STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2019-136
February 2019

NEW COLLEGE OF FLORIDA

For the Fiscal Year Ended
June 30, 2018

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2017-18 fiscal year, Dr. Donal O'Shea served as President of New College of Florida and the following individuals served as Members of the Board of Trustees:

[a] Trustee position vacant 1-7-18, through 2-19-18.
[b] Chair of Faculty Senate.
[c] Student Body President.
[d] Trustee position vacant through 6-6-18.

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 Christopher A. Baum, CPA, and the audit was supervised by Rachel P. Sellers, 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.

This report and other reports prepared by the Auditor General are available at:

FLAuditor.gov

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General
Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722

NEW COLLEGE OF FLORIDA

TABLE OF CONTENTS

SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements of New 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 New College of Florida and its officers with administrative and stewardship responsibilities for University operations had:

- Presented the University'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 University's basic financial statements as of and for the fiscal year ended June 30, 2018. We obtained an understanding of the University'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.

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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

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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of New 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 University'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 for the blended and discretely presented component units. The financial statements of the New College of Florida Development Corporation, a blended component unit, represent 6.1 percent, 0.7 percent, 2.6 percent, and 2.8 percent, respectively, of the liabilities, net position, revenues, and expenses reported for New College of Florida. The financial statements of the discretely presented component unit represent 100 percent of the transactions and account balances of the discretely presented component unit columns. The financial statements for the blended and discretely presented component units were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports 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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of New 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 University 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 the 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 the University's Proportionate Share of the Total Other Postemployment Benefits Liability**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of University Contributions – Florida Retirement System Pension Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of University 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 New 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 New College of Florida's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University 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 University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2018, and June 30, 2017.

FINANCIAL HIGHLIGHTS

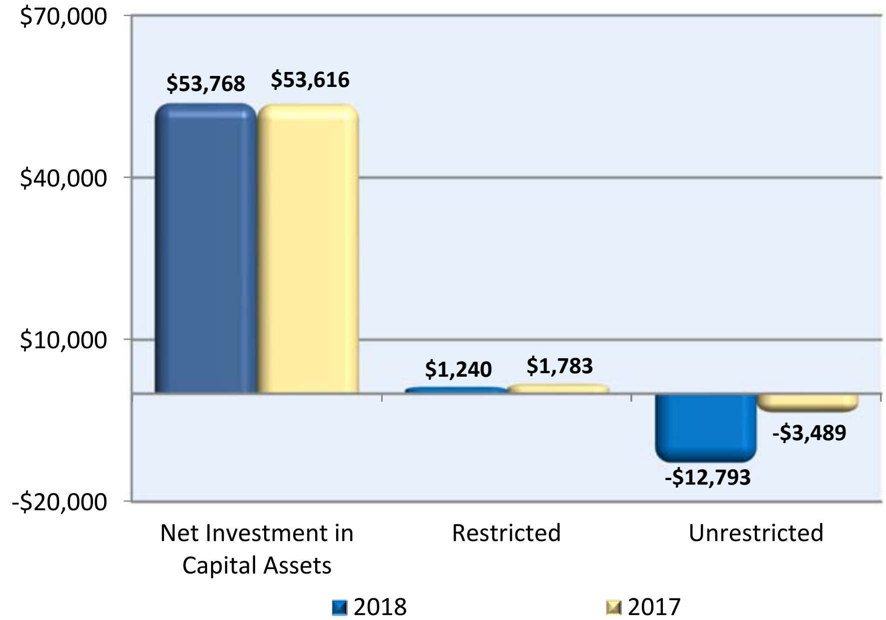
The University's assets and deferred outflows of resources totaled $104.9 million at June 30, 2018. This balance reflects a $2.9 million, or 2.8 percent, increase as compared to the 2016-17 fiscal year, resulting from increases in investments and due from component unit offset by decreases in funds due from the State, deferred outflows of resources, capital assets and accounts receivable. While assets and deferred outflows of resources increased, liabilities and deferred inflows of resources also increased by $12.6 million, or 25.2 percent, totaling $62.6 million at June 30, 2018, resulting from increases in net pension liability and postemployment health care benefits payable and deferred inflows of resources offset by decreases in other non-current liabilities, certificates of participation payable and accounts payable. As a result, the University's net position decreased by $9.7 million, resulting in a year-end balance of $42.2 million. The increases in liabilities, deferred outflows, and deferred inflows of resources and decrease in net position were largely impacted by the adoption of Governmental Accounting Standards Board's (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement requires the University, as a state government employer, to recognize and measure liabilities, deferred outflow of resources, deferred inflows of resources, and expenses on the face of the financial statements for the postemployment benefits other than pensions (OPEB) they provide; and changes in liabilities are recognized through the Statement of Revenue, Expenses, and Changes in Net Position or reported as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position, depending on the nature of the change. The initial adoption of GASB Statement No. 75 also resulted in an adjustment to beginning net position of $11.9 million.

The University's operating revenues totaled $9.9 million for the 2017-18 fiscal year, representing a 12 percent decrease compared to the 2016-17 fiscal year due mainly to a decrease in net student tuition and fees caused by an increase in the tuition scholarship allowance. Operating expenses totaled $44 million for the 2017-18 fiscal year, representing an increase of 9.3 percent as compared to the 2016-17 fiscal year due mainly to increases in compensation and employee benefits and services and supplies.

Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University'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:

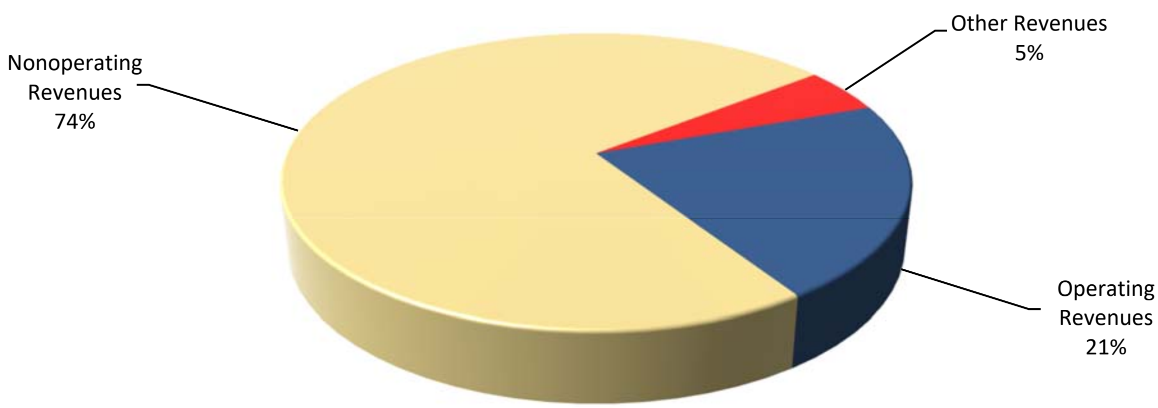
Net Position

(In Thousands)



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

Total Revenues
2017-18 Fiscal Year



Overview of Financial Statements

Pursuant to GASB Statement No. 35, the University'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 University and its component units. These component units include: New College Foundation Inc. (Foundation) and the New College of Florida Development Corporation (Development Corporation).

