\$ 18,886</b>

Major sources of funds came from Federal and State student financial aid (\$98.7 million), State noncapital appropriations (\$92.6 million), net student tuition and fees (\$46.9 million), Federal Direct Student Loan program receipts (\$24.8 million), grants and contracts (\$23.3 million), capital grants and gifts (\$18.7 million), and auxiliary enterprises (\$6.1 million). Major uses of funds were for payments to employees and for employee benefits (\$151.7 million), payments to providers of goods and services

(\$57.5 million), payments for scholarships (\$56.5 million), disbursements to students for Federal Direct Student Loans (\$24.8 million), purchases of capital assets (\$17.1 million), and principal paid on capital debt (\$3.6 million).

The College's overall cash and cash equivalents increased by \$0.1 million, or 0.7 percent, as compared to the prior fiscal year.

<b>CAPITAL ASSETS AND DEBT ADMINISTRATION</b>
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**Capital Assets**

At June 30, 2017, the College had \$416.5 million in capital assets, less accumulated depreciation of \$192.8 million, for net capital assets of \$223.7 million. Depreciation charges for the current fiscal year totaled \$9.7 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

**Capital Assets, Net at June 30**

(In Thousands)

	2017	2016
Land	\$ 12,551	\$ 17,630
Construction in Progress	5,632	-
Software in Progress	2,407	1,389
Buildings	194,532	191,285
Other Structures and Improvements	3,042	1,544
Furniture, Machinery, and Equipment	2,335	3,104
Leasehold Improvements	330	349
Software	2,831	3,235
<b>Capital Assets, Net</b>	<b>\$ 223,660</b>	<b>\$ 218,536</b>

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

**Debt Administration**

As of June 30, 2017, the College had \$23.9 million in capital related long-term debt and notes payable representing a decrease of \$3.6 million, or 13 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2017, and June 30, 2016:

**Long-Term Debt at June 30**

(In Thousands)

	2017	2016
SBE Capital Outlay Bonds	\$ 708	\$ 1,248
Capital Improvement Revenue Bonds	12,500	13,375
Notes Payable	10,714	12,857
<b>Total</b>	<b>\$ 23,922</b>	<b>\$ 27,480</b>

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2016-17 fiscal year, there were no bond sales and debt repayments totaled \$3.6 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

#### ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida's which fluctuates from year to year. State appropriations were reduced from \$88 million in the 2016-17 fiscal year to \$84.8 million in the 2017-18 fiscal year. As is usual and customary, the College again implemented a conservative budget for the 2017-18 fiscal year.

#### 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 Jayson Iroff, CFO, Broward College, 6400 NW 6<sup>th</sup> Way, Fort Lauderdale, Florida 33309.

# BASIC FINANCIAL STATEMENTS

**BROWARD COLLEGE**  
**A Component Unit of the State of Florida**  
**Statement of Net Position**  
**June 30, 2017**

	<u>College</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 18,129,748	\$ 1,250,936
Restricted Cash and Cash Equivalents	895,498	-
Accounts Receivable, Net	3,550,108	940,503
Notes Receivable, Net	406,069	-
Due from Other Governmental Agencies	17,597,084	-
Due from Component Unit	824,959	-
Inventories	15,926	-
Deposits	753,431	7,290
Prepaid Expenses	6,638	-
<b>Total Current Assets</b>	<u>42,179,461</u>	<u>2,198,729</u>
Noncurrent Assets:		
Investments	51,900,757	72,658,193
Restricted Investments	26,464,873	-
Depreciable Capital Assets, Net	203,070,357	-
Nondepreciable Capital Assets	20,589,746	-
<b>Total Noncurrent Assets</b>	<u>302,025,733</u>	<u>72,658,193</u>
<b>TOTAL ASSETS</b>	<u>344,205,194</u>	<u>74,856,922</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	34,273,676	-
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	4,133,625	753,357
Salary and Payroll Taxes Payable	3,001,832	-
Retainage Payable	835,004	-
Due to Other Governmental Agencies	5,504	-
Unearned Revenue	1,566,441	-
Estimated Insurance Claims Payable	3,208,431	-
Deposits Held for Others	4,296,395	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	1,486,000	-
Notes Payable	2,142,857	-
Unearned Lease Revenue	66,667	-
Unearned Revenue	200,000	-
Compensated Absences Payable	1,368,032	-
Net Pension Liability	902,335	-
<b>Total Current Liabilities</b>	<u>23,213,123</u>	<u>753,357</u>

