STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2019-134
February 2019

SEMINOLE STATE COLLEGE OF FLORIDA

For the Fiscal Year Ended
June 30, 2018

Sherrill F. Norman, CPA
Auditor General

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 Keith O. Auyang, CPA, and the audit was supervised by Keith A. Wolfe, 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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SEMINOLE STATE COLLEGE OF FLORIDA

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Seminole State College of Florida (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 Seminole State College of Florida 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

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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 Seminole State College of Florida, 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 Seminole State College of Florida 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 22, 2019, on our consideration of the Seminole State College of Florida'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 Seminole State College of Florida's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman, CPA
Tallahassee, Florida
February 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

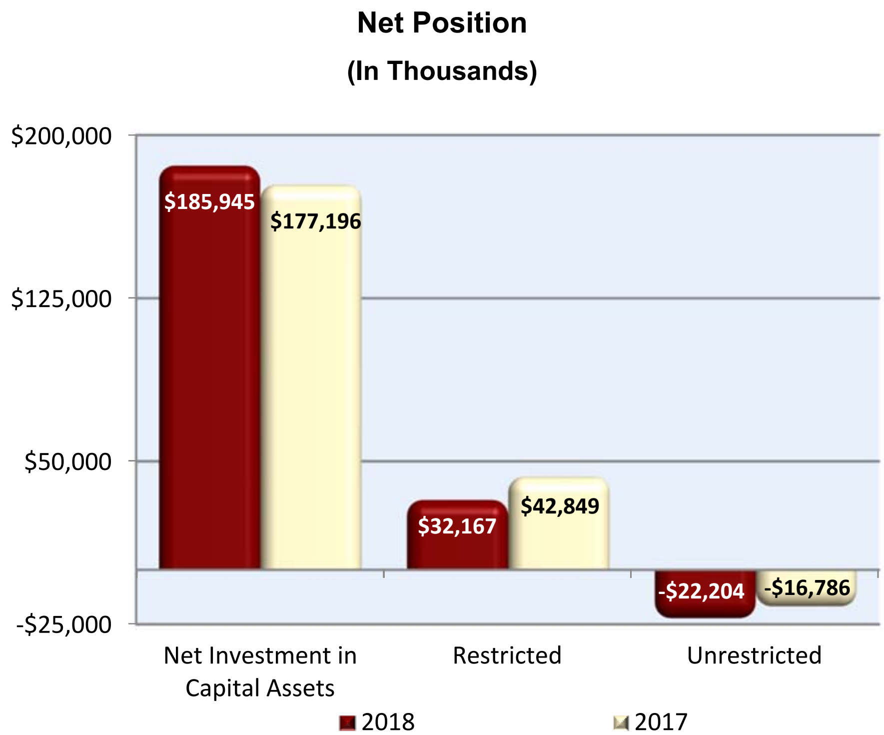
The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2018, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto,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

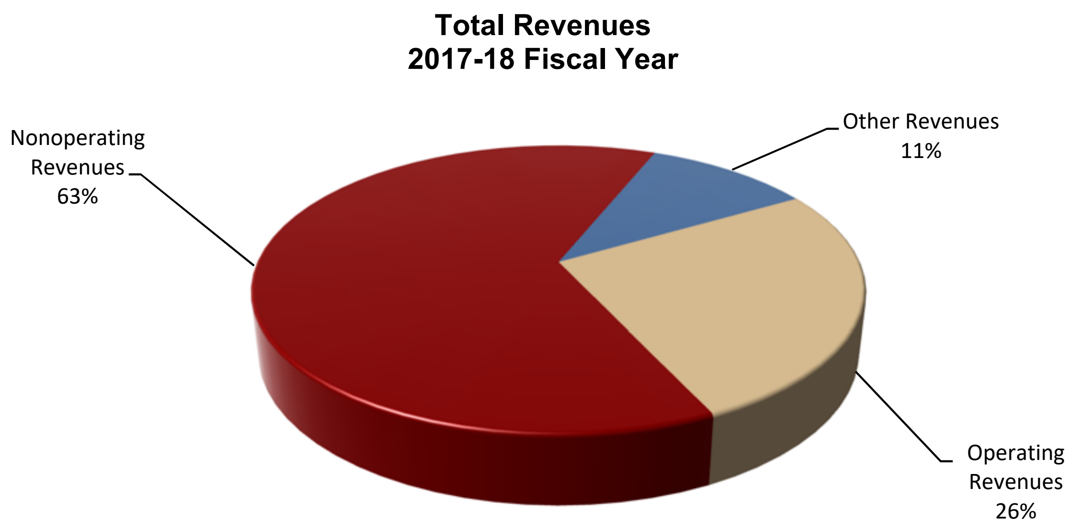
The College's assets and deferred outflows of resources totaled $263.2 million at June 30, 2018. This balance reflects an $8.6 million, or 3.2 percent, decrease as compared to the 2016-17 fiscal year, resulting primarily from decreases in amounts due from other governmental agencies of $12.9 million and restricted cash and cash equivalents of $5.5 million, due to less State funding received in support of current and future construction projects. Liabilities and deferred inflows of resources also decreased by $1.3 million, or 1.8 percent, totaling $67.3 million at June 30, 2018, as compared to $68.6 million at June 30, 2017. This change is the result of decreases in unearned revenue of $7.7 million, partially offset by increases in net pension liability of $3.4 million. As a result, the College's net position decreased by $7.4 million, resulting in a year-end balance of $195.9 million.