Based on the application of the criteria for determining component units, the Development Corporation is included within the University reporting entity as a blended component unit, and the Foundation is included within the University reporting entity as discretely presented component unit.

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

The Statement of Net Position

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University, using the accrual basis of accounting, and presents the financial position of the University 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 University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.

The following summarizes the University'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	$ 18,234	$ 14,410
Capital Assets, Net	78,529	79,194
Other Noncurrent Assets	536	595
Total Assets	97,299	94,199
Deferred Outflows of Resources	7,564	7,759
Liabilities		
Current Liabilities	4,510	4,609
Noncurrent Liabilities	55,471	45,364
Total Liabilities	59,981	49,973
Deferred Inflows of Resources	2,666	75
Net Position		
Net Investment in Capital Assets	53,768	53,616
Restricted	1,241	1,783
Unrestricted	(12,793)	(3,489)
Total Net Position	$ 42,216	$ 51,910

Current assets at June 30, 2018, totaled $18.2 million, compared to $14.4 million at June 30, 2017, reflecting an increase of $3.8 million. Although due from State relating to Public Education Capital Outlay (PECO) projects decreased by $2.5 million and accounts receivable decreased by $0.1 million, these decreases were offset primarily by increases in investments of $6.1 million and due from component unit of $0.4 million.

Total capital assets of $78.5 million decreased by $0.7 million from the prior fiscal year. This decrease was due to the increase of depreciable capital assets of $8.2 million offset by a decrease in construction in progress of $5.5 million and an increase in accumulated depreciation of $3.4 million.

Other noncurrent assets decreased by $0.1 million related to a decrease in restricted investments while deferred outflows of resources decreased by $0.2 million related to the increase in deferred outflows of pension resources of $0.8 million and deferred outflows of other postemployment benefit resources of $0.1 million offset by a decrease in the fair value of an interest rate swap agreement related to the Development Corporation of $1.1 million.

Liabilities at June 30, 2018, totaled $60 million, compared to $50 million at June 30, 2017. This represents a $10 million increase. This increase is composed primarily of increases in the non-current liabilities of $10.9 million in postemployment benefits, $1.2 million in pension liability, and $0.2 million in accounts payable, offset by decreases in other noncurrent liabilities of $1.1 million, construction contracts payable of $0.5 million, and certificates of participation payable of $0.8 million.

Deferred inflows of resources at June 30, 2018, totaled $2.7 million, compared to $0.1 million at June 30, 2017. This increase is due to the increase in deferred inflows of other postemployment benefit resources of $2.1 million and $0.5 million for deferred inflows of pension resources.

In summary, New College of Florida's net position of $42.2 million at June 30, 2018, includes $53.8 million net investment in capital assets, $1.2 million in restricted expendable net position, and a deficit of $12.8 million in unrestricted net position, as disclosed in Note 4.

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

The statement of revenues, expenses, and changes in net position presents the University'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 University'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	$ 9,867	$ 11,218
Less, Operating Expenses	44,014	40,280
Operating Loss	(34,147)	(29,062)
Net Nonoperating Revenues	34,057	22,979
Loss Before Other Revenues	(90)	(6,083)
Other Revenues	2,304	4,778
Net Increase (Decrease) In Net Position	2,214	(1,305)
Net Position, Beginning of Year	51,910	53,215
Adjustment to Beginning Net Position (1)	(11,908)	-
Net Position, Beginning of Year, as Restated	40,002	53,215
Net Position, End of Year	$ 42,216	$ 51,910

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

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities for the 2017-18 and 2016-17 fiscal years:

Operating Revenues
For the Fiscal Years

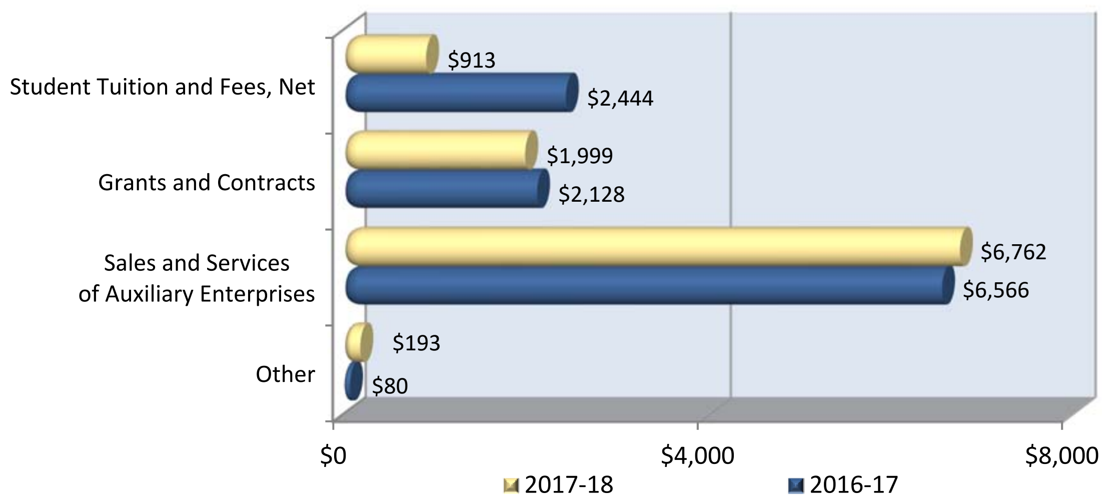
(In Thousands)

	2017-18	2016-17
Student Tuition and Fees, Net	$ 913	$ 2,444
Grants and Contracts	1,999	2,128
Sales and Services of Auxiliary Enterprises	6,762	6,566
Other	193	80
Total Operating Revenues	$ 9,867	$ 11,218

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

Operating Revenues

(In Thousands)



Total operating revenues decreased by $1.4 million in the 2017-18 fiscal year due primarily to decreases in net student tuition and fees.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University'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 University 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.

