STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2019-160
March 2019

ST. JOHNS RIVER STATE COLLEGE

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, Mr. Joe H. Pickens, J.D., served as President of St. Johns River State College and the following individuals served as Members of the Board of Trustees:

	County
Samuel Garrison, Chair from 6-23-18	Clay
Wendell D. Davis, Vice Chair	Clay
Mary Ellen Hancock,[a] Chair through 6-22-18	St. Johns
Denise M. Bramlitt	Putnam
Joseph Duren [b]	St. Johns
Brian Keith	Putnam
Marlene Lagasse	Putnam

[a] Member resigned 6-22-18, and Trustee position vacant through 6-30-18.

[b] Member resigned 12-7-17, and Trustee position vacant through 6-30-18.

The team leader was Dennis W. Gay, CPA, and the audit was supervised by Randy R. Arend, CPA.

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

ST. JOHNS RIVER STATE COLLEGE

TABLE OF CONTENTS

SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether St. Johns River State College and its officers with administrative and stewardship responsibilities for College operations had:

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2018. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of St. Johns River State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of St. Johns River State College and of its discretely presented component unit as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matter

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2019, on our consideration of the St. Johns River State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is 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 St. Johns River State College's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 12, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

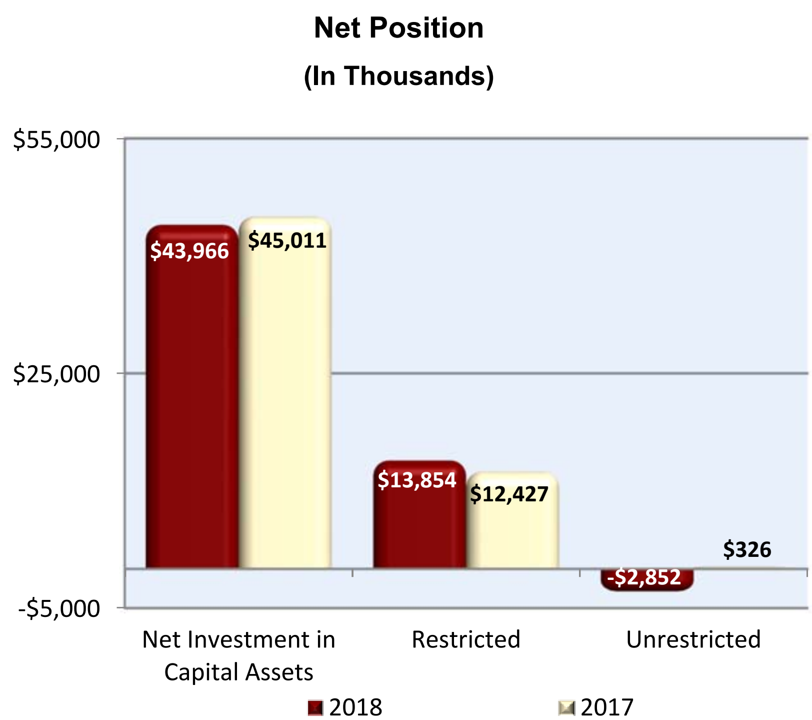
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2018, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2018, and June 30, 2017, and its discretely presented component unit, the St. Johns River State College Foundation, Inc. for the fiscal years ended March 31, 2018, and March 31, 2017.