The College's operating revenues totaled $31.7 million for the 2017-18 fiscal year, representing a 0.6 percent increase compared to the 2016-17 fiscal year. Operating expenses totaled $126.4 million for the 2017-18 fiscal year, representing an increase of 9.9 percent as compared to the 2016-17 fiscal year, due mainly to increases in personnel services and in materials and supplies 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'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 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, the Foundation for Seminole State College of Florida, 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	$ 39,310	$ 61,040
Capital Assets, Net	189,092	181,009
Other Noncurrent Assets	16,598	14,270
Total Assets	245,000	256,319
Deferred Outflows of Resources	18,215	15,508
Liabilities		
Current Liabilities	11,655	19,107
Noncurrent Liabilities	52,200	47,545
Total Liabilities	63,855	66,652
Deferred Inflows of Resources	3,452	1,916
Net Position		
Net Investment in Capital Assets	185,945	177,196
Restricted	32,167	42,849
Unrestricted	(22,204)	(16,786)
Total Net Position	$ 195,908	$ 203,259

Total assets decreased primarily from decreases in current assets related to amounts due from other governmental agencies of $12.9 million and a decrease in restricted cash and cash equivalents of $5.5 million as funds were used in completion of construction projects, partially offset by an $8.1 million increase in capital assets, net, as a result of the completion of the Sanford/Lake Mary Campus Student Center.

Total liabilities decreased from the prior fiscal year primarily due to a decrease in unearned revenue of $7.7 million related to State funding used in construction projects. This decrease was partially offset by an increase in the net pension liability of $3.4 million and an increase in the liability for other postemployment benefits of $1.2 million.

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

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

The following summarizes the College's activity for the 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	$ 31,675	$ 31,488
Less, Operating Expenses	126,422	115,015
Operating Loss	(94,747)	(83,527)
Net Nonoperating Revenues	75,913	73,807
Loss Before Other Revenues	(18,834)	(9,720)
Other Revenues	12,655	22,697
Net Increase (Decrease) In Net Position	(6,179)	12,977
Net Position, Beginning of Year	203,259	190,282
Adjustment to Beginning Net Position (1)	(1,172)	-
Net Position, Beginning of Year, as Restated	202,087	190,282
Net Position, End of Year	$ 195,908	$ 203,259

(1) For the 2017-18 fiscal year, the College's beginning net position was decreased due to the implementation of GASB Statement No. 75, which is a change in the accounting for Other Postemployment Benefits.

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

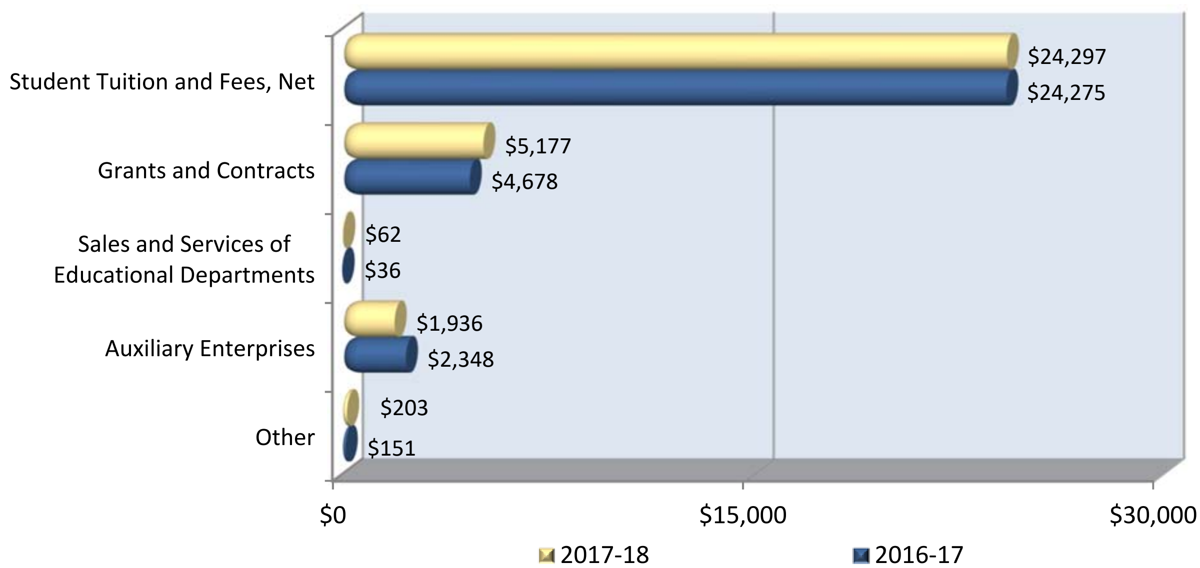
(In Thousands)

	2017-18	2016-17
Student Tuition and Fees, Net	$ 24,297	$ 24,275
Grants and Contracts	5,177	4,678
Sales and Services of Educational Departments	62	36
Auxiliary Enterprises	1,936	2,348
Other	203	151
Total Operating Revenues	$ 31,675	$ 31,488

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

Operating Revenues

(In Thousands)



While student tuition and fees remained flat compared to the prior year, operating revenue increased slightly as the result of an increase in nongovernmental grants and contracts, more specifically, gifts from the Foundation.

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

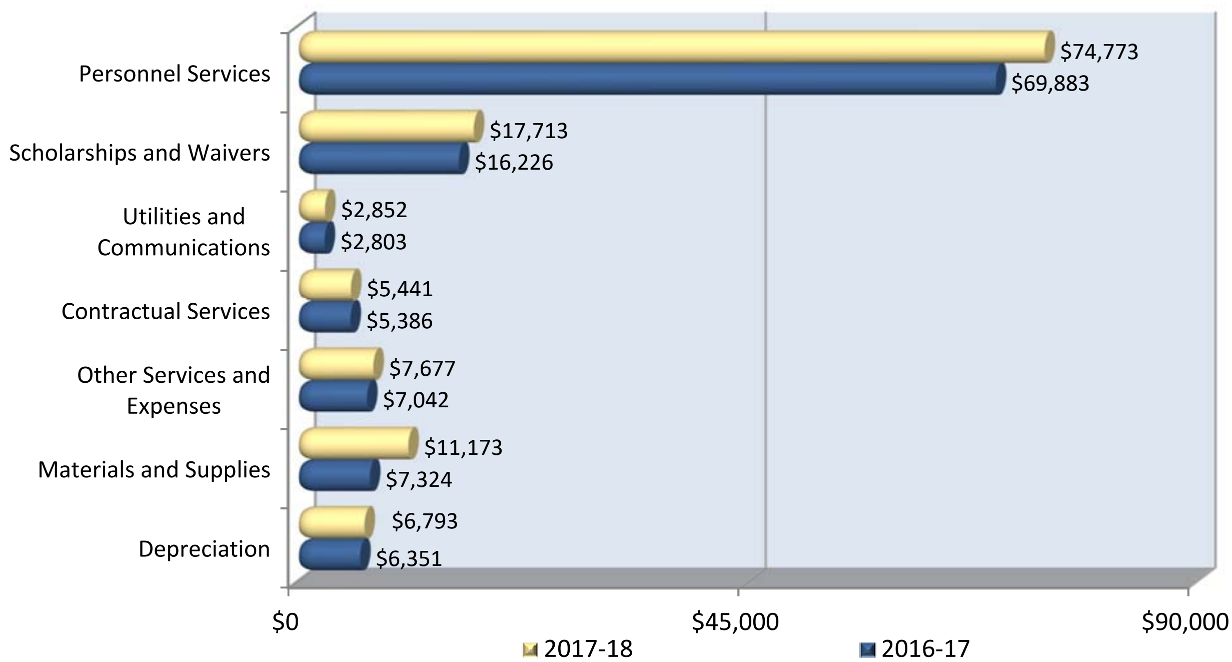
(In Thousands)