**BROWARD COLLEGE**  
**A Component Unit of the State of Florida**  
**Statement of Net Position (Continued)**

**June 30, 2017**

	<b>College</b>	<b>Component Unit</b>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds Payable	11,722,000	-
Notes Payable	8,571,429	-
Unearned Lease Revenue	1,672,222	-
Unearned Revenue	200,000	-
Compensated Absences Payable	12,046,261	-
Other Postemployment Benefits Payable	5,571,850	-
Net Pension Liability	76,494,056	-
	<b>Total Noncurrent Liabilities</b>	-
	<b>TOTAL LIABILITIES</b>	<b>753,357</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred Amounts Related to Pensions	4,314,665	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	199,737,817	-
Restricted:		
Nonexpendable:		
Endowment	1,035,083	40,733,292
Expendable:		
Grants and Loans	6,357,211	-
Scholarships	524,816	20,460,731
Capital Projects	30,623,928	-
Debt Service	13,017	-
Unrestricted	(3,618,608)	12,909,542
	<b>TOTAL NET POSITION</b>	<b>\$ 74,103,565</b>
	<b>\$ 234,673,264</b>	<b>\$ 74,103,565</b>

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

**BROWARD 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, 2017**

	<b>College</b>	<b>Component Unit</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$54,941,030	\$ 49,742,222	\$ -
Federal Grants and Contracts	10,463,887	-
State and Local Grants and Contracts	3,309,591	-
Nongovernmental Grants and Contracts	10,928,890	-
Sales and Services of Educational Departments	865,624	-
Auxiliary Enterprises	2,177,619	-
Other Operating Revenues	1,090,963	5,779,785
<b>Total Operating Revenues</b>	<b>78,578,796</b>	<b>5,779,785</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	155,046,682	-
Scholarships and Waivers	56,457,236	-
Utilities and Communications	4,731,759	-
Contractual Services	23,977,220	-
Other Services and Expenses	22,192,726	9,644,801
Materials and Supplies	13,699,668	-
Depreciation	9,746,669	-
<b>Total Operating Expenses</b>	<b>285,851,960</b>	<b>9,644,801</b>
<b>Operating Loss</b>	<b>(207,273,164)</b>	<b>(3,865,016)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	92,564,398	-
Federal and State Student Financial Aid	97,411,604	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	2,425,441	-
Investment Income	1,734,844	5,884,442
Other Nonoperating Revenues	67,260	-
Loss on Disposal of Capital Assets	(1,484,837)	-
Interest on Capital Asset-Related Debt	(878,151)	-
<b>Net Nonoperating Revenues</b>	<b>191,840,559</b>	<b>5,884,442</b>
<b>Income (Loss) Before Other Revenues</b>	<b>(15,432,605)</b>	<b>2,019,426</b>
State Capital Appropriations	8,455,258	-
Capital Grants, Contracts, Gifts, and Fees (\$11,401,671 pledged for Notes Payable)	18,138,718	-
Other Revenues	15,937	-
<b>Total Other Revenues</b>	<b>26,609,913</b>	<b>-</b>
<b>Increase in Net Position</b>	<b>11,177,308</b>	<b>2,019,426</b>
Net Position, Beginning of Year	223,495,956	72,084,139
<b>Net Position, End of Year</b>	<b>\$ 234,673,264</b>	<b>\$ 74,103,565</b>

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

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**BROWARD COLLEGE**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2017**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 46,877,363
Grants and Contracts	23,337,715
Payments to Suppliers	(57,518,343)
Payments for Utilities and Communications	(4,731,759)
Payments to Employees	(117,956,596)
Payments for Employee Benefits	(33,723,085)
Payments for Scholarships	(56,457,236)
Loans Issued to Students	(2,732,957)
Collection on Loans to Students	2,803,266
Auxiliary Enterprises	6,102,371
Other Receipts	3,596,645
	<b>(190,402,616)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	92,564,398
Federal and State Student Financial Aid	98,676,606
Federal Direct Loan Program Receipts	24,812,755
Federal Direct Loan Program Disbursements	(24,812,755)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	2,425,441
Private Gifts for Endowment Purposes	15,937
Other Nonoperating Disbursements	(2,078,197)
	<b>191,604,185</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	1,783,694
Capital Grants and Gifts	18,735,919
Purchases of Capital Assets	(17,148,581)
Principal Paid on Capital Debt and Leases	(3,557,857)
Interest Paid on Capital Debt and Leases	(878,151)
	<b>(1,064,976)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of Investments	(1,870,854)
Investment Income	1,872,669
	<b>1,815</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>138,408</b>
Cash and Cash Equivalents, Beginning of Year	18,886,838
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 19,025,246</b>

**BROWARD COLLEGE**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows (Continued)**  
**For the Fiscal Year Ended June 30, 2017**