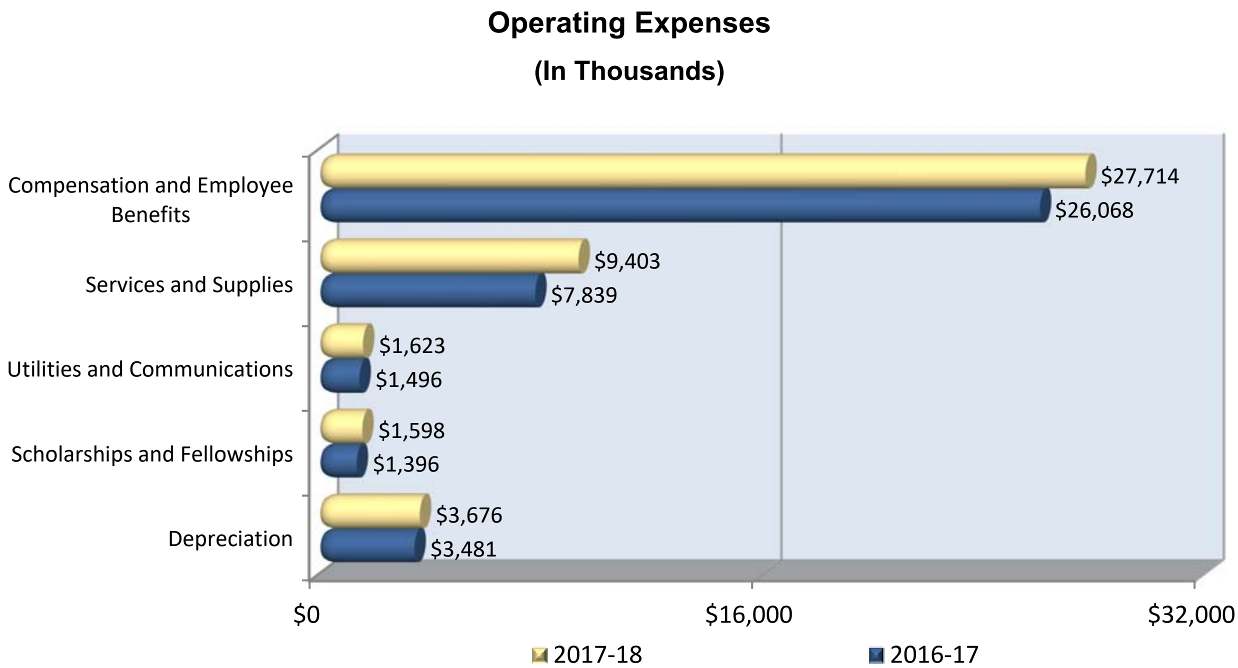
The following summarizes operating expenses by natural classification for the 2017-18 and 2016-17 fiscal years:

Operating Expenses
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
Compensation and Employee Benefits	$ 27,714	$ 26,068
Services and Supplies	9,403	7,839
Utilities and Communications	1,623	1,496
Scholarships and Fellowships	1,598	1,396
Depreciation	3,676	3,481
Total Operating Expenses	$ 44,014	$ 40,280

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



Total operating expenses for the 2017-18 fiscal year were $44 million as compared to $40.3 million for the 2016-17 fiscal year, which is a $3.7 million, or 9.2 percent increase. The increase is due to an increase in compensation and employee benefits of $1.6 million, an increase in services and supplies of $1.6 million, an increase in scholarships and fellowships of $0.2 million, an increase in utilities and communications of $0.1 million, and an increase of depreciation expense of $0.2 million. Compensation and employee benefits accounted for 63 percent of total operating expenses and increased 6.3 percent over the 2016-17 fiscal year. The increase was primarily due to bonuses, salaries and benefits related to new positions brought online during the year, as well as increases in the accrual for pension expenses and other postemployment benefits.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, 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 University'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	$ 29,525	$ 19,640
Federal and State Student Financial Aid	4,281	3,121
Noncapital Grants, Contracts and Gifts	1,414	1,557
Investment Income	109	(57)
Other Nonoperating Revenues	11	10
Interest on Capital Asset-Related Debt	(1,220)	(1,223)
Other Nonoperating Expenses	(63)	(69)
Net Nonoperating Revenues	$ 34,057	$ 22,979

The nonoperating revenue increased $11.1 million during the 2017-18 fiscal year. The increase was due mainly to a $9.9 million increase in State noncapital appropriations, a $1.2 million increase in Federal and State student financial aid, and a $0.2 million increase in net investment income offset by a $0.1 million decrease in noncapital grants, contracts and gifts.

Other Revenues

This category is composed solely of State capital appropriations. The following summarizes the University'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	$ 2,304	$ 4,778
Total	$ 2,304	$ 4,778

Total other revenue for the 2017-18 fiscal year decreased by $2.5 million over the prior fiscal year was due to a decrease in State capital appropriations.

The Statement of Cash Flows

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University'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 University. 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 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	$ (27,696)	$ (23,080)
Noncapital Financing Activities	34,760	24,263
Capital and Related Financing Activities	(1,168)	(1,735)
Investing Activities	(5,933)	1,222
Net Increase (Decrease) in Cash and Cash Equivalents	(37)	670
Cash and Cash Equivalents, Beginning of Year	2,136	1,466
Cash and Cash Equivalents, End of Year	$ 2,099	$ 2,136

Major sources of funds came from State noncapital appropriations ($29.5 million), sales and services of auxiliary enterprises ($6.7 million), State capital appropriations ($4.8 million), Federal and State student financial aid ($5.7 million), grants and contracts ($2 million), and net student tuition and fees ($1 million). Major uses of funds were for payments made to and on behalf of employees totaling $25.7 million; payments to suppliers totaling $10.4 million; and construction of capital assets totaling $4 million. Changes in cash and cash equivalents were the result of the following factors:

- The increase of $4.6 million in net cash used by operations was primarily due to an increase in payments to employees by $1.9 million, payment to suppliers by $1 million and a decrease in net tuition and fees of $1.6 million.
- The increase of $10.5 million in net cash used by noncapital financing activities was primarily due to increases in State appropriations and noncapital grants, contracts, and donations.
- The decrease of $0.6 million in net cash used by capital and related financing activities was primarily due to a $1.4 million decrease in State capital appropriated funds of $2.5 million.
- Cash used by investing activities increased by $7.2 million due to a $9.9 million increase in purchases of investments offset by a $2.7 million increase in proceeds from sales and maturity of investments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the University had $133.5 million in capital assets, less accumulated depreciation of $55 million, for net capital assets of $78.5 million. Depreciation charges for the current fiscal year totaled $3.7 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2018	2017
Land	$ 4,562	$ 4,562
Works of Art and Histroical Treasures	77	42
Construction in Progress	1,486	7,011
Buildings	67,446	62,467
Infrastructure and Other Improvements	4,433	4,770
Furniture and Equipment	498	303
Computer Software	27	39
Capital Assets, Net	$ 78,529	$ 79,194

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

Debt Administration

As of June 30, 2018, the University had $24.8 million in outstanding certificates of participation payable, representing a decrease of $0.8 million or 3.2 percent, from the prior fiscal year.

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The State and national economy continue to have a major impact on the University. State noncapital and capital appropriations of the 2017-18 fiscal year totaled $31.8 million and are the largest sources of funding. The level of recurring State noncapital support included in the budget the Florida Legislature adopted for the 2018-19 fiscal year is $35.9 million or an increase of $8.8 million (32.4 percent) more than the level that was funded in the 2017-18 fiscal year. The 2018-19 funding for nonrecurring State noncapital support is $0.3 million. These funds have been provided to support enrollment growth at the University.

The University received a total of $2.6 million from the Foundation, during the 2017-18 fiscal year, including $0.9 million in student aid and $1.7 million in other program support. Included in the $1.7 million of other program support is $0.5 million to subsidize faculty and other personnel costs. These funds are used to support the University's low student to faculty ratio, a feature that has been crucial to attracting students and increasing enrollment at the University. In the unlikely event the Foundation becomes unable to fund these contributions, losing this funding could adversely impact the University if not offset by additional funding appropriated by the Legislature or generated through increases in student tuition and fees.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Associate Vice President for Financial Services, New College of Florida, 5800 Bay Shore Road, Sarasota, Florida 34243-2109.