	2017-18	**2016-17**
Personnel Services	$ 74,773	$ 69,883
Scholarships and Waivers	17,713	16,226
Utilities and Communications	2,852	2,803
Contractual Services	5,441	5,386
Other Services and Expenses	7,677	7,042
Materials and Supplies	11,173	7,324
Depreciation	6,793	6,351
Total Operating Expenses	$ 126,422	$ 115,015

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 $11.4 million primarily due to increases in personnel services and materials and supplies expenses in the 2017-18 fiscal year. Personnel services expenses increased by $4.9 million as a result of compensation adjustments and increased costs for benefits. The $3.8 million increase in materials and supplies expenses was primarily due to the repair costs of the heating, ventilation, and air conditioning (HVAC) system.

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	$ 45,684	$ 45,670
Federal and State Student Financial Aid	28,620	27,774
Gifts and Grants	466	415
Investment Income	486	150
Net Gain (Loss) on Investments	6	(32)
Other Nonoperating Revenues	821	37
Interest on Capital Asset-Related Debt	(170)	(207)
Net Nonoperating Revenues	$ 75,913	$ 73,807

Net nonoperating revenue and expenses increased by $2.1 million, or 2.9 percent. This increase includes a $0.8 million increase in Federal and State student financial aid resulting from the extension of the Federal Pell Grant program into the summer term and a $0.8 million increase in other nonoperating revenues which includes insurance recovery funds.

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	$ 9,372	$ 19,238
Capital Grants, Contracts, Gifts, and Fees	3,283	3,459
Total	$ 12,655	$ 22,697

The decrease in other revenue of $10 million, or 44.2 percent, is primarily the result of a decrease in State capital appropriations for construction projects.

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	$ (84,448)	$ (74,738)
Noncapital Financing Activities	75,233	73,882
Capital and Related Financing Activities	2,186	4,210
Investing Activities	452	100
Net Increase (Decrease) in Cash and Cash Equivalents	(6,577)	3,454
Cash and Cash Equivalents, Beginning of Year	39,594	36,140
Cash and Cash Equivalents, End of Year	$ 33,017	$ 39,594

Major sources of funds came from net student tuition and fees ($23.3 million), State noncapital appropriations ($45.7 million), Federal and State student financial aid ($28.6 million), Federal Direct Student Loan program receipts ($21.5 million), and State capital appropriations ($14.9 million). Major uses of funds were for payments to employees and for employee benefits ($71.8 million), disbursements to students for Federal Direct Student Loans ($21.5 million), payments for scholarships ($17.6 million), payments to providers of goods and services ($23.4 million), and purchases of capital assets ($15.2 million).

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

- Operating activities used $9.7 million more in cash compared to the 2016-17 fiscal year. Payments to suppliers increased $3.1 million due primarily to the HVAC system repairs. Payments for employee services increased by $2.9 million due to compensation adjustments.
- Noncapital financing cash flow increased by $1.4 million primarily due to a $0.8 million increase in Federal and State student financial aid.
- Net cash flows from capital and related financing activities decreased by $2.0 million because of an increase in cash outflows for purchases of capital assets of $3.6 million, related to construction projects, partially offset by an increase in cash inflows from State capital appropriations of $2.0 million.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the College had $284.1 million in capital assets, less accumulated depreciation of $95 million, for net capital assets of $189.1 million. Depreciation charges for the current fiscal year totaled $6.8 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	$ 32,526	$ 32,515
Construction in Progress	4,866	14,555
Buildings	147,135	128,829
Other Structures and Improvements	2,444	3,512
Furniture, Machinery, and Equipment	1,473	1,224
Leasehold Improvements	648	374
Capital Assets, Net	$189,092	$181,009

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 on the Sanford/Lake Mary campus Student Center construction project, the Lower L Building and F Building renovation projects on the Sanford/Lake Mary campus and the Altamonte H Building renovation on the Altamonte campus. The Student Center was completed and capitalized in the amount of $23.2 million. The College's major construction commitments at June 30, 2018, are as follows:

	Amount (In Thousands)
Total Committed	$ 17,916
Completed to Date	1,623
Balance Committed	$ 16,293

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 $3.1 million in outstanding bonds payable, and had a decrease of $0.7 million, or 17.5 percent, in long-term debt from the prior fiscal year.

During the 2017-18 fiscal year, the State Board of Education (SBE) issued $41.4 million of Capital Improvement Revenue Refunding Bonds, Series 2018A. The College's portion of the bonds, $2.5 million, was used to refund $3.1 million of outstanding SBE Capital Improvement Revenue Bonds, Series 2006A. As a result of this refunding, the College had a debt service saving of $0.6 million and obtained an economic gain on the bond refunding of $0.6 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. Limited economic growth and increased demand for State resources have resulted in only a modest increase in funding for the College system. Although State funding for the 2017-18 fiscal year was flat compared to the prior year, the College received a modest increase in allocations for the 2018-19 fiscal year. This modest increase was due, in part, to the College receiving gold status for performance funding. In the 2018-19 fiscal year the College will offer additional programs to attract new students and increase retention of students currently enrolled. Therefore, the College anticipates an increase in student enrollment of approximately 1.7 percent in full-time equivalent enrollment in the 2018-19 fiscal year. The Board of Trustees elected to make no change in the tuition rate for the 2018-19 fiscal year.