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (207,273,164)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	9,746,669
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(169,358)
Due from Other Governmental Agencies	939,261
Prepaid Expenses	1,710,639
Other Assets	(280,611)
Accounts Payable	659,835
Salaries and Payroll Taxes Payable	1,297,821
Unearned Revenue	(358,082)
Deposits Held for Others	224,644
Compensated Absences Payable	(1,317,208)
Unearned Lease Revenue	(66,667)
Unearned Revenue (Long-Term)	(200,000)
Other Postemployment Benefits Payable	644,645
Net Pension Liability	22,659,889
Deferred Outflows of Resources Related to Pensions	(15,756,682)
Deferred Inflows of Resources Related to Pensions	(2,864,247)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (190,402,616)</b>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES</b>	
Unrealized loss on investments were 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.	\$ (137,825)
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (1,484,837)

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

# **NOTES TO FINANCIAL STATEMENTS**

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

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

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

**Discretely Presented Component Unit.** Based on the application of the criteria for determining component units, the Broward 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 Chief Financial Officer, 6400 NW 6<sup>th</sup> Way, Fort Lauderdale, Florida 33309. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the calendar year ended December 31, 2016.

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

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

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

The College's component unit uses the economic resources measurement focus and the accrual basis of accounting, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College calculated its tuition scholarship allowance by determining the amount of "coverage" applied from financial aid and other funds determined to be subject to tuition scholarship allowance as prescribed in NACUBO Advisory

Report 2000-05. Under this method, the College determined amounts by identifying those student transactions where the student's classes or bookstore charges were paid by an applicable financial aid source. The College maintains a detailed record of this activity in the Credit and Collection activity file at the financial aid and student level.

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 with the State Board of Administration (SBA) Florida PRIME investment pools. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less, that are not held solely for income or profit to be cash equivalents. Under this definition, the College considers amounts invested in the SBA Florida PRIME investment pools to be cash equivalents.

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

At June 30, 2017, the College reported as cash equivalents \$93,675 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 39 days as of June 30, 2017. 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 measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour 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, 2017, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

**Capital Assets.** College capital assets consist of land; construction and software in progress; buildings; other structures and improvements; furniture, machinery, and equipment; leasehold improvements; and software. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Leasehold Improvements – 20 years
- Other Structures and Improvements – 10 years
- Software – 10 years
- Furniture, Machinery, and Equipment:
  - Computer Equipment – 3 years
  - Vehicles, Office Machines, and Educational Equipment – 5 years
  - Furniture – 7 years

**Noncurrent Liabilities.** Noncurrent liabilities include bonds payable, notes payable, compensated absences payable, other postemployment benefits payable, and net pension liabilities that are not scheduled to be paid within the next fiscal year, as well as unearned lease revenue which will be amortized over 30 years and unearned revenue which will be amortized over 5 years.

**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 positions 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 and the HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

## 2. Deficit Net Position in Individual Funds

The College reported an unrestricted net position which included a deficit in the current funds - unrestricted, as shown below.

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (6,564,087)
Auxiliary Funds	2,945,479
<b>Total</b>	<b>\$ (3,618,608)</b>

As shown in the following schedule, this deficit can be attributed to the full recognition of long-term liabilities (i.e., compensated absences payable, other postemployment benefits payable, and net pension liability) in the current unrestricted funds that are expected to be paid over time and financed by future appropriations:

	<u>Amount</u>
Total Unrestricted Net Position Before Recognition of Long-Term Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources	\$62,804,915
Amount Expected to be Financed in Future Years:	
Compensated Absences Payable	\$ 13,414,293
Other Post Employment Benefits Payable	5,571,850
Net Pension Liability and Related Deferred Outflows of Resources and Deferred Inflows of Resources	<u>47,437,380</u>
Total Amount Expected to be Financed in Future Years	<u>(66,423,523)</u>
<b>Total Unrestricted Net Position</b>	<b><u>\$ (3,618,608)</u></b>

## 3. Investments

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

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

**Fair Value Measurement.** 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, and Level 3 inputs are significant unobservable inputs.

All of the College's recurring fair value measurements as of June 30, 2017, are valued using quoted market prices (Level 1 inputs).

The College's investments at June 30, 2017, are reported as follows:

<b>Investments by fair value level</b>	<b><u>Fair Value Measurements Using</u> Quoted Prices in Active Markets for Identical Assets (Level 1)</b>
SBA Debt Service Accounts	\$ 16,891
Mutual Funds	
Equities	9,667,673
Bonds	68,681,066
<b>Total investments by fair value level</b>	<b><u>\$ 78,365,630</u></b>

### **State Board of Administration Debt Service Accounts**

The College reported investments totaling \$16,891 at June 30, 2017, 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.

### **Mutual Funds**

The College's investments in mutual funds totaled \$78,348,739 at June 30, 2017.