FINANCIAL HIGHLIGHTS

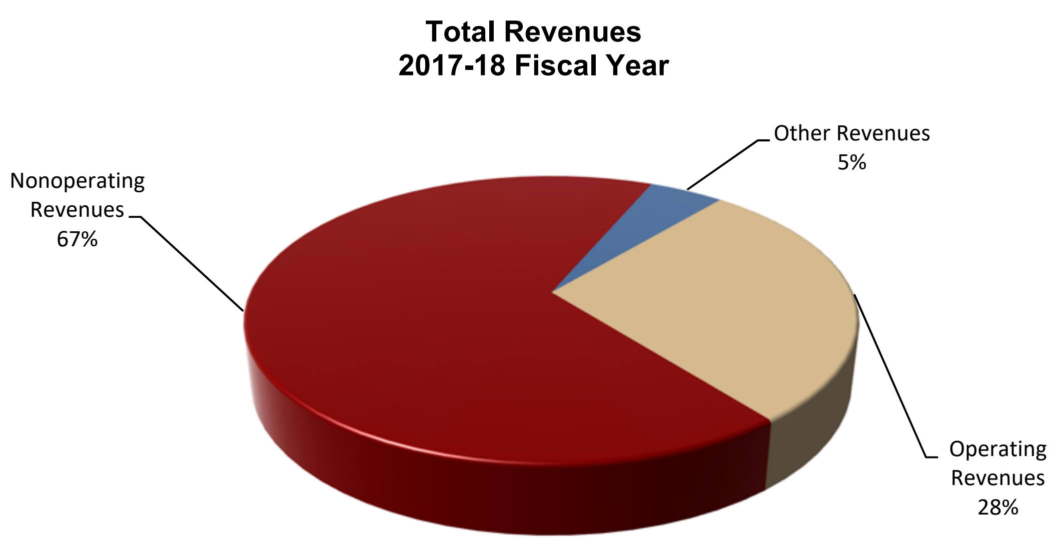
The College's assets and deferred outflows of resources totaled $80.2 million at June 30, 2018. This balance reflects a $0.4 million, or 0.5 percent, decrease as compared to the 2016-17 fiscal year, resulting from a $1.8 million increase in depreciable capital assets and a $0.8 million increase in cash and cash equivalents, offset by a decrease in nondepreciable capital assets of $2.9 million. While assets and deferred outflows of resources decreased, liabilities and deferred inflows of resources increased by $2.4 million, or 10.4 percent, totaling $25.2 million at June 30, 2018, resulting primarily from a $1.2 million increase in deferred inflows of resources, a $1 million increase in other postemployment benefits payable, and a $0.8 million increase in the net pension liability, offset by a decrease in salary and payroll taxes payable of $0.4 million. As a result, the College's net position decreased by $2.8 million, resulting in a year-end balance of $55 million.

The College's operating revenues totaled $13.2 million for the 2017-18 fiscal year, representing a 4.1 percent decrease compared to the 2016-17 fiscal year. Operating expenses totaled $48.5 million for the 2017-18 fiscal year, representing an increase of 1.6 percent as compared to the 2016-17 fiscal year due mainly to increases of $0.7 million in scholarships and waivers and $0.4 million in other services and expenses, offset by a decrease in materials and supplies of $0.7 million.

Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2018, and June 30, 2017, is shown in the following graph:



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



Overview of Financial Statements

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

The Statement of Net Position

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

The following summarizes the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College and its component unit for the respective fiscal years ended:

Condensed Statement of Net Position at

(In Thousands)

	College		Component Unit	
	6-30-18	**6-30-17**	**3-31-18**	**3-31-17**
Assets				
Current Assets	$ 20,200	$ 22,043	$ 2,983	$ 2,822
Capital Assets, Net	43,966	45,011	-	-
Other Noncurrent Assets	7,482	5,692	2,798	2,476
Total Assets	71,648	72,746	5,781	5,298
Deferred Outflows of Resources	8,562	7,872	-	-
Liabilities				
Current Liabilities	1,847	2,274	11	10
Noncurrent Liabilities	21,743	20,114	96	113
Total Liabilities	23,590	22,388	107	123
Deferred Inflows of Resources	1,652	466	110	109
Net Position				
Investment in Capital Assets	43,966	45,011	-	-
Restricted	13,854	12,427	4,362	3,960
Unrestricted	(2,852)	326	1,202	1,106
Total Net Position	$ 54,968	$ 57,764	$ 5,564	$ 5,066

The decrease in current assets was primarily caused by a decrease in cash and cash equivalents of $1 million resulting from a $1 million non-mandatory transfer from the current funds – unrestricted to the noncurrent unexpended plant fund for construction renovation projects, and a decrease in due from other governmental agencies of $0.4 million, while the increase in other noncurrent assets of $1.8 million, all related to restricted cash and cash equivalents, resulted in part from the $1 million non-mandatory transfer in from the current funds – unrestricted and the accumulation of other cash resources for construction renovation projects at the Orange Park and Palatka Campuses. The decrease in capital assets is primarily due to the annual depreciation of capital assets. The increase in the College's deferred outflows of resources, deferred inflows of resources, and noncurrent liabilities, resulted mainly from pension-related adjustments required by GASB Statement No. 68 and the implementation of GASB Statement No. 75.