The continued strength of the College's financial position is reflected in the ability of the Board to designate reserves in excess of the 5 percent minimum statutory level in order to lessen the possible impact of unforeseen changes in allocations or enrollments in future years.

The College was awarded approximately $1.1 million in State funding for continuing repair, maintenance and site improvements on all campuses. In the spring of 2018 the College opened its new Student Center on the Sanford/Lake Mary Campus. Although no funding for specific projects was allocated in the 2018-19 fiscal year, the College received $12.7 million in State funding in 2016-17 to continue a renovation project of two buildings (Lower L and F) on the Sanford/Lake Mary Campus. This renovation project is expected to be complete in the fall of 2019. Facility improvements for the next two years include replacement of the existing gymnasium with a comprehensive Wellness Center on the Sanford/Lake Mary Campus. The College continues to plan the development of the Altamonte Springs Campus. An existing building on the site is currently being renovated to provide some additional office and classroom space. A major new building is being planned for the campus once the source of funding can be finalized. This building will enable the College to meet future demand for healthcare and other general educational program offerings.

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 Interim Vice President, Financial Services/CFO, Seminole State College of Florida, 100 Weldon Boulevard, Sanford, Florida 32773.

SEMINOLE STATE COLLEGE OF FLORIDA
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	$ 11,460,520	$ 259,036
Restricted Cash and Cash Equivalents	5,026,014	1,880,719
Accounts Receivable, Net	7,709,365	867,086
Due from Other Governmental Agencies	14,515,538	-
Due from Component Unit/College	218,016	608,016
Prepaid Expenses	362,779	-
Deposits	17,403	-
Total Current Assets	39,309,635	3,614,857
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	16,529,985	-
Investments	-	1,271,141
Restricted Investments	17,546	19,991,420
Prepaid Expenses	50,805	-
Depreciable Capital Assets, Net	151,699,527	1,984,612
Nondepreciable Capital Assets	37,392,689	3,328,049
Other Assets	-	2,597,740
Total Noncurrent Assets	205,690,552	29,172,962
TOTAL ASSETS	245,000,187	32,787,819
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	18,131,129	-
Other Postemployment Benefits	83,294	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	18,214,423	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,432,397	4,686
Salary and Payroll Taxes Payable	1,243,708	-
Retainage Payable	545,825	-
Due to Other Governmental Agencies	656	-
Due to Component Unit/College	608,016	218,016
Unearned Revenue	4,796,168	-
Deposits Held for Others	154,323	28,150
Long-Term Liabilities - Current Portion:		
Bonds Payable	279,000	-
Compensated Absences Payable	161,577	-
Other Postemployment Benefits Payable	83,294	-
Net Pension Liability	350,521	-
Total Current Liabilities	11,655,485	250,852

SEMINOLE STATE COLLEGE OF FLORIDA
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	2,868,000	-
Notes and Loans Payable	-	150,000
Compensated Absences Payable	6,977,435	-
Other Postemployment Benefits Payable	2,144,647	-
Net Pension Liability	40,209,046	-
Total Noncurrent Liabilities	52,199,128	150,000
TOTAL LIABILITIES	63,854,613	400,852
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	3,304,957	-
Other Postemployment Benefits	146,550	-
TOTAL DEFERRED INFLOWS OF RESOURCES	3,451,507	-
NET POSITION		
Net Investment in Capital Assets	185,945,216	5,770,677
Restricted:		
Nonexpendable:		
Endowment	-	11,478,006
Expendable:		
Grants and Loans	592,823	-
Scholarships	671,803	13,064,906
Capital Projects	30,884,637	-
Debt Service	17,546	-
Unrestricted	(22,203,535)	2,073,378
TOTAL NET POSITION	$ 195,908,490	$ 32,386,967

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

SEMINOLE STATE COLLEGE OF FLORIDA
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 $12,526,643	$ 24,296,698	$ -
Federal Grants and Contracts	2,156,187	-
State and Local Grants and Contracts	578,380	-
Nongovernmental Grants and Contracts	2,442,897	-
Sales and Services of Educational Departments	61,878	-
Auxiliary Enterprises	1,936,425	-
Other Operating Revenues	203,027	4,516,942
Total Operating Revenues	31,675,492	4,516,942
EXPENSES		
Operating Expenses:		
Personnel Services	74,772,436	567,494
Scholarships and Waivers	17,713,317	2,173,508
Utilities and Communications	2,852,283	-
Contractual Services	5,441,358	243,357
Other Services and Expenses	7,676,403	192,413
Materials and Supplies	11,173,356	43,744
Depreciation	6,792,994	-
Total Operating Expenses	126,422,147	3,220,516
Operating Income (Loss)	(94,746,655)	1,296,426
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	45,684,052	118,979
Federal and State Student Financial Aid	28,619,962	-
Gifts and Grants	466,220	2,850,766
Investment Income	486,447	497,770
Net Gain on Investments	5,483	536,957
Other Nonoperating Revenues	820,760	-
Interest on Capital Asset-Related Debt	(169,962)	-
Net Nonoperating Revenues	75,912,962	4,004,472
Income (Loss) Before Other Revenues	(18,833,693)	5,300,898
State Capital Appropriations	9,372,280	-
Capital Grants, Contracts, Gifts, and Fees	3,283,037	-
Total Other Revenues	12,655,317	-
Increase (Decrease) in Net Position	(6,178,376)	5,300,898
Net Position, Beginning of Year	203,258,502	27,086,069
Adjustment to Beginning Net Position	(1,171,636)	-
Net Position, Beginning of Year, as Restated	202,086,866	27,086,069
Net Position, End of Year	$ 195,908,490	$ 32,386,967