The College's Investment Policy Statement provides for a short-term investment pool, an intermediate-term investment pool, and a long-term investment pool. The primary objective of the short-term investment pool (funds needed for expenditures in one year or less) is to provide for preservation of capital and liquidity. The primary objectives for the intermediate-term investment pool are the preservation of capital and maximization of income without undue risk within the specific parameters specified in the investment policy. The primary objectives of the long-term investment pool (funds not expected to be needed as working capital and are not intermediate-term) are to provide for long-term growth of principal and income without undue exposure to risk.

The following risks apply to these investments:

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investments in mutual funds have portfolios with average durations ranging of 0.08 to 8.02 years.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. The College's investments in mutual funds at June 30, 2017, had portfolios having an average credit quality of between AAA and BB.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover that value of investments of collateral securities that are in the possession of an outside party. The College's investment policy provides that securities will be designated as an asset of the College and held in safekeeping by a third-party custodial bank, or other third-party custodial institution. The College's \$78,348,739 investments in mutual funds are held by the safekeeping agent in the name of the College.

### **Component Unit Investments**

Investments held by the College's component unit at December 31, 2016, are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Marketable Securities Equities:	
Foreign	\$ 22,569,378
Domestic	18,687,854
Other:	
Alternative Investments	21,227,623
Fixed Income	9,781,136
Money Market Funds	392,202
<b>Total Component Unit Investments</b>	<b><u><u>\$ 72,658,193</u></u></b>

#### **4. Accounts Receivable**

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$267,511 allowance for doubtful accounts.

#### **5. Notes Receivable**

Notes receivable represent student loans made under the short-term loan program, financial aid overpayments, and fee deficiencies. Notes receivable are reported net of a \$3,735,948 allowance for doubtful notes.

#### **6. Due From Other Governmental Agencies**

The amount due from other governmental agencies consists of \$17,597,084 due from State funding sources, primarily \$8,566,666 of Public Education Capital Outlay allocations due for construction of College facilities, and \$5,224,024 from other agencies, including \$2,099,727 due from the Federal government for Pell Grant and other Federal financial aid programs.

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

The amount due from component unit consists of amounts owed to the College by the Foundation for scholarships and student aid. The College's financial statements are reported for the fiscal year ended June 30, 2017. The College's component unit's financial statements are reported for the calendar year ended December 31, 2016. Although the College reported a due from component unit of \$824,959 for the fiscal year ended June 30, 2017, there was no amount due to the College by the component unit as of December 31, 2016.

## 8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2017, 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	\$ 17,629,705	\$ -	\$ 5,078,592	\$ 12,551,113
Construction in Progress	-	21,913,508	16,281,401	5,632,107
Software in Progress	1,388,499	1,018,027	-	2,406,526
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 19,018,204</b>	<b>\$ 22,931,535</b>	<b>\$ 21,359,993</b>	<b>\$ 20,589,746</b>
Depreciable Capital Assets:				
Buildings	\$ 323,062,387	\$ 14,267,559	\$ 5,043,418	\$ 332,286,528
Other Structures and Improvements	16,126,188	2,013,842	-	18,140,030
Furniture, Machinery, and Equipment	41,135,677	647,589	797,625	40,985,641
Leasehold Improvements	380,595	-	-	380,595
Software	4,044,366	-	-	4,044,366
<b>Total Depreciable Capital Assets</b>	<b>384,749,213</b>	<b>16,928,990</b>	<b>5,841,043</b>	<b>395,837,160</b>
Less, Accumulated Depreciation:				
Buildings	131,777,717	7,442,737	1,465,714	137,754,740
Other Structures and Improvements	14,582,024	515,808	-	15,097,832
Furniture, Machinery, and Equipment	38,031,232	1,364,657	745,715	38,650,174
Leasehold Improvements	31,716	19,030	-	50,746
Software	808,874	404,437	-	1,213,311
<b>Total Accumulated Depreciation</b>	<b>185,231,563</b>	<b>9,746,669</b>	<b>2,211,429</b>	<b>192,766,803</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 199,517,650</b>	<b>\$ 7,182,321</b>	<b>\$ 3,629,614</b>	<b>\$ 203,070,357</b>

## 9. Unearned Revenue

Unearned revenue at June 30, 2017, primarily includes student tuition and fees received prior to fiscal year end related to subsequent accounting periods, assessments for the Higher Education Technology Group for the 2017-18 fiscal year, and grant revenues received in advance. As of June 30, 2017, the College reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 899,660
Higher Education Technology Group	270,484
Grant Revenues	302,405
Other	93,892
<b>Total Unearned Revenue</b>	<b>\$ 1,566,441</b>

