STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2019-129

February 2019

FLORIDA STATE COLLEGE AT JACKSONVILLE

For the Fiscal Year Ended
June 30, 2018

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2017-18 fiscal year, Dr. Cynthia A. Bioteau served as President of Florida State College at Jacksonville through April 15, 2018, and Mr. Kevin E. Hyde served as Interim President after that date. The following individuals served as Members of the Board of Trustees:

	County
Karen E. Bowling, Chair from 8-15-17	Duval
Candace T. Holloway, Vice Chair from 8-15-17 [a]	Nassau
Thomas R. McGehee Jr., Vice Chair [a]	Duval
Randle P. DeFoor, Chair through 8-14-17	Duval
Jim L. Mayo through 3-21-18, Vice Chair through 8-14-17 [a]	Nassau
Michael M. Bell from 8-15-17	Nassau
Laura M. DiBella from 3-22-18	Nassau
Latasha A. Fullwood through 2-8-18	Duval
D. Hunt Hawkins	Duval
Thomas J. Majdanics	Duval
Dr. Patricia F. White through 8-14-17	Nassau
O. Wayne Young from 2-9-18	Duval

[a] The Vice Chairs serve with equal rank and status on the Board. The purpose of the dual office is to assure leadership representation from each of the two counties served by the College.

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

The team leader was Donald D. Hemmingway, CPA, and the audit was supervised by Randy R. Arend, CPA.

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

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FLORIDA STATE COLLEGE AT JACKSONVILLE

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SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements of Florida State College at Jacksonville (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 Florida State College at Jacksonville 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, 2018. 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.

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Florida State College at Jacksonville, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2018, 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 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 Florida State College at Jacksonville and of its discretely presented component unit as of June 30, 2018, 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.

Emphasis of Matter

As discussed in Note 2. to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

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 Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios**, **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 our report dated February 15, 2019, on our consideration of the Florida State College at Jacksonville'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 solely 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 Florida State College at Jacksonville's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
February 15, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

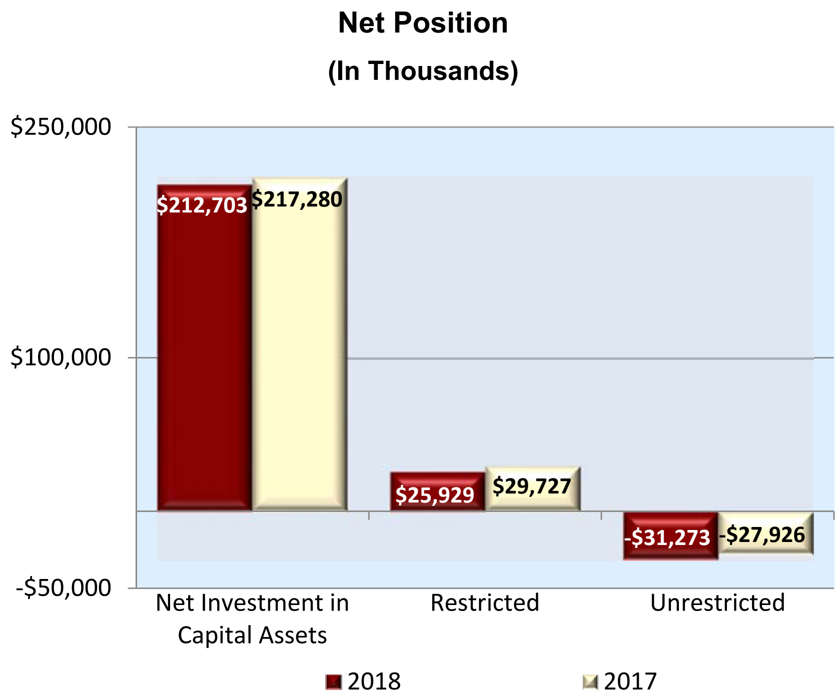
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2018, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2018, and June 30, 2017.

FINANCIAL HIGHLIGHTS

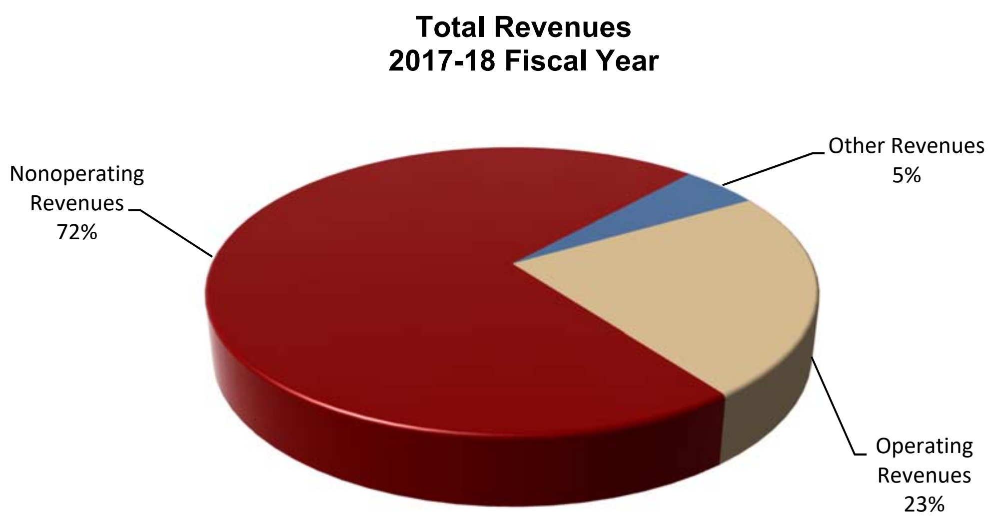
The College's assets totaled $307.4 million at June 30, 2018. This balance reflects an increase of $1.2 million, or 0.4 percent, as compared to the 2016-17 fiscal year, resulting from increases in nondepreciable capital assets, accounts receivable, and due from other governmental agencies of $9.4 million, $3.1 million, and $1.9 million, respectively, offset by a net decrease in depreciable capital assets of $5.2 million and reductions in investments and cash and cash equivalents of $4.6 million and $3 million, respectively. The increase in capital assets was related to the use of capital lease proceeds to finance energy management facility upgrade projects. Liabilities increased $16.1 million, or 15.4 percent, resulting mainly from an $8.5 million increase in the capital lease liability for Phase II of the capital lease for the energy management facility upgrade projects, and a $6.4 million increase in the net pension liability. The increase in liabilities was partially offset by a $5.1 million increase in the deferred outflows of resources, while deferred inflows increased $1.9 million. As a result, the College's net position decreased by $11.7 million, resulting in a year-end balance of $207.4 million.

The College's operating revenues totaled $41.5 million for the 2017-18 fiscal year, representing a 1.7 percent increase compared to the 2016-17 fiscal year. Operating expenses totaled $192.9 million for the 2017-18 fiscal year, representing an increase of 4.3 percent as compared to the 2016-17 fiscal year due mainly to a $7.3 million increase in scholarships and waivers expenses.

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 reported a deficit unrestricted net position of $31.3 million at June 30, 2018, as a result of recording long-term liabilities that will be financed and paid from future unrestricted appropriations. The College's comparative total net position by category for the fiscal years ended June 30, 2018, and June 30, 2017, is shown in the following graph:



The following chart provides a graphical presentation of College revenues by category for the 2017-18 fiscal year:



Overview of Financial Statements

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

This MD&A focuses on the College, excluding the discretely presented component unit. MD&A information for the Foundation is included in its separately issued audit report.