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

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SEMINOLE STATE COLLEGE OF FLORIDA
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	$ 23,344,166
Grants and Contracts	5,543,797
Payments to Suppliers	(23,358,127)
Payments for Utilities and Communications	(2,701,364)
Payments to Employees	(57,373,604)
Payments for Employee Benefits	(14,377,424)
Payments for Scholarships	(17,591,306)
Auxiliary Enterprises	1,819,337
Sales and Services of Educational Departments	61,878
Other Receipts	184,498
Net Cash Used by Operating Activities	(84,448,149)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	45,684,052
Federal and State Student Financial Aid	28,602,978
Federal Direct Loan Program Receipts	21,475,912
Federal Direct Loan Program Disbursements	(21,475,912)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	466,220
Other Nonoperating Receipts	480,122
Net Cash Provided by Noncapital Financing Activities	75,233,372
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	14,936,141
Capital Grants and Gifts	3,283,037
Proceeds from Sale of Refunding of Bonds	2,465,000
Proceeds from Sale of Capital Assets	10,427
Purchases of Capital Assets	(15,208,021)
Principal Paid on Capital Debt	(3,131,000)
Interest Paid on Capital Debt	(169,962)
Net Cash Provided by Capital and Related Financing Activities	2,185,622
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	2,053
Investment Income	450,076
Net Cash Provided by Investing Activities	452,129
Net Decrease in Cash and Cash Equivalents	(6,577,026)
Cash and Cash Equivalents, Beginning of Year	39,593,545
Cash and Cash Equivalents, End of Year	$ 33,016,519

SEMINOLE STATE COLLEGE OF FLORIDA
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	$ (94,746,655)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,792,994
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(979,872)
Due from Other Governmental Agencies	205,308
Due from Component Unit	(124,773)
Due to Other Governmental Agencies	59
Prepaid Expenses	788,945
Other Assets	695,793
Accounts Payable	(120,234)
Salaries and Payroll Taxes Payable	67,270
Unearned Revenue	27,477
Deposits Held for Others	(7,900)
Compensated Absences Payable	673,783
Other Postemployment Benefits Payable	5,985
Net Pension Liability	3,382,786
Deferred Outflows of Resources Related to Pensions	(2,622,945)
Deferred Inflows of Resources Related to Pensions	1,388,974
Deferred Outflows of Resources Related to Other Postemployment Benefits	(21,694)
Deferred Inflows of Resources Related to Other Postemployment Benefits	146,550
NET CASH USED BY OPERATING ACTIVITIES	$ (84,448,149)

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 Seminole State College of Florida, 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 5 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 Seminole County.

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Foundation for Seminole State College of Florida, 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 Interim Vice President, Financial Services/CFO, Seminole State College of Florida, 100 Weldon Blvd., Sanford, Florida 32773. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2018.

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 determines its scholarship allowance by identifying those student transactions where the student's classes were paid by an applicable financial aid resource. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fees revenues.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, cash placed with the State Treasury Special Purpose Investment Account (SPIA), and cash in a money market account. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less, that are not held solely for income or profit, to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury SPIA 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 at fair value $4,534,495 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 5.). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of A+f by Standard & Poor's, had an effective duration of 3 years and fair value factor of 0.9872 at June 30, 2018. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balance. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2018, the College reported as cash equivalents at fair value $5,120,474 in a money market account. The funds invested in the money market account carried a credit rating of AAAm by Standard and Poor's. As of June 30, 2018, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the College's daily access to 100 percent of the account value.

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

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

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, compensated absences payable, other postemployment benefits payable, and net pension liabilities 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 governments 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 a government's OPEB liability.

3. Adjustment to Beginning Net Position

The beginning net position of the College was decreased by $1,171,636 due to implementation of GASB Statement No. 75. The College's total OPEB liability reported at June 30, 2017, increased by $1,233,236 to $2,221,956 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 was restated for subsequent contributions totaling $61,600.

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., compensated absences payable, OPEB payable, and net pension liabilities) in the current unrestricted funds.

Fund	Net Position
Current Funds - Unrestricted	$ (25,900,945)
Auxiliary Funds	3,697,410
Total	$ (22,203,535)

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. State Board of Education (SBE) Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments.

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

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

State Board of Administration Debt Service Accounts.

The College reported investments totaling $17,546 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 (Level 1 inputs). 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.

<u>Component Unit Investments</u>.

Investments of the Foundation consist of corporate bonds, United States Treasury Bonds, foreign bonds, United States mortgage-backed securities, mutual funds, and domestic and international equities. Investments held by the Foundation at June 30, 2018, are reported at fair value as follows:

Investment	**Average Maturity**	**Credit Quality Rating**	**Fair Value**
Corporate Bonds	5.75 years	AAA - BBB-	$ 1,824,273
United States Treasury Bonds	7.56 years	AA+	826,721
Foreign Bonds	3.91 years	Aa3-A1	299,574
United States Mortgage-Backed Securities	20.01 years	AAA - AA+	963,092
Mutual Funds	N/A	(1)	9,354,427
Domestic Equities	N/A	(1)	6,597,005
International Equities	N/A	(1)	1,397,469
Total Foundation Investments			$ 21,262,561

(1) Disclosure of interest rate risk, maturity date, and credit quality rating is not applicable to this investment type.

The following table presents the levels within the fair value hierarchy in which the Foundation's financial instruments are measured at June 30, 2018.

		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)**
Interest-sensitive investments:				
Corporate Bonds	$ 1,824,273	$ -	$ 1,824,273	$ -
United States Treasury Bonds	826,721	826,721	-	-
Foreign Bonds	299,574	-	299,574	-
Total interest-sensitive investments	2,950,568	$ 826,721	$ 2,123,847	$ -
Alternative Investments:				
United States Mortgage-Backed Securities	963,092	-	963,092	-
Total alternative investments	963,092	-	963,092	-
Equity Investments:				
Mutual Funds	9,354,427	9,354,427	-	-
Domestic Equities	6,597,005	6,597,005	-	-
International Equities	1,397,469	1,397,469	-	-
Total equity investments	17,348,901	17,348,901	-	-
Total investments measured at fair value	$ 21,262,561	$ 18,175,622	$ 3,086,939	$ -

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following are descriptions of the valuation methodologies used for investments measured at fair value.