THIS PAGE INTENTIONALLY LEFT BLANK

NEW COLLEGE OF FLORIDA
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2018

	University	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 2,099,276	$ 269,009
Restricted Cash and Cash Equivalents	-	513,227
Investments	14,695,349	194,125
Accounts Receivable, Net	430,726	902,896
Due from State	423,979	-
Due from Component Unit	407,815	-
Other Current Assets	176,373	13,285
Total Current Assets	18,233,518	1,892,542
Noncurrent Assets:		
Investments	-	44,207,512
Restricted Investments	535,878	-
Depreciable Capital Assets, Net	72,404,243	718,028
Nondepreciable Capital Assets	6,124,764	186,310
Total Noncurrent Assets	79,064,885	45,111,850
Total Assets	97,298,403	47,004,392
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	145,000	-
Pensions	6,300,153	-
Accumulated Decrease in Fair Value of Hedging Derivatives	1,118,424	-
Total Deferred Outflows of Resources	7,563,577	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	642,259	64,440
Construction Contracts Payable	776,599	-
Salary and Wages Payable	1,304,735	-
Deposits Payable	18,820	-
Due to College	-	407,815
Unearned Revenue	160,062	537,900
Other Current Liabilities	332,758	-
Long-Term Liabilities - Current Portion:		
Certificates of Participation Payable	855,000	-
Compensated Absences Payable	200,936	-
Other Postemployment Benefits Payable	137,000	-
Net Pension Liability	81,258	-
Total Current Liabilities	4,509,427	1,010,155

NEW COLLEGE OF FLORIDA
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2018

	University	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Certificates of Participation Payable	23,905,732	-
Compensated Absences Payable	2,294,409	-
Other Postemployment Benefits Payable	16,643,000	-
Net Pension Liability	11,509,590	-
Other Noncurrent Liabilities	1,118,424	60,674
Total Noncurrent Liabilities	55,471,155	60,674
Total Liabilities	59,980,582	1,070,829
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	2,146,000	-
Pensions	519,718	-
Total Deferred Inflows of Resources	2,665,718	-
NET POSITION		
Net Investment in Capital Assets	53,768,276	904,338
Restricted for Nonexpendable:		
Endowment	-	34,543,695
Restricted for Expendable:		
Capital Projects	883,915	-
Other	356,220	10,809,659
Unrestricted	(12,792,731)	(324,129)
TOTAL NET POSITION	$ 42,215,680	$ 45,933,563

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

NEW 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

	University	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $7,380,702	$ 913,287	$ -
Federal Grants and Contracts	151,349	-
State and Local Grants and Contracts	38,424	-
Nongovernmental Grants and Contracts	1,809,558	-
Sales and Services of Auxiliary Enterprises ($4,701,196 Pledged for Housing Facility Revenue Certificates of Participation)	6,761,436	-
Gift and Donations	-	2,262,892
Other Operating Revenues	192,794	-
Total Operating Revenues	9,866,848	2,262,892
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	27,713,855	-
Services and Supplies	9,403,363	-
Utilities and Communications	1,622,995	-
Scholarships and Fellowships	1,597,624	-
Depreciation	3,675,868	-
Other Operating Expenses	-	4,001,598
Total Operating Expenses	44,013,705	4,001,598
Operating Loss	(34,146,857)	(1,738,706)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	29,524,337	-
Federal and State Student Financial Aid	4,281,209	-
Noncapital Grants, Contracts, and Donations	1,414,461	-
Investment Income	109,314	2,260,687
Other Nonoperating Revenues	11,238	35,868
Interest on Capital Asset-Related Debt	(1,220,393)	-
Other Nonoperating Expenses	(63,880)	-
Net Nonoperating Revenues	34,056,286	2,296,555
Income (Loss) Before Other Revenues	(90,571)	557,849
State Capital Appropriations	2,303,979	-
Increase in Net Position	2,213,408	557,849
Net Position, Beginning of Year	51,910,272	45,375,714
Adjustments to Beginning Net Position	(11,908,000)	-
Net Position, Beginning of Year, as Restated	40,002,272	45,375,714
Net Position, End of Year	$ 42,215,680	$ 45,933,563

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

THIS PAGE INTENTIONALLY LEFT BLANK

NEW COLLEGE OF FLORIDA
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 994,192
Grants and Contracts	2,005,919
Sales and Services of Auxiliary Enterprises	6,685,643
Other Operating Receipts	226,129
Payments to Employees	(25,653,166)
Payments to Suppliers for Goods and Services	(10,357,044)
Payments to Students for Scholarships and Fellowships	(1,597,624)
Net Cash Used by Operating Activities	(27,695,951)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	29,524,337
Federal and State Student Financial Aid	5,695,670
Noncapital Grants, Contracts and Donations	(407,815)
Federal Direct Loan Program Receipts	1,951,882
Federal Direct Loan Program Disbursements	(1,951,882)
Net Change in Funds Held for Others	(1,376)
Other Nonoperating Receipts	11,238
Other Nonoperating Disbursements	(61,835)
Net Cash Provided by Noncapital Financing Activities	34,760,219
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	4,832,378
Purchase or Construction of Capital Assets	(3,962,511)
Principal Paid on Capital Debt and Leases	(820,000)
Interest Paid on Capital Debt and Leases	(1,217,902)
Net Cash Used by Capital and Related Financing Activities	(1,168,035)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	31,867,164
Purchases of Investments	(38,035,550)
Investment Income	235,497
Net Cash Used by Investing Activities	(5,932,889)
Net Decrease in Cash and Cash Equivalents	(36,656)
Cash and Cash Equivalents, Beginning of Year	2,135,932
Cash and Cash Equivalents, End of Year	$ 2,099,276

NEW COLLEGE OF FLORIDA
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2018

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (34,146,857)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,675,868
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	103,409
Other Assets	16,641
Accounts Payable	652,673
Salaries and Wages Payable	89,458
Compensated Absences Payable	63,090
Unearned Revenue	(58,373)
Other Postemployment Benefits Payable	(1,114,000)
Net Pension Liability	1,205,476
Deferred Outflows of Resources Related to Pensions	(750,072)
Deferred Inflows of Resources Related to Pensions	444,736
Deferred Outflows of Resources Related to Other Postemployment Benefits	(24,000)
Deferred Inflows of Resources Related to Other Postemployment Benefits	2,146,000
NET CASH USED BY OPERATING ACTIVITIES	$ (27,695,951)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES	
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (126,183)

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 University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of 5 years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations and selecting the University President. The University President serves as the Executive Officer and the Corporate Secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees.

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 primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading. Based on the application of these criteria, the University 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.