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)

	2018	2017
Assets		
Current Assets	$ 27,724	$ 29,610
Capital Assets, Net	226,543	222,353
Other Noncurrent Assets	53,142	54,230
Total Assets	307,409	306,193
Deferred Outflows of Resources	29,070	24,006
Liabilities		
Current Liabilities	24,252	20,515
Noncurrent Liabilities	96,499	84,131
Total Liabilities	120,751	104,646
Deferred Inflows of Resources	8,369	6,472
Net Position		
Net Investment in Capital Assets	212,703	217,280
Restricted	25,929	29,727
Unrestricted	(31,273)	(27,926)
Total Net Position	$ 207,359	$ 219,081

Total assets increased $1.2 million, or 0.4 percent. Total liabilities increased $16.1 million primarily from increases in the capital lease liability for Phase II of the energy management facility upgrade projects ($8.5 million) and in the net pension liability ($6.4 million). The increases of $5.1 million and $1.9 million in deferred outflows of resources and deferred inflows of resources, respectively, are primarily due to pension activity during the 2017-18 fiscal year. The College's ending net position decreased $11.7 million, or 5.4 percent.

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 2017-18 and 2016-17 fiscal years:

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

(In Thousands)

	2017-18	**2016-17**
Operating Revenues	$ 41,471	$ 40,784
Less, Operating Expenses	192,943	185,021
Operating Loss	(151,472)	(144,237)
Net Nonoperating Revenues	129,269	133,105
Loss Before Other Revenues	(22,203)	(11,132)
Other Revenues	8,829	8,565
Net Decrease In Net Position	(13,374)	(2,567)
Net Position, Beginning of Year	219,081	221,648
Adjustment to Beginning Net Position (1)	1,652	-
Net Position, Beginning of Year, as Restated	220,733	221,648
Net Position, End of Year	$ 207,359	$ 219,081

(1) As discussed in Notes 2. and 3. to the financial statements, the College's beginning net position for the 2017-18 fiscal year was increased in conjunction with the implementation of GASB Statement No. 75.

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 2017-18 and 2016-17 fiscal years:

Operating Revenues
For the Fiscal Years

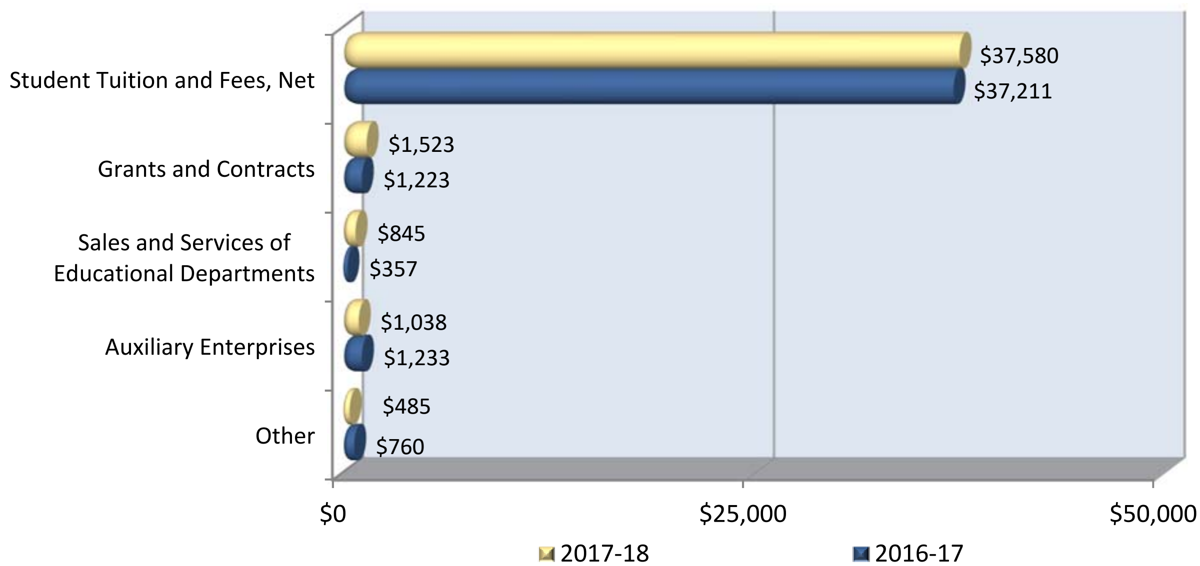
(In Thousands)

	2017-18	2016-17
Student Tuition and Fees, Net	$ 37,580	$ 37,211
Grants and Contracts	1,523	1,223
Sales and Services of Educational Departments	845	357
Auxiliary Enterprises	1,038	1,233
Other	485	760
Total Operating Revenues	$ 41,471	$ 40,784

The following chart presents the College's operating revenues for the 2017-18 and 2016-17 fiscal years:

Operating Revenues

(In Thousands)



There were no significant changes in the College's operating revenues. Although student tuition and fees, net of scholarship allowances, increased $0.4 million, student tuition and fee revenues decreased by $6.5 million due to a decrease in student enrollment, which was offset by a $6.9 million decrease in scholarship allowances due primarily to a timing change in the processing of student financial aid awards with the implementation of the College's new student receivables system effective for the 2017-18 fiscal year.

Operating Expenses

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

The following summarizes operating expenses by natural classification for the 2017-18 and 2016-17 fiscal years:

Operating Expenses
For the Fiscal Years

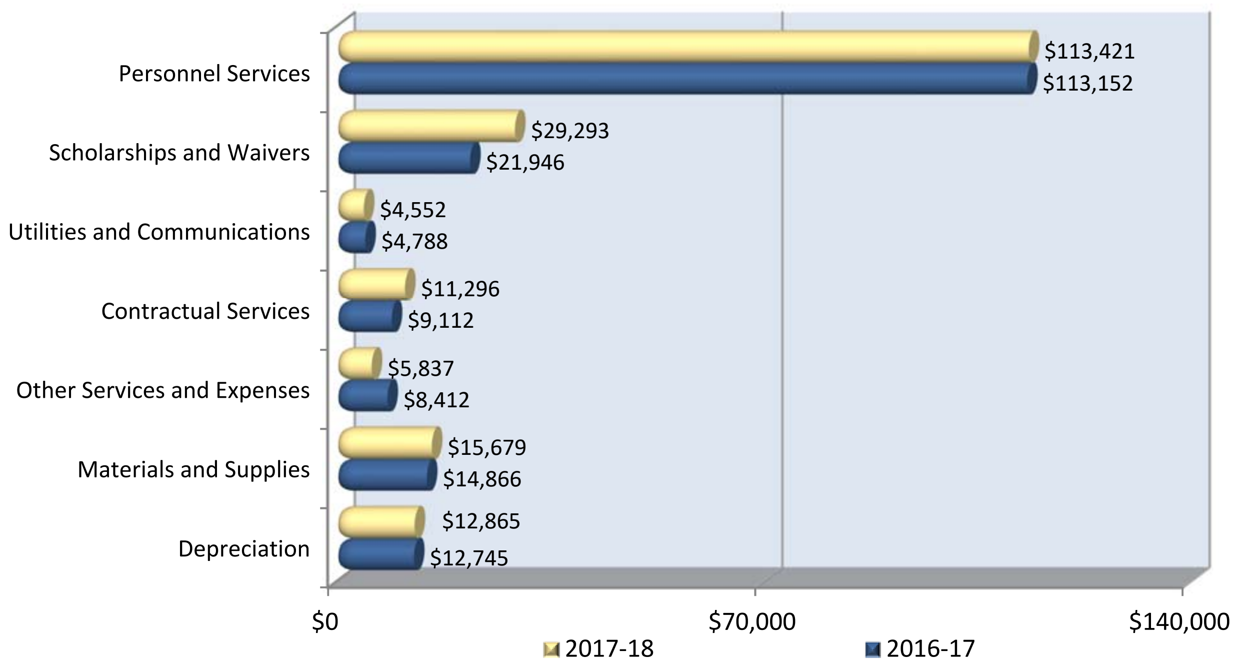
(In Thousands)