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

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

The following summarizes the College's and its component unit's activity for the respective fiscal years ended:

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

(In Thousands)

	College		Component Unit	
	6-30-18	**6-30-17**	**3-31-18**	**3-31-17**
Operating Revenues	$ 13,225	$ 13,785	$ 667	$ 602
Less, Operating Expenses	48,539	47,766	649	550
Operating Income (Loss)	(35,314)	(33,981)	18	52
Net Nonoperating Revenues	31,367	30,589	480	383
Income (Loss) Before Other Revenues	(3,947)	(3,392)	498	435
Other Revenues	2,204	8,224	-	-
Net Increase (Decrease) In Net Position	(1,743)	4,832	498	435
Net Position, Beginning of Year	57,764	52,932	5,066	4,724
Adjustments to Beginning Net Position (1)	(1,053)	-	-	(93)
Net Position, Beginning of Year, as Restated	56,711	52,932	5,066	4,631
Net Position, End of Year	$ 54,968	$ 57,764	$ 5,564	$ 5,066

(1) For the 2017-18 fiscal year, the College's beginning net position was decreased due to the implementation of GASB Statement No. 75 and, for the 2016-17 fiscal year, the component unit's beginning net position was decreased due to the early implementation of GASB Statement No. 81.

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 for the College and its component unit by source that were used to fund operating activities for the respective fiscal years ended:

Operating Revenues
For the Fiscal Years Ended

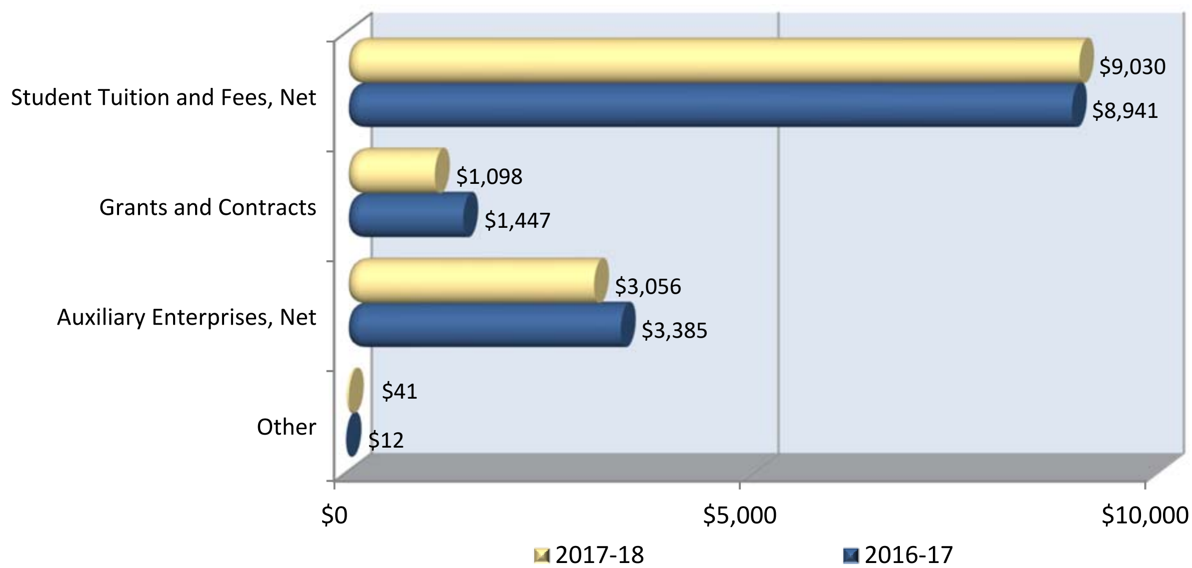
(In Thousands)

	College		Component Unit	
	6-30-18	**6-30-17**	**3-31-18**	**3-31-17**
Student Tuition and Fees, Net	$ 9,030	$ 8,941	$ -	$ -
Grants and Contracts	1,098	1,447	-	-
Auxiliary Enterprises, Net	3,056	3,385	-	-
Other	41	12	667	602
Total Operating Revenues	$ 13,225	$ 13,785	$ 667	$ 602

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

Operating Revenues

(In Thousands)



College operating revenue changes were primarily the result of decreases in grants and contracts and auxiliary enterprises revenues. Grants and contracts revenues decreased by $0.3 million, or 24.1 percent compared to the prior fiscal year, due primarily to funding reductions in several Federal grants. Auxiliary enterprises revenues decreased by $0.3 million, or 9.7 percent compared to the prior fiscal year, primarily due to a decrease in ticket sales for performing arts events and concerts at the Thrasher Horne Center.