Common Stocks (Equities): Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Funds valued at daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. The mutual funds held by the Foundation are deemed to be actively traded.

Bonds (Corporate, United States Treasury, and Foreign): Valued using pricing models maximizing the use of observable inputs for the same or similar securities. This includes basing values on yields currently available on comparable securities of issuers with the same or similar credit ratings.

United States Mortgage-Backed Securities: Funds valued using pricing models maximizing the use of observable inputs for similar securities.

The goal of the Foundation's investment program for endowments is set forth in the investment policy as approved by the Foundation's Board of Directors and Finance Committee. The objective is to provide a steady growing income stream to support the Foundation's mission while providing sufficient reinvestment to protect the endowment from inflation. For investments of endowed funds, the investment policy includes target allocations of 55 percent equities, with an allowable range of 15 to 70 percent (at least 15 percent of the total managed portfolio must be domestic; up to 25 percent of the total managed portfolio can be international), a target allocation of 30 percent fixed income, with an allowable range of 30 to 85 percent, and a target allocation of 15 percent alternative investments, with a maximum of 25 percent. For investments of non-endowed funds, the investment policy includes target allocations of 25 percent equities, with a maximum of 45 percent (up to 30 percent and 15 percent, respectively, of the total managed portfolio can be domestic and international), a target allocation of 75 percent fixed income, with an allowable range of 70 to 100 percent, and a target allocation of zero percent alternative investments, with a maximum of 5 percent.

In 2017, the Foundation received a contribution in the form of an investment portfolio endowment. The objective is to maximize investment returns with a primary focus on income generation from equity securities while maintaining prudent levels of risk to meet those objectives. Investments and earnings in this portfolio are subject to certain investment policies as stipulated by the donor. The investment policy includes a total target allocation of 95 percent equities, with an allowable range of 0 to 100 percent as defined (at least 50 percent of the total managed portfolio must be domestic large cap equities), a target allocation of 5 percent cash equivalents or certificates of deposit, with an allowable range 0 to 30 percent, and allowable ranges for various other security types, as defined, of 0 percent to a maximum of 30 percent, as defined.

Management believes the Foundation is in compliance with its investment policy for the fiscal year ended June 30, 2018.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The Foundation's investment policy provides guidelines such as duration maximums, and collateralization requirements to reduce its interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The table above summarizes the ratings of Foundation debt instruments using the higher of Standard and Poor's or Moody's nationally recognized statistical rating organizations. The Foundation's investment policy requires investment grade bonds and commercial papers to be rated B+ and A1 or better, respectively.

Custodial Credit Risk: The Foundation investment accounts are with U.S. Trust. U.S. Trust's policy is to hold these assets in fiduciary accounts at Bank of America segregated from other assets of the bank.

The Florida Security for Public Deposits Act (Act) establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under the Act, Foundation deposits in qualified public depositories are fully insured. The qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the State Treasurer.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. The Foundation's investment policy requires diversification of investments sufficient to reduce the potential of a single security, single sector of securities, or single style of management having a disproportionate or significant impact on the portfolio. No more than 5 percent of Foundation investments can be invested with a single company and no more than 30 percent of investments can be in one equity industry.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies will adversely affect the fair value of an investment. The Foundation had $299,574 in foreign fixed-income bonds at June 30, 2018.

6. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for bookstore, food service and vending machine sales, payroll receivables, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a $1,500,604 allowance for doubtful accounts.

7. Due From Other Governmental Agencies

The amount due from other governmental agencies consists of $13,848,467 of Public Education Capital Outlay allocations due from the State for construction, renovation, repair, and remodeling of College facilities, and $667,071 due from Federal, State, and local agencies for grants, student fees or other contractual obligations.

8. Due From and To Component Unit/College

The $218,016 reported as due from component unit consists of amounts owed to the College by the Foundation for scholarships, student aid, and other contractual obligations. The $608,016 due to the component unit is for facility rent that the College will be credited to offset the cost of renovation of the facility. Additional facility rental agreement information is provided in Notes 15. and 18.

9. 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	$ 32,514,930	$ 11,500	$ -	$ 32,526,430
Construction in Progress	14,555,064	14,308,310	23,997,115	4,866,259
Total Nondepreciable Capital Assets	$ 47,069,994	$ 14,319,810	$ 23,997,115	$ 37,392,689
Depreciable Capital Assets:				
Buildings	$ 188,399,049	$ 23,209,521	$ -	$ 211,608,570
Other Structures and Improvements	16,995,939	74,983	-	17,070,922
Furniture, Machinery, and Equipment	10,057,016	914,697	429,570	10,542,143
Leasehold Improvements	3,513,253	354,230	-	3,867,483
Computer Software	3,595,938	-	-	3,595,938
Total Depreciable Capital Assets	222,561,195	24,553,431	429,570	246,685,056
Less, Accumulated Depreciation:				
Buildings	59,570,314	4,903,274	-	64,473,588
Other Structures and Improvements	13,483,617	1,143,390	-	14,627,007
Furniture, Machinery, and Equipment	8,832,555	666,352	429,570	9,069,337
Leasehold Improvements	3,139,681	79,978	-	3,219,659
Computer Software	3,595,938	-	-	3,595,938
Total Accumulated Depreciation	88,622,105	6,792,994	429,570	94,985,529
Total Depreciable Capital Assets, Net	$ 133,939,090	$ 17,760,437	$ -	$ 151,699,527

Component Unit Capital Assets

Foundation 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	$ 3,328,049	$ -	$ -	$ 3,328,049
Depreciable Capital Assets:				
Buildings and Improvements	2,244,122	-	-	2,244,122
Less, Accumulated Depreciation:				
Buildings	155,706	103,804	-	259,510
Total Depreciable Capital Assets, Net	$ 2,088,416	$ (103,804)	$ -	$ 1,984,612

10. Unearned Revenue

Unearned revenue at June 30, 2018, in the amount of $4,796,168 consists primarily of student tuition and fees invoiced prior to fiscal year-end related to the subsequent accounting period.