	2017-18	2016-17
Personnel Services	$ 113,421	$ 113,152
Scholarships and Waivers	29,293	21,946
Utilities and Communications	4,552	4,788
Contractual Services	11,296	9,112
Other Services and Expenses	5,837	8,412
Materials and Supplies	15,679	14,866
Depreciation	12,865	12,745
Total Operating Expenses	$ 192,943	$ 185,021

The following chart presents the College's operating expenses for the 2017-18 and 2016-17 fiscal years:

Operating Expenses

(In Thousands)



College operating expenses increased by $7.9 million, or 4.3 percent, primarily as a result of increases in scholarships and waivers expenses of $7.3 million and contractual services expenses of $2.2 million, offset by a decrease in other services and expenses of $2.6 million. The increase in scholarships and waivers expense was due primarily to a timing change in the processing student financial aid awards with the implementation of the College's new student receivables system effective for the 2017-18 fiscal year. The increase in contractual services was due to an increase in technology services expenses incurred by the College to support the College's enterprise resource planning system. The decrease in other services and expenses was due to decreased expenses for insurance, travel, repairs and maintenance, and other operating costs as compared to the prior fiscal year.

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 2017-18 and 2016-17 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
State Noncapital Appropriations	$ 77,963	$ 82,120
Federal and State Student Financial Aid	41,557	41,632
Gifts and Grants	9,452	8,909
Investment Income	570	510
Other Nonoperating Revenues	21	26
Gain (Loss) on Dispoal of Capital Assets	19	(16)
Interest on Capital Asset-Related Debt	(313)	(76)
Net Nonoperating Revenues	$ 129,269	$ 133,105

The $3.8 million decrease in net nonoperating revenues was primarily due to a decrease of $4.2 million in State noncapital appropriations.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2017-18 and 2016-17 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
State Capital Appropriations	$ 3,995	$ 3,835
Capital Grants, Contracts, Gifts, and Fees	4,834	4,730
Total	$ 8,829	$ 8,565

There were no significant changes in the College's other revenues.

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 2017-18 and 2016-17 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2017-18	**2016-17**
Cash Provided (Used) by:		
Operating Activities	$ (134,459)	$ (123,898)
Noncapital Financing Activities	126,453	136,612
Capital and Related Financing Activities	(145)	2,886
Investing Activities	5,150	4,023
Net Increase (Decrease) in Cash and Cash Equivalents	(3,001)	19,623
Cash and Cash Equivalents, Beginning of Year	24,052	4,429
Cash and Cash Equivalents, End of Year	$ 21,051	$ 24,052

Major sources of funds came from State noncapital appropriations ($78 million), Federal and State Student Financial Aid ($41.4 million), Federal Direct Student Loan program receipts ($30.5 million), and net student tuition and fees ($35 million). Major uses of funds were for payments to employees and for employee benefits ($109.4 million), Federal Direct Student Loan disbursements to students ($32.9 million), payments to suppliers ($31.3 million), payments for scholarships ($29.3 million), and payments for acquisition of capital assets ($17.1 million).

The College's overall cash and cash equivalents decreased $3 million, or 12.5 percent, as compared to the prior fiscal year. Changes in cash and cash equivalents were the result of the following factors:

- Operating activities used $10.6 million more in cash as compared to the prior year. The increase was primarily the result of increases in payments for scholarships of $7.4 million and payments to employees and for employee benefits of $3.3 million.
- Noncapital financing activities provided $10.2 million less cash as compared to the prior fiscal year. The decrease was primarily the result of decreases of $4.2 million in State noncapital appropriations and $2.1 million in Federal and State Student Financial Aid.
- Capital and related financing activity used $3 million more in cash as compared to the prior fiscal year. The increase was primarily the result of a $1.8 million increase in payments for capital assets and a $2.5 million decrease in capital debt financing proceeds from for Phase II of the energy management facility upgrade projects, offset by a $1.5 million increase in receipts for State capital appropriations.
- Investing activities provided $1.1 million more in cash as compared to the prior fiscal year. The increase resulted from an increase in receipts from sales and maturities of investments.

Capital Assets, Capital Expenses and Commitments, and Debt Administration

Capital Assets

At June 30, 2018, the College had $417.5 million in capital assets, less accumulated depreciation of $191 million, for net capital assets of $226.5 million. Depreciation charges for the current fiscal year totaled $12.9 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)

	2018	**2017**
Land	$ 12,000	$ 12,001
Capitalized Collections	89	89
Computer Software Licenses	2,827	2,827
Construction in Progress	14,152	4,775
Buildings	173,377	177,706
Other Structures and Improvements	1,956	1,220
Furniture, Machinery, and Equipment	3,967	3,769
Computer Software	18,175	19,966
Capital Assets, Net	$226,543	$222,353

State capital appropriations together with local funds are expected to finance the construction, renovation, and purchase of land and facilities. Additional information about the College's capital assets is presented in the notes to financial statements.

Capital Expenses and Commitments

Major capital expenses through June 30, 2018, were incurred for energy management facility upgrade projects pursuant to a capital lease. The College's contractual construction commitment for these improvements at June 30, 2018, is as follows:

	Amount (In Thousands)
Total Committed	$ 20,168
Completed to Date	(12,720)
Balance Committed	$ 7,448

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

Debt Administration

As of June 30, 2018, the College had $19.7 million in long-term debt as compared to $11.9 million at the end of the prior fiscal year, an increase of 65.5 percent. The increase in long-term debt was due to the College entering into Phase II of the capital lease for the energy management facility upgrade projects which increased the capital lease payable by $8.5 million, offset by a $0.7 million decrease in the State Board of Education capital outlay bonds outstanding resulting from the retirement of bonds through scheduled debt service payments. Additional information about the College's long-term debt is presented in the notes to financial statements.

Economic Factors That Will Affect the Future

The College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth, increased demand for State resources, and declining enrollment in recent years the College received only a $0.5 million increase in State noncapital appropriations for the 2018-19 fiscal year. Although State noncapital appropriations remained flat and student enrollment is anticipated to increase for the 2018-19 fiscal year, the College anticipates being able to maintain its present level of services with available resources.

Requests for Information

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Associate Vice President of Finance, Florida State College at Jacksonville, 501 West State Street, Jacksonville, Florida 32202.