Operating Expenses

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

The following summarizes operating expenses by natural classification for the College and its component unit for the respective fiscal years ended:

Operating Expenses
For the Fiscal Years

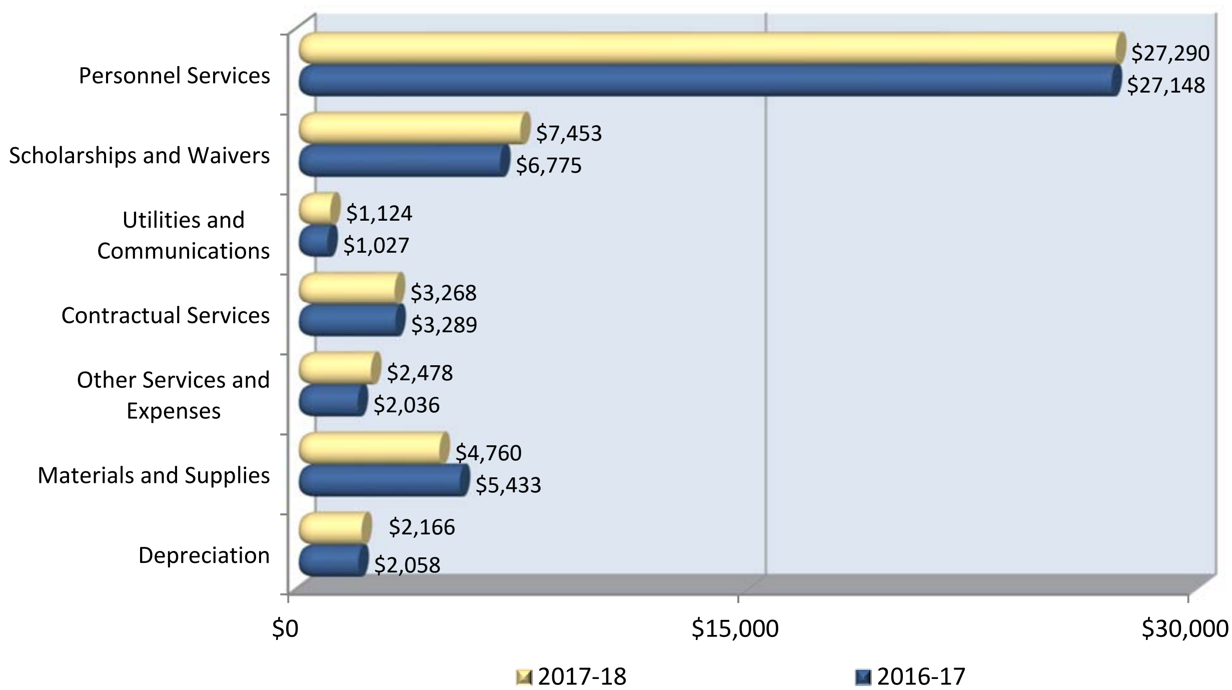
(In Thousands)

	College		Component Unit	
	2017-18	**2016-17**	**2017-18**	**2016-17**
Personnel Services	$ 27,290	$ 27,148	$ -	$ -
Scholarships and Waivers	7,453	6,775	442	383
Utilities and Communications	1,124	1,027	-	-
Contractual Services	3,268	3,289	18	21
Other Services and Expenses	2,478	2,036	189	146
Materials and Supplies	4,760	5,433	-	-
Depreciation	2,166	2,058	-	-
Total Operating Expenses	$ 48,539	$ 47,766	$ 649	$ 550

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

Operating Expenses

(In Thousands)



College operating expense changes were the result of the following factors:

- An increase in scholarships and waivers expenses of $0.7 million, or 10 percent, due mainly to more students qualifying for Federal Pell financial aid and Florida Student Assistance Grants.
- An increase in other services and expenses of $0.4 million, or 21.7 percent, due primarily to an increase in bad debt expense.

- A decrease in materials and supplies of $0.7 million, or 12.4 percent, due primarily to a decrease in noncapitalized remodeling and renovation costs and minor equipment purchases.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. The following summarizes the College's nonoperating revenues and expenses for the 2017-18 and 2016-17 fiscal years:

Nonoperating Revenues
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
State Noncapital Appropriations	$ 19,762	$ 20,199
Federal and State Student Financial Aid	10,623	9,904
Gifts and Grants	743	580
Investment Income (Loss)	205	(128)
Other Nonoperating Revenues	26	16
Gain on Disposal of Capital Assets	8	18
Net Nonoperating Revenues	$ 31,367	$ 30,589

Net nonoperating revenues increased by $0.8 million, or 2.5 percent when compared to the prior fiscal year, due mainly to an increase in Federal and State student financial aid of $0.7 million, or 7.3 percent, resulting primarily from increases in Federal Pell financial aid and Florida Student Assistance grant revenues.