11. 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	$ 3,813,000	$ 2,465,000	$ 3,131,000	$ 3,147,000	$ 279,000
Compensated Absences Payable	6,465,228	918,082	244,298	7,139,012	161,577
Other Postemployment Benefits Payable (1)	2,221,956	231,097	225,112	2,227,941	83,294
Net Pension Liability	37,176,781	22,195,937	18,813,151	40,559,567	350,521
Total Long-Term Liabilities	$ 49,676,965	$ 25,810,116	$ 22,413,561	$ 53,073,520	$ 874,392

(1) OPEB Payable beginning balance adjusted for adoption of GASB Statement No. 75, as described in Notes 2. and 3.

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

- SBE Capital Outlay Bonds. The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.
- Capital Improvement Revenue Bonds, Series 2018A. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Sections 1009.22(6) and 1009.23(11), Florida Statutes, by the Series 2018A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2018A bonds. The Series 2018A bonds were issued for the purpose of refunding certain of the outstanding Series 2006A and Series 2008A bonds. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all colleges participating in any series of bonds then outstanding. The Series 2018A bonds will share the lien of such additional bonds on the Series 2018A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The bonds were issued for new construction and renovation and remodeling of educational facilities.

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2010A	$ 140,000	4.0 - 5.0	2022
Series 2014B	2,000	2.0 - 5.0	2020
Series 2017A	540,000	5.0	2026
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2018A	2,465,000	4.0 - 5.0	2027
Total	$ 3,147,000		

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

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds Principal	Interest	Total
2019	$ 279,000	$ 181,623	$ 460,623
2020	324,000	143,370	467,370
2021	343,000	127,200	470,200
2022	369,000	110,050	479,050
2023	344,000	91,600	435,600
2024-2027	1,488,000	184,000	1,672,000
Total	$ 3,147,000	$ 837,843	$ 3,984,843

On April 12, 2018, the Division of Bond Finance issued the Florida College System Capital Improvement Revenue Refunding Bonds, Series 2018A. The College's portion of the bonds, $2,465,000, was used to refund $3,050,000 of outstanding Capital Improvement Revenue Bonds, Series 2006A. The proceeds of the bond issue were deposited in a trust fund with the SBA to provide for all future debt service payments on the bonds. The assets with the SBA and the liability for the refunded bonds are not included on the College's statement of net position. As a result of the refunding, the College had a debt service savings of $622,522 and obtained an economic gain of $583,315.

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 $7,139,012. The current portion of the compensated absences liability, $161,577, is the amount expected to be paid in the coming fiscal year and represents varying percentages of leave payments for employees in the final year of the Deferred Retirement Option Program.

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 life insurance benefits. 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	67
Active Employees	732
Total	799

Total OPEB Liability

The College's total OPEB liability of $2,227,941 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, including wage inflation	
Regular Employees	4.00 percent – 7.80 percent
Senior Management	4.70 percent – 7.10 percent
Healthcare Cost Trends	
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
Benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate was based on 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 July 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 6/30/17, as Restated	$ 2,221,956
Changes for the year:	
Service Cost at the end of the year, including interest	165,136
Interest	65,961
Changes in Assumptions or Other Inputs	(163,512)
Benefit Payments	(61,600)
Net Changes	5,985
Balance at 6/30/18	$ 2,227,941

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	$2,540,062	$2,227,941	$1,973,653

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	$1,898,948	$2,227,941	$2,650,509

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 $214,135. 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	$ -	$ 146,550
Transactions subsequent to the measurement date	83,294	-
Total	$ 83,294	$ 146,550

Of the total amount reported as deferred outflows of resources related to OPEB, $83,294 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ (16,962)
2020	(16,962)
2021	(16,962)
2022	(16,962)
2023	(16,962)
Thereafter	(61,740)
Total	$ (146,550)

Net Pension Liability. As a participating employer in the Florida Retirement System (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 $40,559,567. Note 12. includes a complete discussion of defined benefit pension plans.

12. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 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 $5,580,289 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 $2,740,816 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 $27,530,957 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 0.093074987 percent, which was an increase of 0.001243609 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $4,661,774. 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	$ 2,526,679	$ 152,507
Change of assumptions	9,252,345	-
Net difference between projected and actual earnings on FRS Plan investments	-	682,286
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	776,832	802,307
College FRS contributions subsequent to the measurement date	2,740,816	-
Total	$ 15,296,672	$ 1,637,100

The deferred outflows of resources totaling $2,740,816, 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	$ 1,500,242
2020	3,868,597
2021	2,539,570
2022	467,753
2023	1,843,494
Thereafter	699,100
Total	$ 10,918,756

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	$49,829,369	$27,530,957	$9,018,166

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 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 $690,658 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 $13,028,610 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 0.121848555 percent, which was an increase of 0.001816099 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $918,515. 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	$ -	$ 27,127
Change of assumptions	1,831,375	1,126,598
Net difference between projected and actual earnings on HIS Plan investments	7,225	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	305,199	514,132
College contributions subsequent to the measurement date	690,658	-
Total	$ 2,834,457	$ 1,667,857

The deferred outflows of resources totaling $690,658, 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	$ 141,054
2020	139,687
2021	139,031
2022	99,381
2023	94,488
Thereafter	(137,699)
Total	$ 475,942

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	$14,867,369	$13,028,610	$11,497,025

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 $350,521 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2018.

13. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State'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 $987,568 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, 3.3 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 $244,385 and employee contributions totaled $142,360 for the 2017-18 fiscal year.

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

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

The College's contributions to the Local Annuity Program totaled $45,846 for the 2017-18 fiscal year.