FLORIDA STATE COLLEGE AT JACKSONVILLE
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2018

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 147,356	$ 214,696
Restricted Cash and Cash Equivalents	8,624,571	851,195
Investments	4,676,557	-
Restricted Investments	7,161	-
Accounts Receivable, Net	8,004,296	-
Pledges Receivable, Net	-	150,000
Notes Receivable, Net	135,727	-
Due from Other Governmental Agencies	4,115,601	-
Due from Component Unit	210,695	-
Due from College	-	1,548,198
Inventories	23,369	-
Prepaid Expenses	1,742,702	59,620
Other Current Assets	36,000	-
Total Current Assets	27,724,035	2,823,709
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	12,279,021	-
Investments	26,532,220	50,263,114
Restricted Investments	14,330,079	-
Prepaid Expenses	869	-
Pledges Receivable, Net	-	299,047
Depreciable Capital Assets, Net	197,475,237	-
Nondepreciable Capital Assets	29,068,032	-
Total Noncurrent Assets	279,685,458	50,562,161
TOTAL ASSETS	307,409,493	53,385,870
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	28,945,258	-
Deferred Amounts Related to Other Postemployment Benefits	124,583	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	29,069,841	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	5,794,334	-
Salary and Payroll Taxes Payable	6,828,509	-
Retainage Payable	1,182,473	-
Due to College	-	47,399
Unearned Revenue	1,961,515	1,810,176
Estimated Insurance Claims Payable	609,441	-
Deposits Held for Others	2,948,019	87,468
Long-Term Liabilities - Current Portion:		
Bonds Payable	84,000	-
Capital Lease Payable	879,411	-
Special Termination Benefits Payable	10,229	-
Compensated Absences Payable	3,216,512	-
Other Postemployment Benefits Payable	124,583	-
Net Pension Liability	612,662	-
Total Current Liabilities	24,251,688	1,945,043

FLORIDA STATE COLLEGE AT JACKSONVILLE
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2018

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	87,000	-
Capital Lease Payable	18,679,803	-
Special Termination Benefits Payable	31,299	-
Compensated Absences Payable	10,431,321	-
Other Postemployment Benefits Payable	1,812,910	-
Net Pension Liability	65,457,319	-
Total Noncurrent Liabilities	96,499,652	-
TOTAL LIABILITIES	120,751,340	1,945,043
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	8,248,912	-
Deferred Amounts Related to Other Postemployment Benefits	119,628	-
TOTAL DEFERRED INFLOWS OF RESOURCES	8,368,540	-
NET POSITION		
Net Investment in Capital Assets	212,703,475	-
Restricted:		
Nonexpendable:		
Endowment	-	48,058,022
Expendable:		
Endowment	5,922,454	1,076,293
Grants and Loans	2,213,680	-
Scholarships	975,125	-
Capital Projects	16,810,820	-
Debt Service	7,161	-
Unrestricted	(31,273,261)	2,306,512
TOTAL NET POSITION	$ 207,359,454	$ 51,440,827

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

FLORIDA STATE COLLEGE AT JACKSONVILLE
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2018

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $14,953,819	$ 37,579,877	$ -
State and Local Grants and Contracts	1,245,518	-
Nongovernmental Grants and Contracts	276,620	-
Sales and Services of Educational Departments	845,368	-
Auxiliary Enterprises	1,038,105	6,014,878
Other Operating Revenues	484,643	1,558,600
Total Operating Revenues	41,470,131	7,573,478
EXPENSES		
Operating Expenses:		
Personnel Services	113,421,369	633,147
Scholarships and Waivers	29,292,492	629,924
Utilities and Communications	4,552,099	-
Contractual Services	11,295,991	6,157,224
Other Services and Expenses	5,836,755	1,656,011
Materials and Supplies	15,678,698	241,078
Depreciation	12,865,111	-
Total Operating Expenses	192,942,515	9,317,384
Operating Loss	(151,472,384)	(1,743,906)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	77,963,265	-
Federal and State Student Financial Aid	41,557,195	-
Gifts and Grants	9,452,088	-
Investment Income	569,148	6,130,480
Other Nonoperating Revenues	21,114	-
Gain on Disposal of Capital Assets	18,971	-
Interest on Capital Asset-Related Debt	(312,561)	-
Net Nonoperating Revenues	129,269,220	6,130,480
Income (Loss) Before Other Revenues	(22,203,164)	4,386,574
State Capital Appropriations	3,994,804	-
Capital Grants, Contracts, Gifts, and Fees	4,834,464	-
Additions to Permanent Endowments	-	544,250
Total Other Revenues	8,829,268	544,250
Increase (Decrease) in Net Position	(13,373,896)	4,930,824
Net Position, Beginning of Year	219,081,162	46,510,003
Adjustment to Beginning Net Position	1,652,188	-
Net Position, Beginning of Year, as Restated	220,733,350	46,510,003
Net Position, End of Year	$ 207,359,454	$ 51,440,827

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

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FLORIDA STATE COLLEGE AT JACKSONVILLE
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 34,994,014
Grants and Contracts	2,250,600
Payments to Suppliers	(31,317,780)
Payments for Utilities and Communications	(4,552,099)
Payments to Employees	(85,976,090)
Payments for Employee Benefits	(23,433,597)
Payments for Scholarships	(29,315,165)
Loans Issued to Students	(2,919,198)
Collection on Loans to Students	2,974,193
Auxiliary Enterprises	1,030,004
Sales and Services of Educational Departments	845,369
Other Receipts	960,514
Net Cash Used by Operating Activities	(134,459,235)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	77,963,265
Federal and State Student Financial Aid	41,376,247
Federal Direct Loan Program Receipts	30,532,253
Federal Direct Loan Program Disbursements	(32,870,856)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	9,452,088
Net Cash Provided by Noncapital Financing Activities	126,452,997
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	8,539,023
State Capital Appropriations	4,589,717
Capital Grants and Gifts	4,834,464
Proceeds from Sale of Capital Assets	21,114
Purchases of Capital Assets	(17,099,997)
Principal Paid on Capital Debt and Leases	(717,000)
Interest Paid on Capital Debt and Leases	(312,561)
Net Cash Used by Capital and Related Financing Activities	(145,240)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	17,877,901
Purchases of Investments	(13,767,781)
Investment Income	1,040,021
Net Cash Provided by Investing Activities	5,150,141
Net Decrease in Cash and Cash Equivalents	(3,001,337)
Cash and Cash Equivalents, Beginning of Year	24,052,285
Cash and Cash Equivalents, End of Year	$ 21,050,948

FLORIDA STATE COLLEGE AT JACKSONVILLE
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2018

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (151,472,384)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	12,865,111
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(3,117,594)
Notes Receivable, Net	54,995
Due From Other Governmental Agencies	62,243
Due From Component Unit	395,608
Inventories	8,815
Prepaid Expenses	(88,224)
Accounts Payable	1,649,108
Salary and Payroll Taxes Payable	287,419
Unearned Revenue	728,829
Estimated Insurance Claims Payable	(163,671)
Deposits Held for Others	475,871
Special Termination Benefits Payable	7,704
Compensated Absences Payable	526,504
Other Postemployment Benefits Payable	(99,137)
Net Pension Liability	6,445,004
Deferred Outflows of Resources Related to Other Postemployment Benefits	16,991
Deferred Inflows of Resources Related to Other Postemployment Benefits	119,628
Deferred Outflows of Resources Related to Pensions	(4,939,426)
Deferred Inflows of Resources Related to Pensions	1,777,371
NET CASH USED BY OPERATING ACTIVITIES	$ (134,459,235)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES

Unrealized losses on investments were recognized as a reduction 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.	$ (470,873)
Gains 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.	$ 18,971

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Florida State College at Jacksonville 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 Executive Director, Florida State College at Jacksonville Foundation, Inc., 501 West State Street Jacksonville, Florida 32202. The Foundation's financial statements also include activity of its blended component unit, the Florida State College at Jacksonville Foundation Real Estate Holding, Inc. (Holding Company). The Holding Company is a subsidiary of the Foundation and was formed exclusively to hold title to certain real property, and to collect and transfer its income to the Foundation in support of the Foundation's mission. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended September 30, 2017.