Other Revenues

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

Other Revenues
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
State Capital Appropriations	$ 756	$ 6,726
Capital Grants, Contracts, Gifts, and Fees	1,448	1,498
Total	$ 2,204	$ 8,224

Other revenues decreased $6 million, or 73.2 percent, due mainly to a decrease in State Public Education Capital Outlay appropriations.

The Statement of Cash Flows

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the

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

The following summarizes the College's cash flows for the 2017-18 and 2016-17 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2017-18	**2016-17**
Cash Provided (Used) by:		
Operating Activities	$ (31,860)	$ (31,545)
Noncapital Financing Activities	31,128	30,684
Capital Activities	1,331	1,623
Investing Activities	203	(155)
Net Increase in Cash and Cash Equivalents	802	607
Cash and Cash Equivalents, Beginning of Year	18,880	18,273
Cash and Cash Equivalents, End of Year	$ 19,682	$ 18,880

Major sources of funds came from State noncapital appropriations ($19.8 million), Federal and State student financial aid ($10.6 million), net student tuition and fees ($9.2 million), Federal Direct Student Loan program receipts ($5.4 million), and net auxiliary enterprises ($3.3 million). Major uses of funds were for payments to employees and for employee benefits ($26.6 million), payments to suppliers ($10.4 million), payments for scholarships ($7.5 million), and disbursements to students for Federal Direct Student Loans ($5.4 million).

The College's overall cash and cash equivalents increased by $0.8 million, or 4.2 percent from the prior fiscal year.

CAPITAL ASSETS AND CAPITAL EXPENSES AND COMMITMENTS

Capital Assets

At June 30, 2018, the College had $79.1 million in capital assets, less accumulated depreciation of $35.2 million, for net capital assets of $44 million. Depreciation charges for the current fiscal year totaled $2.2 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2018	2017
Land	$ 687	$ 687
Construction in Progress	606	3,461
Buildings	41,033	38,996
Other Structures and Improvements	246	289
Furniture, Machinery, and Equipment	1,394	1,578
Capital Assets, Net	$ 43,966	$ 45,011

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

Capital Expenses and Commitments

Capital expenses were incurred during the 2017-18 fiscal year for a planned $1 million Florida School of the Arts renovation project at the Palatka Campus and for planning activities for building renovations at the Orange Park Campus. The College's construction commitments at June 30, 2018, are as follows:

	Amount (In Thousands)
Total Committed	$ 1,544
Completed to Date	(606)
Balance Committed	$ 938

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

Economic Factors That Will Affect the Future

For the 2018-19 fiscal year, the College anticipates a $3.2 million, or 17 percent, increase in overall State funding for operations. Of this funding, $3 million represents non-recurring funding that will be used to implement new, and expand existing, workforce education programs over the next several years in Clay and Putnam counties. Other than State appropriations, the College receives the majority of its other operating funds from student tuition and fees. Since low unemployment rates affect College student enrollment levels, no significant increase is expected in student enrollment or tuition and fee revenues for the 2018-19 fiscal year. Given the State of Florida's desire to keep tuition rates affordable, the Board of Trustees maintained the 2017-18 fiscal year tuition and fee rates for the 2018-19 fiscal year, except for the College's distance learning fee. With the growth in College online learning enrollment and economies of scale in the cost of delivering online learning, the Board of Trustees authorized a decrease in the distance learning fee of $2 per credit hour effective for the 2018-19 fiscal year which, with the anticipated increase in online learning enrollment, is expected to generate a comparable level of distance learning fee revenues as the 2017-18 fiscal year. The projected operating revenues from the State and from student tuition and fees are expected to adequately fund the College's present level of services and allow for modest growth in programs needed within the College's tri-county service area.

Requests for Information

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Finance and Administration/CFO, St. Johns River State College, 5001 St. Johns Avenue, Palatka, Florida 32177.