Blended Component Unit. Although it is legally separate from the University, the New College of Florida Development Corporation (Development Corporation) is included within the University's reporting entity as a blended component unit, based on the application of the criteria for determining component units. The Development Corporation was created on November 4, 2005, as a not-for-profit Florida corporation under the provisions of Chapter 617, Florida Statues and as a direct-support organization of the University. The Development Corporation was established to secure, hold, invest, and administer property and to make expenditures for the exclusive benefit of the University. Due to the substantial economic relationship between the Development Corporation and the University, the financial activities of the Development Corporation are included in the University's financial statements. An annual audit of the Development Corporation is conducted by independent certified public accountants and is submitted to the Auditor General and the University Board of Trustees. Additional information on the Development Corporation, including copies of audit reports, is available by contacting the University's Controller's Office. Condensed financial statements for the University's blended component unit is shown in a subsequent note. The condensed financial statements are reported net of eliminations.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the New College Foundation, Inc. (Foundation), (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011), is included within the University's reporting entity as a discretely presented component unit. This legally separate not-for-profit corporation is organized and operated exclusively to fund, in whole or in part, academic programs of New College of

Florida by providing supplemental resources from private gifts and bequests, and grants that may be negotiated annually. The Foundation is governed by a separate board. The Statutes authorize the Foundation to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University.

An annual audit of the Foundation is conducted by independent certified public accountants. Additional information on the Foundation, including copies of audit reports, is available by contacting the University Controller. Audited financial statements can be obtained from the Associate Vice President for Finance/Controller, New College of Florida, 5800 Bay Shore Rd., Sarasota, Florida 34243-2109.

Basis of Presentation. The University'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 University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University 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 entity wide 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 University'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 University follows GASB standards of accounting and financial reporting.

The University's blended component unit uses the economic resources measurement focus and the accrual basis of accounting, and follows GASB standards of accounting and financial reporting.

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

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been eliminated from revenues and expenses for reporting purposes.

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, 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 University'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 University and the amount that is actually paid by the student or the third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to aid not considered third-party aid.

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. Cash and cash equivalents consist of cash on hand and cash in demand accounts. University 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.

Capital Assets. University capital assets consist of land, works of art and historical treasures, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, 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 University has a capitalization threshold of $5,000 for tangible personal property and $100,000 for new buildings and other building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 15 to 50 years
- Infrastructure and Other Improvements – 20 years
- Furniture and Equipment – 3 to 15 years
- Library Resources – 5 to 10 years
- Computer Software – 7 years

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of certificates of participation payable, compensated absences payable, other postemployment benefits payable (OPEB), net pension liability, and other noncurrent liabilities (an interest rate swap) that are not scheduled to be paid within the next fiscal year. Certificates of participation payable are reported net of unamortized discounts. The University amortizes debt discounts over the life of the debt using the straight-line method.

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

Governmental Accounting Standards Board Statement No. 75. The University 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 for Postemployment Benefits Other Than Pensions*, as amended. This statement addresses accounting and financial reporting for 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 University was decreased by $11,908,000 due to implementation of GASB Statement No. 75. The University's total OPEB liability reported at June 30, 2017, increased by $12,029,000 to $17,894,000 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and a beginning balance for deferred outflows related to OPEB was established in the amount of $121,000.

4. Deficit Net Position in Individual Funds

The University 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	$ (16,646,658)
Auxiliary Funds	3,853,927
Total	$ (12,792,731)

5. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the 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 in 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. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The University 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.

The University's recurring fair value measurements as of June 30, 2018, are investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

External Investment Pools.

The University reported investments at fair value totaling $15,231,227 at June 30, 2018, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities (Level 3 inputs). 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 balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University 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 investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Unit Investments.

Investments held by the University's discretely presented component unit at June 30, 2018, are reported at fair value as follows:

Investments by fair value level	Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Equities	$ 10,901,700	$ 10,901,700	$ -	$ -
Bonds	26,602,527	26,602,527	-	-
Total investments by fair value level	$ 37,504,227	$ 37,504,227	$ -	$ -
Investments measured at the net asset value (NAV)				
Private Equity and Other Investments	6,897,410			
Total investments measured at NAV	6,897,410			
Total investments measured at fair value	$ 44,401,637			

6. Receivables

Accounts Receivable. Accounts receivable represent amounts for contract and grant reimbursements due from third parties, student tuition and fees, and various sales and services provided to students and third parties. As of June 30, 2018, the University reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees	$ 33,246
Contracts and Grants	280,728
Auxiliary Services	141,711
Other	57,754
Total Accounts Receivable	513,439
Less: Allowance for Uncollectible Accounts	82,713
Accounts Receivable, Net	$ 430,726

Allowance for Doubtful Receivables. Allowances for doubtful accounts is reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable are reported net of allowances of $82,713 at June 30, 2018.

No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

7. Due From State

The amount due from State consists of $305,546 of Public Education Capital Outlay and $118,433 from Capital Improvement Fee Trust Fund due from the State to the University for construction of University facilities.

8. Due From Component Unit

The amount due from component units of $407,815 consists of amounts owed to the University by the Foundation for payroll for the fourth quarter and reimbursements for expenses paid for by University sources that are Foundation expenses.

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	$ 4,561,975	$ -	$ -	$ 4,561,975
Works of Art and Historical Treasures	42,340	34,500	-	76,840
Construction in Progress	7,011,326	1,485,949	7,011,326	1,485,949
Total Nondepreciable Capital Assets	$ 11,615,641	$ 1,520,449	$ 7,011,326	$ 6,124,764
Depreciable Capital Assets:				
Buildings	$ 106,774,036	$ 8,028,706	$ -	$ 114,802,742
Infrastructure and Other Improvements	6,761,208	-	-	6,761,208
Furniture and Equipment	5,034,488	472,625	292,572	5,214,541
Library Resources	484,367	-	-	484,367
Computer Software	128,813	-	-	128,813
Total Depreciable Capital Assets	119,182,912	8,501,331	292,572	127,391,671
Less, Accumulated Depreciation:				
Buildings	44,306,588	3,050,054	-	47,356,642
Infrastructure and Other Improvements	1,991,192	337,090	-	2,328,282
Furniture and Equipment	4,731,883	277,260	292,572	4,716,571
Library Resources	484,367	-	-	484,367
Computer Software	90,102	11,464	-	101,566
Total Accumulated Depreciation	51,604,132	3,675,868	292,572	54,987,428
Total Depreciable Capital Assets, Net	$ 67,578,780	$ 4,825,463	$ -	$ 72,404,243

10. Unearned Revenue

Unearned revenue at June 30, 2018, includes contracts and grants revenue, auxiliary prepayments, and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2018, the University reported the following amounts as unearned revenue:

Description	Amount
Contracts and Grants	$ 94,664
Student Tuition and Fees	64,398
Auxillary Prepayments	1,000
Total Unearned Revenue	$ 160,062

11. Deferred Outflow / Inflow of Resources

The University's blended component unit (Development Corporation) entered into an interest rate swap agreement in connection with its $30 million certificates of participation issuance to manage the risk of rising interest rates on its variable rate-based debt. Deferred outflows of resources include the effect of deferring accumulated decreases in fair value of hedging derivatives related to this interest rate swap agreement. The other noncurrent liabilities section of Note 12. below includes a complete discussion of the swap agreement.

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions.* Total deferred outflows of pension resources were $6,300,153 and total deferred inflows of resources related to pensions were $519,718 for the fiscal year ended June 30, 2018. Note 13. includes a complete discussion of defined benefit pension plans.

The deferred outflows and inflows related to OPEB are an aggregate of items related to OPEB as calculated in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Total deferred outflows of OPEB resources were $145,000 and total deferred inflows of resources related to OPEB were $2,146,000. Note 12. below includes a complete discussion of OPEB.

12. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2018, include certificates of participation payable, compensated absences payable, other postemployment benefits payable, net pension liability and other noncurrent liabilities (an interest rate swap). 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
Certifications of Participation Payable	$ 25,578,240	$ 2,492	$ 820,000	$ 24,760,732	$ 855,000
Compensated Absences Payable	2,432,255	300,339	237,249	2,495,345	200,936
Other Postemployment Benefits Payable (1)	17,894,000	1,452,000	2,566,000	16,780,000	137,000
Net Pension Liability	10,385,372	7,275,276	6,069,800	11,590,848	81,258
Other Noncurrent Liabilities	2,209,315	-	1,090,891	1,118,424	-
Total Long-Term Liabilities	$ 58,499,182	$ 9,030,107	$ 10,783,940	$ 56,745,349	$ 1,274,194

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

Certificates of Participation Payable. On April 7, 2006, the Development Corporation issued variable rate Certificates of Participation (COPs), Series 2006, in the amount of $30,110,000. The proceeds were used to finance the acquisition, construction, and equipping of five new residence halls containing approximately 200 new student beds, the renovation and improvement of three existing residence halls (Johnson, Bates, and Rothenberg), comprising the Pei complex, and renovation and improvement to the Hamilton Center, the student activities center.

In April of 2012, the Development Corporation, through resolution of the Board, restructured the existing variable rate COPs as allowed under the master trust indenture. The existing COPs were restructured as a non-bank qualified tax exempt variable facility (New College of Florida Development Corporation, Series 2012 Conversion). The interest rate is 77 percent of the sum of the 30-day London Interbank Offered Rate plus 185 basis points. The revised agreement is for 10 years, with an option to extend for an additional 10 years. However, the existing maturity and principal payment requirements pursuant to the original 2006 debt issuance were not restructured.

With the enactment of the Federal Tax Cuts and Jobs Act, the Development Corporation's tax exempt variable facility does not have the same value as it did prior to this act due to the corporate maximum tax rate being reduced to 21 percent from 35 percent. As such, SunTrust, as Trustee, has adjusted the interest rate on the loan, effective April 1, 2018, to be 93.584 percent of the 30-day LIBOR plus 1.85 percent equaling 1.7313 percent. The sum of these two components provides a total effective fixed interest of 5.0313 percent.

As a condition of the financing arrangement, the University entered into a Master Ground and Operating Lease Agreement with the Development Corporation. The property covered by the Master Ground lease together with the improvement thereon is leased back by the University to manage and operate through the Master Operating Lease and Facilities Sublease and Management Agreement. The payments on the lease are equal to the annual debt service requirements of the related bond debt and operating costs of the Development Corporation. The lease will terminate on the date the certificates and any related obligations are paid in full. Revenues from student resident facilities are pledged to pay rent to the Development Corporation or its assignees equal to the debt service on the long-term debt and any operating costs. During the 2017-18 fiscal year, student housing revenue totaled $4,701,196.

Principal and interest payment requirements on the COPs outstanding as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	$ 855,000	$ 1,204,998	$ 2,059,998
2020	890,000	1,160,218	2,050,218
2021	930,000	1,113,427	2,043,427
2022	980,000	1,064,120	2,044,120
2023	1,020,000	1,012,801	2,032,801
2024-2028	5,830,000	4,209,944	10,039,944
2029-2033	7,245,000	2,535,777	9,780,777
2034-2037	7,055,000	551,682	7,606,682
Subtotal	24,805,000	12,852,967	37,657,967
Less: Discounts	(44,268)	-	(44,268)
Total	$ 24,760,732	$ 12,852,967	$ 37,613,699

Other Noncurrent Liabilities. Other noncurrent liabilities are the liability for an interest rate swap agreement. To protect against the potential of rising interest rates, the Development Corporation entered into an interest rate swap agreement at the time the COPs were issued. The intention of the swap was to effectively change the variable interest rate on the COPs to a synthetic fixed rate. In April of 2012, the existing swap agreement was amended to match the terms of the restructured debt. The details of the swap at June 30, 2018, are shown in the following table:

Amount	Effective Date	Termination Date	Fixed Rate	Variable Rate	Counterparty Credit Rating
$ 24,805,000	4-9-12	4-1-22	4.7245% (1)	(2)	BBB+ (3)

(1) 77 percent of 30-day LIBOR fixed at 3.30 percent, plus 77 percent of 1.85 percent equaling 1.4245 percent. The sum of these two components total an effective fixed rate of 4.7245 percent.

(2) 93.584 percent of 30-day LIBOR plus 1.85 percent equaling 1.7313 percent.

(3) Rated by Standard & Poor's.

The Development Corporation pays the variable rate interest quarterly and then either pays the swap interest expense or receives a swap payment to effectively fix the rate.

Fair Value: The swap had a negative fair value as of June 30, 2018. The negative fair value may be offset by reductions in total interest payments required under the variable rate COPs, creating lower synthetic interest rates. Because the coupons on the Development Corporation variable-rate COPs adjust to changing interest rates, the COPs do not have corresponding fair value increases. The fair value estimate is provided to the Development Corporation has requested the fair value of its swap agreement be determined, although it has no intention of selling the agreement and has the ability to hold and meet the swap obligation. At June 30, 2018, the negative fair value of the swap agreement held by the Development Corporation was $1,118,424.

Credit Risk: As of June 30, 2018, the Development Corporation was not exposed to credit risk on its outstanding swap because of the negative fair value. However, should interest rates change and the fair value of the swap agreement become positive, the Development Corporation would be exposed to credit risk in the amount of the derivative's fair value.

Termination Risk: The Development Corporation or the counter party may terminate the swap agreement if the other party fails to perform under the terms of the contract. If the swap agreement is terminated, the associated variable-rate bonds would no longer synthetic fixed interest rate. Also, if at the time of the termination the swap agreement has a negative fair value, the Development Corporation would be liable to the counterparty for a payment equal to the fair value of the swap agreement.

Rollover Risk: The Development Corporation is exposed to rollover risk on the swap since it matures prior to the associated debt. When the swap terminates, the Development Corporation will not realize the synthetic rate offered by the agreement.

Basis Risk: The Development Corporation is exposed to basis risk because the variable rate payments are calculated on the basis of approximately 94 percent of LIBOR and the Development Corporation's variable rate interest obligations on the notes is determined in the tax-exempt market. Should the relationship between LIBOR and the tax-exempt market change and move to converge, or should the debt trade at levels worse (higher in rate) in relation to the tax-exempt market, the Development Corporation's all-in costs would increase.

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University 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 University 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 University's share of the Florida Retirement System and FICA contributions, totaled $2,495,345. The current portion of the compensated absences liability, $200,936, is the amount expected to be paid in the coming fiscal year and is based on actual payouts for the last three years calculated as a percentage of those years' compensated absences liability.

Other Postemployment Benefits Payable. The University follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

General Information about the OPEB Plan

Plan Description. The Division of State Group Insurance's Other Postemployment Benefits Plan (OPEB Plan) is a multiple-employer defined benefit plan administered by the State of Florida. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. A retiree means any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The University 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 retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor's recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above. For the 2017-18 fiscal year, 24 retirees and beneficiaries received postemployment healthcare benefits.