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

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

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

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

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College's accounting system identifies the specific amounts paid for tuition and fees from students and third parties (e.g., financial aid, scholarships, etc.). To the extent that third-party resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue.

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

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

College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to 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, 2018, the College reported as cash equivalents $8,243,143 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 30 days as of June 30, 2018. 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, provides 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, 2018, 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.

At June 30, 2018, the College reported restricted cash and cash equivalents totaling $9,741,327 held in escrow for the acquisition and installation of equipment related to an energy performance contract. These funds are held in trust by an escrow agent in a money market fund with a credit rating of AAAm and Aaa by Standard & Poor's and Moody's Investors Service, respectively, and had a weighted-average days to maturity of 19 days.

Cash and Cash Equivalents – Discretely Presented Component Unit. The amount reported for the Foundation as cash and cash equivalents consists of cash in bank demand deposit accounts.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Foundation will not be able to recover deposits. The Foundation's cash deposits with the bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times, the Foundation may have amounts on deposit that exceed the FDIC insurance limit. The total amount of cash and cash equivalents was $1,065,891 at September 30, 2017.

Capital Assets. College capital assets consist of land, capitalized collections, construction in progress, computer software licenses and computer software, buildings, other structures and improvements, and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of $5,000 for tangible personal property and $65,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Computer 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, a capital lease payable, special termination benefits payable, compensated absences payable, other postemployment benefits payable, and net pension liability that are not scheduled to be paid within the next fiscal year.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net 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 HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Reporting Change

The College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires the College to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB they provide; and requires more extensive note disclosures and supplementary information about the College's OPEB liability.

3. Adjustment to Beginning Net Position

The beginning net position of the College was increased by $1,652,188 due to implementation of GASB Statement No. 75. The College's total OPEB liability reported at June 30, 2017, decreased by $1,510,614 to $2,036,630 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and the beginning balance for deferred outflows of resources was restated for subsequent contributions totaling $141,574.

4. Deficit Net Position in Individual Funds

The College reported an unrestricted net position which included a deficit in the current funds - unrestricted, as shown below. This deficit can be attributed to the full recognition of long-term liabilities (i.e., special termination benefits payable, compensated absences payable, OPEB payable, and net pension liability) in the current unrestricted funds.

Fund	Net Position
Current Funds - Unrestricted	$ (35,070,684)
Auxiliary Funds	3,797,423
Total	$ (31,273,261)

5. 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. 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 and Foundation categorize 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, 2018, are valued using quoted market prices (Level 1 inputs), with the exception of corporate bonds and notes which are valued using a matrix pricing model (Level 2 inputs).

The College's investments at June 30, 2018, are reported as follows:

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
SBA Debt Service Accounts	$ 7,161	$ 7,161	$ -	$ -
United States Treasury Securities	16,358,572	16,358,572	-	-
Obligations of United States Government Agencies and Instrumentalities	9,400,306	9,400,306	-	-
Corporate Bonds and Notes	14,177,867	-	14,177,867	-
Mutual Funds:				
Equities	3,789,316	3,789,316	-	-
Bonds	1,041,351	-	1,041,351	-
Total investments by fair value level	44,774,573	$ 29,555,355	$ 15,219,218	$ -
Investments measured at amortized cost				
Money Market Funds	771,444			
Total investments measured at fair value	$ 45,546,017			

State Board of Administration Debt Service Accounts

The College reported investments totaling $7,161 at June 30, 2018, 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 these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Managed Investments

The College's investments at June 30, 2018, all of which are managed by a contracted investment management firm include $4,842,559 of endowment fund investments and $40,696,297 of other College investments. 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 investment policy limits investments of current operating funds to maturities no longer than 24 months, and investments of non-operating funds to maturities no longer than 5.5 years. The policy also provides that the maximum maturity of an individual security will not be greater than 5.5 years, and the effective duration of the portfolio will not be greater than 3 years. At June 30, 2018, the College had $25,758,878 in obligations of the United States Government and its agencies, with various call dates with final maturity dates between August 2018 and May 2041, having a weighted-average maturity of 2.45 years. Also, at June 30, 2018, the College had $14,177,867 in corporate securities, with various call dates with final maturity dates between May 2019 and December 2022, with weighted-average maturities of 2.34 years, and $771,444 in money markets funds, with an average maturity of 30 days. The overall weighted-average life of the other College investments portfolio was 2.43 years as of June 30, 2018.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy addresses credit risk through the authorization of the following investments:

- United States Treasury and Government Guaranteed – United States Treasury obligations and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the Unites States Government.
- Federal Agency/Government-Sponsored Enterprise (GSE) – Debt obligations, participations or other instruments issued or fully guaranteed by any United States Federal agency, instrumentality, or GSE.
- Supranationals – United States dollar denominated debt obligations of government multilateral organizations where the United States is a shareholder and voting member.
- Corporates – United States dollar denominated corporate notes, bonds, or other debt obligations issued or guaranteed by a domestic or foreign corporation, financial institution, non-profit or other entity.
- Municipals – Obligations, including both taxable and tax-exempt, issued or guaranteed by any State, territory or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality, or other unit of local government of any State or territory.
- Agency Mortgage-Backed Securities – Mortgage-backed securities, backed by residential, multi-family or commercial mortgages, that are issued or fully guaranteed as to principal and interest by a United States Federal agency or GSE, including but not limited to pass-throughs, collateralized mortgage obligations, and Real Estate Mortgage Investment Conduits.

- Asset-backed securities – Asset-backed securities whose underlying collateral consists of loans, leases or receivables, including, but not limited to, auto loans and leases, credit card receivables, student loans, equipment loans and leases, or home-equity loans.
- Non-Negotiable Certificate of Deposit and Savings Accounts – Non-negotiable interest-bearing time certificates of deposit, or savings accounts in banks organized under Florida laws or in national banks organized under United States laws and doing business in Florida, provided that any such deposits are secured by the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.
- Commercial Paper – United States dollar denominated commercial paper issued or guaranteed by a domestic or foreign corporation, company, financial institution, trust or other entity, including both unsecured debt and asset-backed programs.
- Bankers' Acceptances – Bankers' acceptances issued, drawn on or guaranteed by a United States bank or United States branch of a foreign bank.
- Repurchase agreements meeting the requirements specified in the investment policy.
- Money Market Funds – Shares in open-end and no-load money market mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule 2a-7 of the Act.
- Local Government Investment Pools – State, local government, or privately sponsored investment pools that are authorized pursuant to state law.