## 10. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2017, 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	\$ 14,623,000	\$ -	\$ 1,415,000	\$ 13,208,000	\$ 1,486,000
Notes Payable	12,857,143	-	2,142,857	10,714,286	2,142,857
Unearned Lease Revenue	1,805,556	-	66,667	1,738,889	66,667
Unearned Revenue	600,000	-	200,000	400,000	200,000
Compensated Absences Payable	14,731,501	187,437	1,504,645	13,414,293	1,368,032
Other Postemployment Benefits Payable	4,927,205	834,350	189,705	5,571,850	-
Net Pension Liability	54,736,502	54,964,387	32,304,498	77,396,391	902,335
<b>Total Long-Term Liabilities</b>	<b>\$ 104,280,907</b>	<b>\$ 55,986,174</b>	<b>\$ 37,823,372</b>	<b>\$ 122,443,709</b>	<b>\$ 6,165,891</b>

**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 2008A.** 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 2008A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2008A bonds. The Series 2008A 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 2008A bonds will share the lien of such additional bonds on the Series 2008A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The bonds were issued for the construction of a multi-level parking garage at the College's Central Campus.

The College had the following bonds payable at June 30, 2017:

<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 Florida Department of Education	\$ 708,000	2.0 - 5.0	2020
Capital Improvement Revenue Bonds: Series 2008A	<u>12,500,000</u>	4.0 - 4.75	2028
<b>Total</b>	<u><u>\$ 13,208,000</u></u>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2017, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,486,000	\$ 576,769	\$ 2,062,769
2019	1,017,000	524,219	1,541,219
2020	1,055,000	483,844	1,538,844
2021	1,030,000	441,281	1,471,281
2022	1,075,000	396,219	1,471,219
2023-2027	6,140,000	1,206,481	7,346,481
2028	<u>1,405,000</u>	<u>66,737</u>	<u>1,471,737</u>
<b>Total</b>	<u><u>\$ 13,208,000</u></u>	<u><u>\$ 3,695,550</u></u>	<u><u>\$ 16,903,550</u></u>

In prior years, portions of the SBE Capital Outlay Bonds, Series 1998A and 2000A were refunded and considered defeased in substance by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the College's statement of net position. As of June 30, 2017, \$470,000 of SBE Capital Outlay Bonds, Series 1998A, and \$435,000 of SBE Capital Outlay Bonds, Series 2000A, are considered defeased in substance.

**Notes Payable.** On March 20, 2015, the College entered into a Credit Facility Debt Agreement for \$15 million, at a stated interest rate of 1.91 percent, to finance capital improvement projects on South Campus. The debt matures on December 1, 2021, and principal and interest payments are made annually and semi-annually, respectively. The College's capital improvement fees collected pursuant to Sections 1009.22 and 1009.23, Florida Statutes, are pledged as security for the debt. Annual requirements to amortize the outstanding debt as of June 30, 2017, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,142,857	\$ 184,179	\$ 2,327,036
2019	2,142,857	143,250	2,286,107
2020	2,142,857	102,321	2,245,178
2021	2,142,857	61,393	2,204,250
2022	2,142,858	20,464	2,163,322
<b>Total</b>	<b>\$ 10,714,286</b>	<b>\$ 511,607</b>	<b>\$ 11,225,893</b>

**Unearned Lease Revenue.** The College leased land in Miramar, Florida, to a third party pursuant to a ground lease agreement dated August 9, 2013, with terms extending 30 years. The lease was prepaid in August 2013 by the third party to the College for the sum of \$2,000,000, which is being amortized over the life of the agreement. The unearned lease revenue amount held by the College totaled \$1,738,889 at June 30, 2017, of which \$66,667 was reported as current.

**Unearned Revenue.** The College contracted with a private vendor to operate the College's bookstores for a period of 5 years. In accordance with the terms of the contract, the vendor provided a one-time signing bonus for the sum of \$1,000,000, which is being amortized over the life of the agreement. The unearned revenue amount held by the College totaled \$400,000 at June 30, 2017, of which \$200,000 was reported as current.

**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, 2017, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$13,414,293. The current portion of the compensated absences liability, \$1,368,032, is the amount expected to be paid in the coming fiscal year, and represents a historical percentage of leave used applied to total accrued leave liability.

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

*Plan Description.* The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the College. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's health and hospitalization plan for medical and prescription drug coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal

Medicare (Medicare) program for their primary coverage as soon as they are eligible. The College does not issue a stand-alone report and the OPEB Plan is not included in the annual report of a public employee retirement system or another entity.