Proportionate Share of the Total OPEB Liability

The University's proportionate share of the total OPEB liability of $16,780,000 was measured as of June 30, 2017 and was determined by an actuarial valuation as of that date. At June 30, 2017, the University's proportionate share, determined by its proportion of total benefit payments made, was 0.16 percent, which was an increase of 0.01 from its proportionate share measured as of June 30, 2016.

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

Inflation	2.6 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	3.58 percent
Healthcare cost trend rates	
PPO Plan	7.8 percent for 2018, decreasing to an ultimate rate of 3.8 percent for 2076 and later years
HMO Plan	5.2 percent for 2018, decreasing to an ultimate rate of 3.8 percent for 2076 and later years
Retirees' share of 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 Generational RP-2000 with Projection Scale BB.

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the June 30, 2017, valuation were based on the 2014 Experience Study prepared by Milliman on September 8, 2014. Updated Assumptions for the FRS July 1, 2016, Actuarial Valuation were approved by the 2016 FRS Actuarial Assumptions Conference.

The remaining actuarial assumptions (e.g., initial per capita cost, 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.

The following changes have been made since the prior valuation:

- The census data reflects changes in status for the 24-month period since July 1, 2015.
- The annual per capita claims costs have been updated to reflect current age-adjusted premiums.
- The premium rates have been updated to use the rates effective for 2017.
- Health care trend rates have been updated to reflect recent healthcare trend rate surveys, blended with the long term rates from the Getzen Model published by the Society of Actuaries. Additionally, the updated trend rates reflect the information from the Report on the Financial

Outlook for the fiscal years ending June 30, 2017, through June 30, 2023, as adopted August 3, 2017, by the Self-Insurance Estimated Conference.

- The active mortality rates have been updated to use rates mandated by Chapter 2015-157, Laws of Florida for pension plans. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The rates are those outlined in the Milliman's July 1, 2016, FRS actuarial valuation report.
- The discount rate as of the measurement date for GASB Statement No. 75 purposes is 3.58 percent. The prior GASB Statement No. 45 valuation used 4 percent. The GASB Statement No. 75 discount rate is based on the 20-year municipal bond rate as of June 29, 2017.

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB 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%)
University's proportionate share of the total OPEB liability	$20,854,000	$16,780,000	$13,654,000

Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the 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
University's proportionate share of the total OPEB liability	$13,391,000	$16,780,000	$21,317,000

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

For the fiscal year ended June 30, 2018, the University recognized OPEB expense of $1,153,000. At June 30, 2018, the University 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
Changes of assumptions or other inputs	$ -	$ 2,445,000
Changes in proportion and differences between University benefit payments and proportionate share of benefit payments	-	(299,000)
Transactions subsequent to the measurement date	145,000	-
Total	$ 145,000	$ 2,146,000

Of the total amount reported as deferred outflows of resources related to OPEB, $145,000 resulting from benefit payments and administrative expenses subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense 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	$ (269,000)
2020	(269,000)
2021	(269,000)
2022	(269,000)
2023	(269,000)
Thereafter	(801,000)
Total	$ (2,146,000)

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the University 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 University's proportionate share of the net pension liabilities totaled $11,590,848. Note 13. includes a complete discussion of defined benefit pension plans.

13. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS).

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the 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 in the State university system. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (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 University 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 University's FRS and HIS pension expense totaled $1,992,847 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.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of 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, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of 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 credit service. 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
Special Risk Class	3.00

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:

Class	Percent of Gross Salary Employee	Employer (1)
FRS, Regular	3.00	7.92
FRS, Senior Management Service	3.00	22.71
FRS, Special Risk	3.00	23.27
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 University's contributions to the Plan totaled $940,007 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 University reported a liability of $8,701,310 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 University's proportionate share of the net pension liability was based on the University's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the University's proportionate share was 0.029416862 percent, which was an increase of 0.000513125 from its proportionate share measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized pension expense of $1,694,249. In addition, the University 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	$ 798,571	$ 48,201
Change of assumptions	2,924,255	-
Net difference between projected and actual earnings on FRS Plan investments	-	215,640
Changes in proportion and differences between University contributions and proportionate share of contributions	731,383	-
University FRS contributions subsequent to the measurement date	940,007	-
Total	$ 5,394,216	$ 263,841

The deferred outflows of resources totaling $940,007, resulting from University 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	$ 696,476
2020	1,445,008
2021	978,314
2022	238,780
2023	609,671
Thereafter	222,119
Total	$ 4,190,368

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 University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the University'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%)
University's proportionate share of the net pension liability	$15,748,846	$8,701,310	$2,850,241

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

Payables to the Pension Plan. At June 30, 2018, the University reported a payable of $87,158 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2018.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. 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 Plan 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 University 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 University's contributions to the HIS Plan totaled $152,700 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 University reported a liability of $2,889,538 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the University'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 University's proportionate share of the net pension liability was based on the University's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the University's proportionate share was 0.027024071 percent, which was an increase of 0.000535306 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the University recognized pension expense of $298,598. In addition, the University 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	$ -	$ 6,016
Changes in assumptions	406,170	249,861
Net difference between projected and actual earnings on HIS Plan investments	1,602	-
Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions	345,465	-
University HIS contributions subsequent to the measurement date	152,700	-
Total	$ 905,937	$ 255,877

The deferred outflows of resources totaling $152,700 resulting from University 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	$ 126,168
2020	125,865
2021	125,719
2022	94,173
2023	50,178
Thereafter	(24,743)
Total	$ 497,360

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 University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the University'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%)**
University's proportionate share of the net pension liability	$3,297,346	$2,889,538	$2,549,857

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 Comprehensive Annual Financial Report.

14. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University 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, 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 FRS 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 University.

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

The University's Investment Plan pension expense totaled $261,649 for the fiscal year ended June 30, 2018.

State University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in 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 university contributes 5.14 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, and 0.01 percent to cover administrative costs, 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 University 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 University's contributions to the Program totaled $719,288 and employee contributions totaled $427,665 for the 2017-18 fiscal year.