United States Government obligations are not considered to have credit risk. As of June 30, 2018, the College's investments in Federal agency obligations and corporate debt securities are rated AA+ and A-, respectively, by Standard & Poor's.

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 the value of investments or collateral securities that are in the possession of an outside party. Investments purchased on behalf of the College pursuant to Section 218.415, Florida Statutes, must be properly earmarked and (1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the College's interest in the security; (2) if in a book-entry form, the investment must be held for the credit of the College by a depository chartered by the Federal Government, the State, or any other State or territory of the United States, that has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States that is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or (3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The College's investments of $25,758,878 in United States Treasury Securities and obligations of United States Government agencies, and $14,177,867 in corporate debt securities, are held by the safekeeping agent in the name of the College.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's investment policy provides that a maximum of 5 to 40 percent of the portfolio may be invested in securities of a single issuer, depending on the type of authorized investment. The policy also establishes maximum percentages for each type of authorized investment ranging from 10 to 50 percent of the investment portfolio. However, United States Treasury Securities are not subject to these limitations.

Investments – Discretely Presented Component Unit

The College's Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Foundation's investments in the Commonfund equity, fixed income, and commodities funds represent shares of commingled external investment pools, and are valued based on the Foundation's proportionate share of the underlying net asset value of the investment pools as reported by the investment manager (Level 2 inputs). There is little or no observable market data for determining the valuation of private equity funds, artwork, and real property investments held by the Foundation (Level 3 inputs). Artwork and real property are valued at fair value on the date of donation.

Investments held by the Foundation at September 30, 2017, are reported at fair value as follows:

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Commonfund:				
Equity Funds	$ 34,015,468	$ -	$ 34,015,468	$ -
Fixed Income Funds	8,309,330	-	8,309,330	-
Commodities Fund	633,079	-	633,079	-
Private Equity Funds (1)	7,226,562	-	-	7,226,562
Artwork	23,675	-	-	23,675
Real property	55,000	-	-	55,000
Total investments by fair value level	$ 50,263,114	$ -	$ 42,957,877	$ 7,305,237

(1) The Foundation's investments in private equity funds contain various subscription agreements with the fund manager that require the Foundation to provide capital contributions when requested. As of September 30, 2017, the Foundation had total capital commitment subscriptions of $8,900,000, cumulative capital calls totaled $6,994,625, leaving future capital commitments of $1,905,375. Capital contributions are due from time to time without notice in varying amounts and the Foundation anticipates being able to meet its future capital commitment obligations.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not specifically limit debt obligation maturities. However, as a means of managing the Foundation's exposure to fair value losses arising from increasing interest rates, the policy provides for diversifying fixed-income investments among maturities according to interest rate prospects. At September 30, 2017, the Foundation had investments of $8,309,330 in two fixed income funds, totaling $6,046,432 and $2,262,898, respectively, with weighted-average lives of 7.2 and 2.4 years, respectively.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy provides that no more than 15 percent of the corporate debt securities in the fixed-income portfolio may be rated below investment-grade. As of

September 30, 2017, the Foundation's investments in fixed income funds are rated AA- by Standard & Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation's investment policy does not address custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation's investment policy provides that the maximum amount invested in the securities of a single issuer may not exceed five percent of the total investments. Securities issued by the United States government and its agencies are not subject to this limitation.

6. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a $2,291,610 allowance for doubtful accounts.

7. Notes Receivable

Notes receivable represent student loans made under the College's short-term loan program of $252,641. Notes receivable are reported net of a $116,914 allowance for doubtful notes.

8. Due From Other Governmental Agencies

The amount due from other governmental agencies consists of $2,602,610 of Federal student financial aid reimbursements, $733,204 of Public Education Capital Outlay allocations due from the State for maintenance and renovations of College facilities, $563,382 of grants and contracts receivable, and $190,448 and $25,957 for expenses incurred for damage related to Hurricane Irma to be reimbursed by the Federal Emergency Management Agency and the State, respectively.

9. Due From/To Component Unit/College

The amount reported as due from component unit consists of $417,734 owed to the College as of June 30, 2018, for reimbursement of scholarships, salary supplements, and other expenses reduced by $207,039 that the College owed to the Foundation for revenues earned in excess of expenses for the Foundation Artist Series program as of that date. The $1,548,198 reported as due from College consists of amounts the College owed to the Foundation for revenues earned in excess of expenses for the Foundation Artist Series program as of September 30, 2017. The $47,399 reported as due to the College consists of amounts that the Foundation owed to the College for reimbursement of certain personnel costs as of September 30, 2017. The College's financial statements are reported for the fiscal year ended June 30, 2018, and the component unit's financial statements are reported for the fiscal year ended September 30, 2017. Accordingly, amounts reported by the College as due from and to component unit on the statement of net position do not agree with amounts reported by the component unit as due from and to the College.

10. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2018, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 12,000,940	$ -	$ 1,265	$ 11,999,675
Capitalized Collections	88,600	-	-	88,600
Computer Software Licenses	2,827,259	-	-	2,827,259
Construction in Progress (1)	4,775,053	14,404,922	5,027,477	14,152,498
Total Nondepreciable Capital Assets	$ 19,691,852	$ 14,404,922	$ 5,028,742	$ 29,068,032
Depreciable Capital Assets:				
Buildings	$ 325,045,051	$ 3,468,872	$ -	$ 328,513,923
Other Structures and Improvements	6,137,019	1,084,349	-	7,221,368
Furniture, Machinery, and Equipment	29,076,788	2,651,297	1,618,838	30,109,247
Computer Software	22,184,795	474,256	-	22,659,051
Total Depreciable Capital Assets	382,443,653	7,678,774	1,618,838	388,503,589
Less, Accumulated Depreciation:				
Buildings	147,339,207	7,797,307	-	155,136,514
Other Structures and Improvements	4,917,045	348,167	-	5,265,212
Furniture, Machinery, and Equipment	25,307,347	2,453,732	1,618,838	26,142,241
Computer Software	2,218,480	2,265,905	-	4,484,385
Total Accumulated Depreciation	179,782,079	12,865,111	1,618,838	191,028,352
Total Depreciable Capital Assets, Net	$ 202,661,574	$ (5,186,337)	$ -	$ 197,475,237

(1) Construction in progress at June 30, 2018, includes $12,719,755 for energy management facility upgrade projects that will be reported as assets under capital lease when completed. See Notes 12. and 15.

11. Unearned Revenue

Unearned revenue at June 30, 2018, includes amounts received by the College for grants and contracts, student tuition and fees, scholarships, and an auxiliary enterprise facility renovation project that have not been earned.

Description	Amount
Grants and Contracts	$ 1,333,672
Student Tuition and Fees	565,027
Scholarships	2,816
Auxiliary Renovation	60,000
Total Unearned Revenue	$ 1,961,515

12. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2018, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 888,000	$ -	$ 717,000	$ 171,000	$ 84,000
Capital Lease Payable	11,020,191	8,539,023	-	19,559,214	879,411
Special Termination Benefits Payable	33,823	35,581	27,876	41,528	10,229
Compensated Absences Payable	13,121,330	6,064,882	5,538,379	13,647,833	3,216,512
Other Postemployment Benefits Payable (1)	2,036,630	176,256	275,393	1,937,493	124,583
Net Pension Liability	59,624,977	11,440,319	4,995,315	66,069,981	612,662
Total Long-Term Liabilities	$ 86,724,951	$ 26,256,061	$ 11,553,963	$ 101,427,049	$ 4,927,397

(1) The beginning balance of the Other Postemployment Benefits Payable was adjusted for adoption of GASB Statement No. 75 as described in Notes 2. and 3.