*Funding Policy.* OPEB Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend plan benefits and contribution rates. The College has not advance-funded other postemployment benefit (OPEB) costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2016-17 fiscal year, 52 retirees received OPEB benefits. The College provided required contributions of \$189,705 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$620,076, which represents 0.79 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)	\$ 526,229
Amortization of Unfunded Actuarial Accrued Liability	<u>293,089</u>
<b>Annual Required Contribution</b>	819,318
Interest on Net OPEB Obligation	197,088
Adjustment to Annual Required Contribution	<u>(182,056)</u>
<b>Annual OPEB Cost (Expense)</b>	834,350
Contribution Toward the OPEB Cost	<u>(189,705)</u>
<b>Increase in Net OPEB Obligation</b>	644,645
Net OPEB Obligation, Beginning of Year	<u>4,927,205</u>
<b>Net OPEB Obligation, End of Year</b>	<u><u>\$ 5,571,850</u></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, 2017, and for the 2 preceding fiscal years were as follows:

<u>Fiscal Year</u>	<b>Percentage of</b>		
	<u>Annual</u>	<u>Annual</u>	<u>Net OPEB</u>
	<u>OPEB Cost</u>	<u>OPEB Cost</u>	<u>Obligation</u>
		<u>Contributed</u>	
2014-15	\$ 688,517	14.2%	\$ 4,353,151
2015-16	790,224	27.4%	4,927,205
2016-17	834,350	22.7%	5,571,850

*Funded Status and Funding Progress.* As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$7,333,168, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$7,333,168 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$78,530,691 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.3 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 methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2015, used the entry age normal actuarial method to estimate the actuarial accrued liability as of June 30, 2017, and the College's 2016-17 fiscal year ARC. This method was selected because it produced the lowest OPEB liability and annual cost. 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, an inflation rate of 2.6 percent, and an annual healthcare cost trend rate of 7.5 percent pre-Medicare and 5.5 percent Medicare for the 2016-17 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 5 years pre-Medicare and 2 years Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on open basis. The remaining amortization period at June 30, 2017 was 20 years.

**Net Pension Liability.** As a participating employer in the Florida Retirement System, the College recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2017, the College's proportionate share of the net pension liabilities totaled \$77,396,391. Note 11. includes a complete discussion of defined benefit pension plans.

## **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](http://www.dms.myflorida.com)).

The College's FRS and HIS pension expense totaled \$10,178,438 for the fiscal year ended June 30, 2017.

### **FRS Pension Plan**

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

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

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

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

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

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

As provided in Section 121.101, Florida Statutes, if the member was 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 was 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 2016-17 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.52
FRS, Senior Management Service	3.00	21.77
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	12.99
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 0.06 percent for administrative costs of the Investment Plan.

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

The College's contributions to the Plan totaled \$4,905,639 for the fiscal year ended June 30, 2017.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2017, the College reported a liability of \$47,606,674 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The College's proportionate share of the net pension liability was based on the College's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the College's proportionate share was 0.188540696 percent, which was a decrease of 0.023192766 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the College recognized pension expense of \$7,543,237. 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	\$ 3,645,133	\$ 443,250
Change of assumptions	2,880,061	-
Net difference between projected and actual earnings on FRS Plan investments	12,305,746	-
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	2,856,630	2,756,475
College FRS contributions subsequent to the measurement date	4,905,639	-
<b>Total</b>	<b>\$ 26,593,209</b>	<b>\$ 3,199,725</b>

The deferred outflows of resources related to pensions totaling \$4,905,639, 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, 2018. 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>
2018	\$ 2,817,041
2019	2,817,042
2020	7,614,585
2021	4,908,702
2022	297,703
Thereafter	32,772
<b>Total</b>	<b>\$ 18,487,845</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2016, 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	7.60 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, 2016, 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%	3.0%	3.0%	1.7%
Fixed Income	18%	4.7%	4.6%	4.6%
Global Equity	53%	8.1%	6.8%	17.2%
Real Estate (Property)	10%	6.4%	5.8%	12.0%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	11.1%
<b>Total</b>	<b>100%</b>			
Assumed inflation - Mean			2.6%	1.9%

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

*Discount Rate.* The discount rate used to measure the total pension liability was 7.60 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 7.60 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 (6.60 percent) or 1 percentage point higher (8.60 percent) than the current rate:

	<u>1% Decrease (6.60%)</u>	<u>Current Discount Rate (7.60%)</u>	<u>1% Increase (8.60%)</u>
College's proportionate share of the net pension liability	\$87,647,109	\$47,606,674	\$14,278,299

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

*Payables to the Pension Plan.* At June 30, 2017, the College reported a payable of \$629,223 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2017.