15. Construction Commitments

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Heiser HVAC	$ 2,308,035	$ 1,106,203	$ 1,201,832
Cbord Lock System	338,327	291,076	47,251
Robertson Hall Renovation	255,778	62,073	193,705
Minor Projects	123,325	26,597	96,728
Total	$ 3,025,465	$ 1,485,949	$ 1,539,516

16. Operating Lease Commitments

The University leased land under an operating lease, which expires in 2056. This leased asset and the related commitments are not reported on the University's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from this lease agreement are contingent upon future appropriations. The lease is between New College of Florida and the Sarasota-Manatee Airport Authority. Every fifth year the annual lease payment is adjusted based on the Consumer Price Index. Future minimum lease commitments for this noncancelable operating lease are as follows:

Fiscal Year Ending June 30	Amount
2019	$ 98,490
2020	98,490
2021	98,490
2022	98,490
2023	98,490
2024-2028	492,449
2029-2033	492,449
2034-2038	492,449
2039-2043	492,449
2044-2048	492,449
2049-2053	492,449
2054-2056	295,469
Total Minimum Payments Required	$ 3,742,613

17. Risk Management Programs

The University 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. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2017-18 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $92.5 million for named windstorm and flood through February 14, 2018 and decreased to $78 million starting February 15, 2018. For perils other than named windstorm and flood, losses in excess of $2 million per occurrence were commercially insured up to $225 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights, and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to $200,000 per person and $300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

18. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, research, 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 research and 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	$ 11,443,368
Research	732,356
Academic Support	3,156,493
Student Services	4,518,370
Institutional Support	8,605,173
Operation and Maintenance of Plant	5,381,388
Scholarships and Fellowships	1,597,624
Depreciation	3,675,868
Auxiliary Enterprises	4,903,065
Total Operating Expenses	$ 44,013,705

19. Blended Component Unit

The University has one blended component unit as discussed in Note 1. The following financial information is presented net of eliminations for the University's blended component unit:

Condensed Statement of Net Position

	New College of Florida Development Corporation	University	Eliminations	Total Primary Government
Assets:				
Due From University / Blended CU	$ 2,839,322	$ -	$ (2,839,322)	$ -
Other Current Assets	1,671,208	18,233,518	(1,671,208)	18,233,518
Capital Assets, Net	-	78,529,007	-	78,529,007
Other Noncurrent Assets	20,876,674	535,878	(20,876,674)	535,878
Total Assets	25,387,204	97,298,403	(25,387,204)	97,298,403
Deferred Outflows of Resources	1,118,424	6,445,153	-	7,563,577
Liabilities:				
Due To University / Blended CU	-	2,839,322	(2,839,322)	-
Other Current Liabilities	1,187,758	3,321,669	-	4,509,427
Noncurrent Liabilities	25,024,156	52,994,881	(22,547,882)	55,471,155
Total Liabilities	26,211,914	59,155,872	(25,387,204)	59,980,582
Deferred Inflows of Resources	-	2,665,718	-	2,665,718
Net Position:				
Net Investment in Capital Assets	-	53,768,276	-	53,768,276
Restricted - Expendable	293,714	946,421	-	1,240,135
Unrestricted	-	(12,792,731)	-	(12,792,731)
Total Net Position	$ 293,714	$ 41,921,966	$ -	$ 42,215,680

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

	New College of Florida Development Corporation	University	Eliminations	Total Primary Government
Operating Revenues	$ 1,246,199	$ 8,620,649	$ -	$ 9,866,848
Depreciation Expense	-	(3,675,868)	-	(3,675,868)
Other Operating Expenses	(26,379)	(40,311,458)	-	(40,337,837)
Operating Income (Loss)	1,219,820	(35,366,677)	-	(34,146,857)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue		35,340,559	-	35,340,559
Interest Expense	(1,219,820)	(573)	-	(1,220,393)
Other Nonoperating Expense	(2,492)	(61,388)	-	(63,880)
Net Nonoperating Revenues (Expenses)	(1,222,312)	35,278,598	-	34,056,286
Other Revenues	-	2,303,979	-	2,303,979
Increase (Decrease) in Net Position	(2,492)	2,215,900	-	2,213,408
Net Position, Beginning of Year	296,206	51,614,066	-	51,910,272
Adjustment to Beginning Net Position (1)	-	(11,908,000)	-	(11,908,000)
Net Position, Beginning of Year,as Restated	296,206	39,706,066	-	40,002,272
Net Position, End of Year	$ 293,714	$ 41,921,966	$ -	$ 42,215,680

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

Condensed Statement of Cash Flows

	New College of Florida Development Corporation	University	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	$ 2,011,459	$ (29,707,410)	$ -	$ (27,695,951)
Noncapital Financing Activities	-	34,760,219	-	34,760,219
Capital and Related Financing Activities	(2,011,459)	843,424	-	(1,168,035)
Investing Activities	-	(5,932,889)	-	(5,932,889)
Net Decrease in Cash and Cash Equivalents	-	(36,656)	-	(36,656)
Cash and Cash Equivalents, Beginning of Year	-	2,135,932	-	2,135,932
Cash and Cash Equivalents, End of Year	$ -	$ 2,099,276	$ -	$ 2,099,276

Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability

	2017 (1)
University's proportion of the total other postemployment benefits liability	0.16%
University's proportionate share of the total other postemployment benefits liability	$ 16,780,000
University's covered-employee payroll	$ 17,432,167
University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll	96.26%

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

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

	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
University's proportion of the FRS net pension liability	0.029416862%	0.028903737%	0.026926709%	0.025391772%	0.019864042%
University's proportion share of the FRS net pension liability	$ 8,701,310	$ 7,298,216	$ 3,477,946	$ 1,549,271	$ 3,419,486
University's covered payroll (2)	$ 16,540,148	$ 15,940,855	$ 15,302,021	$ 14,276,629	$ 13,288,324
University's proportion share of the FRS net pension liability as a percentage of its covered payroll	52.61%	45.78%	22.73%	10.85%	25.73%
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 university system optional retirement program 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 University Contributions – Florida Retirement System Pension Plan

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	$ 940,007	$ 765,793	$ 704,864	$ 656,496	$ 556,188
FRS contributions in relation to the contractually required contribution	(940,007)	(765,793)	(704,864)	(656,496)	(556,188)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 17,432,167	$ 16,540,148	$ 15,940,855	$ 15,302,021	$ 14,276,629
FRS contributions as a percentage of covered payroll	5.39%	4.63%	4.42%	4.29%	3.90%

(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 university 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 University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan

	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
University's proportion of the HIS net pension liability	0.027024071%	0.026488765%	0.024606111%	0.022834094%	0.020786550%
University's proportion share of the HIS net pension liability	$ 2,889,538	$ 3,087,156	$ 2,509,436	$ 2,135,044	$ 1,809,742
University's covered payroll (2)	$ 8,350,415	$ 7,904,077	$ 7,215,699	$ 6,641,607	$ 6,011,544
University's proportion share of the HIS net pension liability as a percentage of its covered payroll	34.60%	39.06%	34.78%	32.15%	30.10%
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 University Contributions – Health Insurance Subsidy Pension Plan

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required HIS contribution	$ 152,700	$ 143,019	$ 135,772	$ 94,060	$ 78,222
HIS contributions in relation to the contractually required HIS contribution	(152,700)	(143,019)	(135,772)	(94,060)	(78,222)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered payroll (2)	$ 8,933,439	$ 8,350,415	$ 7,904,077	$ 7,215,699	$ 6,641,607
HIS contributions as a percentage of covered payroll	1.71%	1.71%	1.72%	1.30%	1.18%

(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 the University's Proportionate Share of the Total Other Postemployment Benefits Liability

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

Changes of Assumptions. In 2018, amounts reported as changes of assumptions resulted from adjustments to active mortality rates, updates to HMO and PPO healthcare claims costs, changes in retiree contributions, change in trend rates, and a change in the discount rate of return. Refer to Note 12. to the financial statements for further detail.

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
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the New 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 University'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 blended and discretely presented component units, as described in our report on the University'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 University'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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 University'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 University'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 University'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 University'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