Bonds Payable. 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.

The College had the following bonds payable at June 30, 2018:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2014B, Refunding	$ 171,000	2 - 5	2020

Annual requirements to amortize all bonded debt outstanding as of June 30, 2018, are as follows:

Fiscal Year	SBE Capital Outlay Bonds		
Ending June 30	Principal	Interest	Total
2019	$ 84,000	$ 5,940	$ 89,940
2020	87,000	1,740	88,740
Total	$ 171,000	$ 7,680	$ 178,680

Capital Lease Payable. The College entered into a master financing arrangement with a financing company on May 5, 2017, characterized as an equipment lease purchase agreement, to provide up to $25,000,000 in capital lease financing for energy management facility upgrade projects under the provisions of Section 1013.23, Florida Statutes, at an interest rate of 3.17 percent. Under this arrangement, the College obtained financing in two phases for certain energy management facility upgrade projects. The College received $11,020,191 (Phase I) and $8,539,023 (Phase II) on May 5, 2017, and December 27, 2017, respectively. The capital lease Phase I quarterly lease payments are due from November 1, 2018, through February 1, 2037. The capital lease Phase II payments include an accrued interest payment due December 1, 2018, and quarterly lease payments are due from March 1, 2019, through December 1, 2035. Future minimum capital lease payments under the agreement and the present value of the minimum payments as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Amount
2019	$ 879,411
2020	1,254,104
2021	1,377,134
2022	1,457,470
2023	1,497,995
2024-2028	7,360,996
2029-2033	7,495,775
2034-2037	5,119,695
Total Minimum Payments	26,442,580
Less, Amount Representing Interest	(6,883,366)
Present Value of Minimum Payments	$ 19,559,214

Special Termination Benefits Payable. Effective July 1, 2004, the Board of Trustees established a severance pay plan that is available to certain College administrative employees. The plan provides that once certain eligibility guidelines are met, benefit day credits of one-half to one full day are accrued for each month of service payable at various percentages in conjunction with the employee's daily rate of pay at the time of separation. The severance pay plan benefit is not available to an eligible employee until the date of separation from the College and must be paid as a one-time lump-sum payment. At June 30, 2018, a liability for accrued plan benefits of $41,528 for four employees was reported by the College as Special Termination Benefits Payable.

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, 2018, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $13,647,833. The current portion of the compensated absences liability, $3,216,512, is the amount expected to be paid in the coming fiscal year and represents the College's estimate of leave payments plus benefits for leave used, retirements, separations, and Deferred Retirement Option Program (DROP) participants during the 2018-19 fiscal year based on an average of actual payments over the previous 7 years.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for other postemployment benefits administered by the Florida College System Risk Management Consortium (Consortium).

General Information about the OPEB Plan

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the Consortium that provides OPEB for all employees who satisfy the College's retirement eligibility provisions. 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 OPEB Plan contribution requirements and benefit terms of the College and the OPEB Plan members are established and may be amended by action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Employees Covered by Benefit Terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	77
DROP Members	57
Active Employees	1,279
Total	1,413

Total OPEB Liability

The College's total OPEB liability of $1,937,493 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60 percent
Real Wage Growth	0.65 percent
Wage Inflation	3.25 percent
Salary increases	
Regular Employees	4.00 – 7.80 percent
Senior Management	4.00 – 7.10 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.01 percent
Measurement Date	3.56 percent
Healthcare cost trend rates	
Pre-Medicare	7.50 percent for 2017, decreasing to an ultimate rate of 5.00 percent by 2023
Medicare	5.50 percent for 2017, decreasing to an ultimate rate of 5.00 percent by 2020

The discount rate was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for FRS experience and generational mortality improvements using Scale MP-2014.

The demographic actuarial assumptions for mortality, retirement, disability incidence, and withdrawal used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2008, through June 30, 2013, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017, valuation were based on a review of recent plan experience done concurrently with the June 30, 2017, valuation.

Changes in the Total OPEB Liability

	Amount
Balance at 7/1/17, as Restated	$ 2,036,630
Changes for the year:	
Service Cost	117,068
Interest	59,188
Changes in Assumptions or Other Inputs	(133,819)
Benefit Payments	(141,574)
Net Changes	(99,137)
Balance at 6/30/18	$ 1,937,493

Changes of assumptions and other inputs reflect a change in the discount rate from 3.01 percent in 2016 to 3.56 percent in 2017 due to a change in the Municipal Bond Rate.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56 percent) or 1 percentage point higher (4.56 percent) than the current rate:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	$2,194,639	$1,937,493	$1,733,259

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$1,665,974	$1,937,493	$2,291,276

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2018, the College recognized OPEB expense of $162,065. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions or other inputs	$ -	$ 119,628
Transactions subsequent to the measurement date	124,583	-
Total	$ 124,583	$ 119,628

The total amount reported as deferred outflows of resources related to OPEB, $124,583 resulting from benefits paid subsequent to the measurement date will be included as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ (14,191)
2020	(14,191)
2021	(14,191)
2022	(14,191)
2023	(14,191)
Thereafter	(48,673)
Total	$ (119,628)

Net Pension Liability. As a participating employer in the FRS, 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, 2018, the College's proportionate share of the net pension liabilities totaled $66,069,981. Note 13. includes a complete discussion of defined benefit pension plans.

13. 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 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 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. 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.

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

The College's FRS and HIS pension expense totaled $8,342,351 for the fiscal year ended June 30, 2018.

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 creditable 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.

The 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:

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

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan 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 2017-18 fiscal year were:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	7.92
FRS, Senior Management Service	3.00	22.71
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	13.26
FRS, Reemployed Retiree	(2)	(2)

(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 $4,014,652 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the College reported a liability of $43,297,778 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The College's proportionate share of the net pension liability was based on the College's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the College's proportionate share was 0.146378500 percent, which was an increase of 0.004776886 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $6,869,812. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,973,694	$ 239,847
Change of assumptions	14,551,111	-
Net difference between projected and actual earnings on FRS Plan investments	-	1,073,027
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	1,398,104	3,229,731
College FRS contributions subsequent to the measurement date	4,014,652	-
Total	$ 23,937,561	$ 4,542,605

The deferred outflows of resources totaling $4,014,652, 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 1,904,891
2020	5,629,590
2021	3,598,023
2022	342,078
2023	2,778,923
Thereafter	1,126,799
Total	$ 15,380,304

Actuarial Assumptions. The total pension liability in the July 1, 2017, 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	7.10 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, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	**Target Allocation** (1)	**Annual Arithmetic Return**	**Compound Annual (Geometric) Return**	**Standard Deviation**
Cash	1%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (Property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.10 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. The discount rate used in the 2017 valuation was updated from 7.60 percent to 7.10 percent.

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 7.10 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 (6.10 percent) or 1 percentage point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
College's proportionate share of the net pension liability	$78,366,363	$43,297,778	$14,182,818

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, 2018, the College reported a payable of $439,218 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2018.