### **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, 2017, 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, 2017, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled \$1,356,085 for the fiscal year ended June 30, 2017.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2017, the College reported a net pension liability of \$29,789,717 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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The College's proportionate share of the net pension liability was based on the College's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the College's proportionate share was 0.255605104 percent, which was a decrease of 0.012948919 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the College recognized pension expense of \$2,635,201. 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	\$ -	\$ 67,850
Change of assumptions	4,674,764	-
Net difference between projected and actual earnings on HIS Plan investments	15,062	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	1,634,556	1,047,090
College contributions subsequent to the measurement date	1,356,085	-
<b>Total</b>	<b>\$ 7,680,467</b>	<b>\$ 1,114,940</b>

The deferred outflows of resources totaling \$1,356,085, 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, 2018. 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>
2018	\$ 987,701
2019	987,701
2020	984,834
2021	983,457
2022	811,643
Thereafter	454,106
<b>Total</b>	<b>\$ 5,209,442</b>

*Actuarial Assumptions.* The total pension liability at July 1, 2016, 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
Municipal bond rate	2.85 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 2.85 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 3.80 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 2.85 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 (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate:

	<u>1% Decrease (1.85%)</u>	<u>Current Discount Rate (2.85%)</u>	<u>1% Increase (3.85%)</u>
College's proportionate share of the net pension liability	\$34,175,572	\$29,789,717	\$26,149,695

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

*Payables to the Pension Plan.* At June 30, 2017, the College reported a payable of \$135,854 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2017.

## 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 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2016-17 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

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

The College's Investment Plan pension expense totaled \$1,435,988 for the fiscal year ended June 30, 2017.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes 5.15 percent of the participant's salary to the participant's account, 2.83 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover the administrative costs, for a total of 7.99 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 \$1,008,043 and employee contributions totaled \$378,964 for the 2016-17 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 a 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 21.77 percent of the employee's salary to the Local Annuity Program. The participants may make contributions toward the Local Annuity Program by way of salary reduction or by deduction of a percentage of the employee's gross compensation not to exceed the percentage contributed by the employer.

The College's contributions to the Local Annuity Program totaled \$63,496 and employee contributions totaled \$8,750 for the 2016-17 fiscal year.

### **13. Construction Commitments**

The College's construction commitments at June 30, 2017, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
North Campus:			
Building 47 & 49 Remodeling and Renovations	\$ 4,111,436	\$ 1,174,881	\$ 2,936,555
Building 41 - Eidos Café	962,865	849,939	112,926
Willis Holcombe Center:			
Building 33 Remodeling & Renovations	3,992,825	918,441	3,074,384
Central Campus:			
Building 20,22,32 Remodeling & Renovations	2,619,865	611,847	2,008,018
South Campus:			
Building 68 & 71 Remodeling & Renovations	1,652,608	1,044,477	608,131
Building 73 - Dunkin Donuts Installation	705,278	440,108	265,170
Collegewide - Operations:			
Other General Remediation/HVAC Upgrades	1,306,542	592,414	714,128
<b>Total</b>	<b>\$ 15,351,419</b>	<b>\$ 5,632,107</b>	<b>\$ 9,719,312</b>

#### 14. Operating Lease Commitments

The College leased building space under 2 operating leases, which expire in 2018 and 2034. These leased assets and the related commitments are not reported on the College's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 975,111
2019	931,921
2020	959,879
2021	988,675
2022	1,018,336
2023-2027	6,236,311
2028-2032	7,708,732
2033-2034	3,416,971
<b>Total Minimum Payments Required</b>	<b>\$ 22,235,936</b>

#### 15. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to \$200 million for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile

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

Life, dental, and long-term disability coverage are provided through purchased commercial insurance.

**Self-Insured Program.** The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College's liability was limited by excess reinsurance to \$300,000 per insured person for the 2016-17 fiscal year. The plan is provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributes employee premiums as a fringe benefit. Employee dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The liability includes an amount for claims that have been incurred, but not reported, and an amount for claims administration expense. Because the actual claims liability depends on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. The College reevaluates the claims liability periodically and the claims liability totaled \$3,208,431 as of June 30, 2017. Amounts held by the College in excess of the estimated insurance claims liability at June 30, 2017, totaled \$1,880,494 and are classified as insurance claim deposits. The College will use these amounts to pay claims incurred in future fiscal years.