14. Construction Commitments

The College's major construction commitments at June 30, 2018, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Altamonte H Building	$ 1,882,962	$ 484,599	$ 1,398,363
Lower L Building Renovation	16,032,969	1,138,047	14,894,922
Total	$ 17,915,931	$ 1,622,646	$ 16,293,285

15. Operating Lease Commitments

Leased assets and the related commitments are not reported on the College's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. The College has the following operating lease commitments:

- Land utilized for a Public Safety Training Center is leased under an operating lease that expires in 2052. Lease payments total $1 annually beginning in the 2014-15 fiscal year until the expiration of the lease term.
- Computers and related equipment are leased under operating leases. These leases are for 3 and 4 years and the equipment is returned to the lessor upon expiration of the lease.
- College vehicles, primarily used by the maintenance department and security department, are leased for 5 years under an operating lease that began in the 2014-15 fiscal year.
- The College entered into a 5-year lease for multi-function printers that commenced in June 2015.
- The College entered into a lease agreement with Gould Property Expansion, LLC, a subsidiary of the Foundation for Seminole State College of Florida, Inc., effective July 1, 2016, for use of a building. Annual lease payments total $400,008 until the expiration of the lease term. Notes 18. and 19. include additional information on the lease.

Future minimum lease commitments for these noncancelable operating leases are as follows:

Fiscal Year Ending June 30	**Amount**
2019	$ 1,460,030
2020	1,413,233
2021	789,836
2022	585,857
2023	411,527
2024-2028	1,201,339
Total Minimum Payments Required	$ 5,861,822

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), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to $200 million to February 28, 2018, and up to $100 million from March 1, 2018, for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

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	$ 41,921,305
Academic Support	9,664,025
Student Services	13,376,886
Institutional Support	18,429,375
Operation and Maintenance of Plant	17,822,094
Scholarships and Waivers	17,713,317
Depreciation	6,792,994
Auxiliary Enterprises	702,151
Total Operating Expenses	$ 126,422,147

18. Related Party Transactions

The College entered into a rental agreement with Gould Property Expansion, LLC, a subsidiary of the Foundation, effective July 1, 2016, for use of a building acquired by the Foundation. The lease requires a base rent of $33,334 per month and allows for a monthly tenant improvement allowance of up to $25,334 for alterations and/or improvement to the building, not to exceed $2,000,000 over the life of the lease. The lease expires June 30, 2026.

Rental expense was $400,008 for the fiscal year ended June 30, 2018. The College incurred expenses totaling $351,129 related to tenant improvements during the 2017-18 fiscal year, but the expenses were not capitalized. As a result, a lease improvement credit of $608,016 was reported as due to component unit as of June 30, 2018. The College is currently evaluating options for utilization of the property.

19. Subsequent Events

On August 15, 2018, the Foundation and College approved a one-year suspension of their building lease effective July 1, 2018 through June 30, 2019. Future minimum lease payments net of expected allowance under this lease assuming that the lease terms will be reinstated after June 30, 2019, are as follows:

Fiscal Year Ending June 30	Rent	Tenant Improvement Allowance	Minimum Lease Payments
2019	$ -	$ -	$ -
2020	400,008	(304,008)	96,000
2021	400,008	(304,008)	96,000
2022	400,008	(304,008)	96,000
2023	400,008	(304,008)	96,000
Thereafter	1,200,024	(175,952)	1,024,072
Total Minimum Payments Required	$ 2,800,056	$ (1,391,984)	$ 1,408,072

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

	2017
Total OPEB Liability	
Service Cost at end of year	$ 165,136
Interest	65,961
Changes of assumptions or other inputs	(163,512)
Benefit Payments	(61,600)
Net change in total OPEB liability	5,985
Total OPEB Liability - beginning, as Restated	2,221,956
Total OPEB Liability - ending	$ 2,227,941
Covered-Employee Payroll	$ 40,979,092
Total OPEB Liability as a percentage of covered-employee payroll	5.44%

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	0.093074987%	0.091831378%	0.094243640%	0.101202976%	0.091429649%
College's proportionate share of the FRS net pension liability	$ 27,530,957	$ 23,187,495	$ 12,172,830	$ 6,174,870	$ 15,739,112
College's covered payroll (2)	$ 43,396,598	$ 41,749,265	$ 40,894,582	$ 43,227,051	$ 43,362,648
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	63.44%	55.54%	29.77%	14.28%	36.30%
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	$ 2,740,816	$ 2,427,550	$ 2,247,602	$ 2,297,740	$ 2,216,775
FRS contributions in relation to the contractually required contribution	(2,740,816)	(2,427,550)	(2,247,602)	(2,297,740)	(2,216,775)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 46,308,295	$ 43,396,598	$ 41,749,265	$ 40,894,582	$ 43,227,051
FRS contributions as a percentage of covered payroll	5.92%	5.59%	5.38%	5.62%	5.13%

(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	0.121848555%	0.120032456%	0.117802815%	0.126571174%	0.127944123%
College's proportionate share of the HIS net pension liability	$ 13,028,610	$ 13,989,286	$ 12,014,034	$ 11,834,714	$ 11,139,218
College's covered payroll (2)	$ 38,846,247	$ 37,397,768	$ 38,114,745	$ 39,933,612	$ 38,888,603
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.54%	37.41%	31.52%	29.64%	28.64%
HIS Plan fiduciary net pension as a percentage of the HIS 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	$ 690,658	$ 644,848	$ 615,968	$ 450,316	$ 433,590
HIS contributions in relation to the contractually required HIS contribution	(690,658)	(644,848)	(615,968)	(450,316)	(433,590)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 41,605,909	$ 38,846,247	$ 37,397,768	$ 38,114,745	$ 39,933,612
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.65%	1.18%	1.09%

(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 significantly increased from the prior fiscal year as a result of changes to assumptions as discussed below:

Changes of Assumptions. The long-term expected rate of return, using the Municipal Bond Index Rate, increased from 3.01 percent at the prior Measurement Date to 3.56 percent at the current Measurement Date, and the active member mortality assumption was updated.

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.

Sherrill F. Norman, CPA
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Seminole State College of Florida, 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 22, 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

Sherrill F. Norman, CPA
Tallahassee, Florida
February 22, 2019