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, 2018, 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, 2018, 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 $1,102,349 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the College reported a net pension liability of $22,772,203 for its proportionate share of the net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within 1 year, net of the College's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The College's proportionate share of the net pension liability was based on the College's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the College's proportionate share was 0.212974381 percent, which was an increase of 0.008158363 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $1,472,539. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 47,415
Change of assumptions	3,200,988	1,969,137
Net difference between projected and actual earnings on HIS Plan investments	12,629	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	691,731	1,689,755
College contributions subsequent to the measurement date	1,102,349	-
Total	$ 5,007,697	$ 3,706,307

The deferred outflows of resources totaling $1,102,349, 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 113,629
2020	111,239
2021	110,092
2022	70,053
2023	2,416
Thereafter	(208,388)
Total	$ 199,041

Actuarial Assumptions. The total pension liability at July 1, 2017, 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	3.58 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.58 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 in the 2017 valuation was updated from 2.85 percent to 3.58 percent.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
College's proportionate share of the net pension liability	$25,986,100	$22,772,203	$20,095,205

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, 2018, the College reported a payable of $146,915 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2018.

14. 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's 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 2017-18 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2018, 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 roll over 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 $634,871 for the fiscal year ended June 30, 2018.

Payables to the Pension Plan. At June 30, 2018, the College reported a payable of $78,888 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2018.

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, 3.30 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 8.45 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 $651,279 and employee contributions totaled $231,279 for the 2017-18 fiscal year.

15. Construction Commitment

The College has one significant construction commitment at June 30, 2018. The College entered into a contract for energy management facility upgrade projects under the provisions of Section 1013.23, Florida Statutes. The project contract totaled $20,168,215, with $12,719,755 completed to date and $7,448,460 committed at June 30, 2018.

16. 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), a self-insured program, and commercially purchased insurance.

Consortium. The College provided coverage for health and hospitalization through the 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.

Self-Insured Program. The Board has established an individual self-insured program to provide group workers' compensation coverage for its employees. The College's liability was limited by excess insurance to $500,000 per occurrence for the 2017-18 fiscal year. The program administrator has been approved by the Florida Office of Insurance Regulation. An actuarial review has determined a present value of estimated outstanding losses, including incurred but not reported claims, in the amount of $460,551 discounted at a rate of 3 percent at June 30, 2018.

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

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claims Payments	End of Fiscal Year
2016-17	$ 355,979	$ 657,206	$ (369,775)	$ 643,410
2017-18	$ 643,410	$ 115,203	$ (298,062)	$ 460,551

Settled claims arising from the risks associated with the self-insured program have not exceeded coverage in any of the past 3 fiscal years. Additionally, the College reported $148,890 in estimated insurance claims payable associated with its self-insured dental program.

Commercially Purchased Insurance. The College's insurance coverage for property, boiler and machinery, general liability, automobile liability, aircraft, builder's risk, flood, athletic, cyber security, employee faithful performance, employee benefits liability, errors and omissions, and student professional liability was obtained through commercially purchased insurance. The College has also reserved $3.8 million of its unrestricted net position, and $9.5 million of its restricted for capital projects net position, in recognition of its property damage deductibles and related operating and property damage costs that may be incurred in the event of a natural disaster.

Settled claims arising from these risks have not exceeded coverage in any of the past 3 fiscal years.

17. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 58,339,808
Public Services	67,652
Academic Support	23,812,441
Student Services	19,962,602
Institutional Support	23,213,947
Operation and Maintenance of Plant	24,907,528
Scholarships and Waivers	29,292,492
Depreciation	12,865,111
Auxiliary Enterprises	480,934
Total Operating Expenses	$ 192,942,515

18. City Grant

In a prior year, the College was awarded a contract, totaling $210,729, from the City of Jacksonville's Young Adult Workforce program. The purpose of the Young Adult Workforce program was to educate and place high-risk urban youth into jobs. As of June 30, 2018, the College received $190,045 from the contract. The remaining $20,684 was not earned because defined deliverables were not completed before the contract period expired effective September 30, 2017.

Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios

	2017
Total OPEB Liability	
Service cost	$ 117,068
Interest	59,188
Changes of assumptions or other inputs	(133,819)
Benefit Payments	(141,574)
Net change in total OPEB liability	(99,137)
Total OPEB Liability - beginning, as Restated	2,036,630
Total OPEB Liability - ending	$ 1,937,493
Covered-Employee Payroll	$ 67,942,886
Total OPEB Liability as a percentage of covered-employee payroll	2.85%

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

	2017 (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
College's proportion of the FRS net pension liability	0.146378500%	0.141601614%	0.166822668%	0.176456970%	0.164149500%
College's proportion share of the FRS net pension liability	$ 43,297,778	$ 35,754,519	$ 21,547,385	$ 10,766,471	$ 28,257,435
College's covered payroll (2)	$ 76,248,123	$ 71,270,974	$ 75,901,140	$ 79,318,686	$ 78,081,652
College's proportion share of the FRS net pension liability as a percentage of its covered payroll	56.79%	50.17%	28.39%	13.57%	36.19%
FRS Plan fiduciary net pension as a percentage of the FRS total pension liability	83.89%	84.88%	92.00%	96.09%	88.54%

(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

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	$ 4,014,652	$ 3,857,239	$ 3,290,587	$ 4,067,278	$ 3,865,156
FRS contributions in relation to the contractually required contribution	(4,014,652)	(3,857,239)	(3,290,587)	(4,067,278)	(3,865,156)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 74,107,379	$ 76,248,123	$ 71,270,974	$ 75,901,140	$ 79,318,686
FRS contributions as a percentage of covered payroll	5.42%	5.06%	4.62%	5.36%	4.87%

(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

	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
College's proportion of the HIS net pension liability	0.212974381%	0.204816018%	0.219895113%	0.228590620%	0.234015258%
College's proportion share of the HIS net pension liability	$ 22,772,203	$ 23,870,458	$ 22,425,843	$ 21,373,781	$ 20,374,105
College's covered payroll (2)	$ 68,558,800	$ 62,713,460	$ 66,169,173	$ 68,596,419	$ 66,703,252
College's proportion share of the HIS net pension liability as a percentage of its covered payroll	33.22%	38.06%	33.89%	31.16%	30.54%
HIS Plan fiduciary net pension as a percentage of the FRS total pension liability	1.64%	0.97%	0.50%	0.99%	1.78%

(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

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required HIS contribution	$ 1,102,349	$ 1,138,076	$ 1,041,043	$ 840,576	$ 783,075
HIS contributions in relation to the contractually required HIS contribution	(1,102,349)	(1,138,076)	(1,041,043)	(840,576)	(783,075)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	-
College's covered payroll (2)	$ 66,406,582	$ 68,558,800	$ 62,713,460	$ 66,169,173	$ 68,596,419
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.27%	1.14%

(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 Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The June 30, 2018, total OPEB liability decreased from the prior fiscal year, in part, as a result of changes to benefits and assumptions as discussed below:

Changes of Assumptions. There was a change in the total OPEB liability arising from the change in the discount rate from 3.01 percent at the prior measurement date to 3.56 percent at the current measurement date.

2. 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 7.60 percent to 7.10 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal rate used to determine total pension liability increased from 2.85 percent to 3.58 percent.

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Legislative Auditing Committee

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida State College at Jacksonville, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 15, 2019, 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 communication is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman, CPA
Tallahassee, Florida
February 15, 2019