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

<b>Fiscal Year</b>	<b>Beginning of Fiscal Year</b>	<b>Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>End of Fiscal Year</b>
2015-16	\$ 6,238,843	\$ 14,109,088	\$ 15,734,706	\$ 4,613,225
2016-17	4,613,225	14,707,381	16,112,175	3,208,431

## **16. 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	\$ 92,658,796
Public Services	1,735,577
Academic Support	22,912,123
Student Services	24,659,981
Institutional Support	47,484,023
Operation and Maintenance of Plant	25,695,264
Scholarships and Waivers	56,457,236
Depreciation	9,746,669
Auxiliary Enterprises	4,502,291
<b>Total Operating Expenses</b>	<b>\$ 285,851,960</b>

## 17. Fiscal Agent for the Higher Education Technology Group

Effective July 2, 2002, the College was elected fiscal agent for the Higher Education Technology Group (HETGroup). As fiscal agent, the College is responsible for receiving, disbursing, and administering all moneys due or payable from the HETGroup and for certain personnel functions. For the 2016-17 fiscal year, HETGroup revenues and expenditures totaled \$2,559,396 and \$2,777,908, respectively, on the statement of revenues, expenses, and changes in net position. At June 30, 2017, net assets of HETGroup totaling \$2,806,134 were held in the College's Current Restricted Fund.

## 18. Subsequent Events

In February 2017, the College entered into an agreement with a third party to redevelop a 1.4-acre parcel of land located at the College's Downtown Campus on Las Olas Blvd. As part of the agreement, the third party has also entered into a ground lease with the College.

The ground lease is the primary revenue generating instrument for the College. It is designed to produce \$150,000 at the commencement of the lease, which is expected to be January 1, 2018. Rent is abated for the first 39 months. In the 40<sup>th</sup> month (year 4), the College will receive the first rent payment of \$2,032,465 and will receive the same amount in year 5. Then, rent payments will be made in the amount of \$912,848 each year for years 6 through 10. Rent will then adjust to \$939,822 in year 11, with an annual escalator of 1.75 percent for the next 89 years for a total lease term of 99 years. The total anticipated ground lease payments will be \$205,362,514 averaging \$2,074,369 per year for the entire term of the lease.

In addition, as part of the College's operating budget for the 2017-18 fiscal year adopted on June 27, 2017, the College transferred \$17,500,000 on July 1, 2017 from the College's Unrestricted Fund (Fund 1) to the College's Restricted Fund (Fund 7) to be utilized as part of the College's Five Year Capital Plan for critical campus infrastructure projects.

## **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	\$ -	\$ 20,619,034	\$ 20,619,034	0%	\$ 69,895,770	29.5%
7/1/2013	-	7,144,058	7,144,058	0%	65,112,705	11.0%
7/1/2015	-	7,333,168	7,333,168	0%	78,530,691	9.3%

Note: (1) The College's OPEB actuarial valuation used the entry age normal actuarial cost method to estimate the actuarial accrued liability.

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

	2016 (1)	2015 (1)	2014 (1)	2013 (1)
College's proportion of the FRS net pension liability	0.188540696%	0.211733462%	0.202277239%	0.181763688%
College's proportionate share of the FRS net pension liability	\$ 47,606,674	\$ 27,348,216	\$ 12,341,886	\$ 31,289,620
College's covered payroll (2)	\$ 92,271,473	\$ 94,997,752	\$ 86,633,465	\$ 81,539,356
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	51.59%	28.79%	14.25%	38.37%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%	88.54%

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

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

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

	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	\$ 4,905,639	\$ 4,597,866	\$ 5,162,242	\$ 4,430,730
FRS contributions in relation to the contractually required contribution	(4,905,639)	(4,597,866)	(5,162,242)	(4,430,730)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
College's covered payroll (2)	\$ 94,963,577	\$ 92,271,473	\$ 94,997,752	\$ 86,633,465
FRS contributions as a percentage of covered payroll	5.17%	4.98%	5.43%	5.11%

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

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

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

	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
College's proportion of the HIS net pension liability	0.255605104%	0.268554023%	0.248345447%	0.242062413%
College's proportionate share of the HIS net pension liability	\$ 29,789,717	\$ 27,388,286	\$ 23,220,905	\$ 21,074,716
College's covered payroll (2)	\$ 79,338,446	\$ 81,225,185	\$ 73,259,441	\$ 68,797,117
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	37.55%	33.72%	31.70%	30.63%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%	1.78%

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

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

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

	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required HIS contribution	\$ 1,356,085	\$ 1,310,139	\$ 1,026,581	\$ 850,748
HIS contributions in relation to the contractually required HIS contribution	(1,356,085)	(1,310,139)	(1,026,581)	(850,748)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 82,039,790	\$ 79,338,446	\$ 81,225,185	\$ 73,259,441
HIS contributions as a percentage of covered payroll	1.65%	1.65%	1.26%	1.16%

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

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

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

*Changes of Assumptions.* The long-term expected rate of return was decreased from 7.65 percent to 7.60 percent, and the active member mortality assumption was updated.

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

*Changes of Assumptions.* The municipal rate used to determine total pension liability decreased from 3.80 percent to 2.85 percent.



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722  
Fax: (850) 488-6975

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 Broward 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, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 25, 2018, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 25, 2018