ST. JOHNS RIVER STATE COLLEGE
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2018

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 11,971,252	$ 1,043,447
Restricted Cash and Cash Equivalents	229,264	-
Investments	-	1,939,508
Accounts Receivable, Net	813,745	-
Due from Other Governmental Agencies	6,071,796	-
Due from Component Unit	16,182	-
Inventories	1,050,978	-
Prepaid Expenses	42,471	-
Deposits Receivable	4,860	-
Total Current Assets	20,200,548	2,982,955
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	7,481,966	-
Restricted Investments	-	2,697,942
Depreciable Capital Assets, Net	42,672,411	-
Nondepreciable Capital Assets	1,293,881	-
Irrevocable Split-Interest Agreement Receivable	-	99,476
Total Noncurrent Assets	51,448,258	2,797,418
TOTAL ASSETS	71,648,806	5,780,373
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Other Postemployment Benefits	60,765	-
Deferred Amounts Related to Pensions	8,500,886	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,561,651	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	91,988	-
Salary and Payroll Taxes Payable	1,021,296	-
Retainage Payable	29,649	-
Unearned Revenue	195,085	-
Deposits Held for Others	38,238	-
Long-Term Liabilities - Current Portion:		
Compensated Absences Payable	245,543	-
Other Postemployment Benefits Payable	60,765	-
Net Pension Liability	164,028	-
Irrevocable Split-Interest Agreement Payable	-	10,600
Total Current Liabilities	1,846,592	10,600

ST. JOHNS RIVER STATE COLLEGE
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2018

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Compensated Absences Payable	1,813,677	-
Other Postemployment Benefits Payable	1,481,282	-
Net Pension Liability	18,448,164	-
Irrevocable Split-Interest Agreement Payable	-	95,926
Total Noncurrent Liabilities	21,743,123	95,926
TOTAL LIABILITIES	23,589,715	106,526
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Other Postemployment Benefits	134,891	-
Deferred Amounts Related to Pensions	1,517,376	-
Deferred Amounts Related to Irrevocable Split-Interest Agreements	-	110,129
TOTAL DEFERRED INFLOWS OF RESOURCES	1,652,267	110,129
NET POSITION		
Investment in Capital Assets	43,966,292	-
Restricted:		
Nonexpendable:		
Endowment	-	2,580,762
Expendable:		
Grants and Loans	147,859	-
Scholarships	109,986	1,780,962
Capital Projects	13,595,921	-
Unrestricted	(2,851,583)	1,201,994
TOTAL NET POSITION	$ 54,968,475	$ 5,563,718

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

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ST. JOHNS RIVER STATE COLLEGE
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2018

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $3,631,723	$ 9,029,452	$ -
Federal Grants and Contracts	856,346	-
State and Local Grants and Contracts	206,370	-
Nongovernmental Grants and Contracts	35,052	-
Auxiliary Enterprises, Net of Scholarship Allowances of $772,623	3,056,428	-
Other Operating Revenues	41,168	666,810
Total Operating Revenues	13,224,816	666,810
EXPENSES		
Operating Expenses:		
Personnel Services	27,290,103	-
Scholarships and Waivers	7,452,797	441,956
Utilities and Communications	1,124,342	-
Contractual Services	3,268,016	17,590
Other Services and Expenses	2,477,879	189,201
Materials and Supplies	4,759,958	-
Depreciation	2,166,222	-
Total Operating Expenses	48,539,317	648,747
Operating Income (Loss)	(35,314,501)	18,063
NONOPERATING REVENUES		
State Noncapital Appropriations	19,762,315	-
Federal and State Student Financial Aid	10,622,942	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	742,562	-
Investment Income	205,365	480,008
Other Nonoperating Revenues	26,027	-
Gain on Disposal of Capital Assets	7,462	-
Net Nonoperating Revenues	31,366,673	480,008
Income (Loss) Before Other Revenues	(3,947,828)	498,071
State Capital Appropriations	756,352	-
Capital Grants, Contracts, Gifts, and Fees	1,448,151	-
Total Other Revenues	2,204,503	-
Increase (Decrease) in Net Position	(1,743,325)	498,071
Net Position, Beginning of Year	57,764,343	5,065,647
Adjustment to Beginning Net Position	(1,052,543)	-
Net Position, Beginning of Year, as Restated	56,711,800	5,065,647
Net Position, End of Year	$ 54,968,475	$ 5,563,718

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

ST. JOHNS RIVER STATE COLLEGE
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2018

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 9,237,935
Grants and Contracts	1,124,642
Payments to Suppliers	(10,427,867)
Payments for Utilities and Communications	(1,124,341)
Payments to Employees	(20,707,802)
Payments for Employee Benefits	(5,850,686)
Payments for Scholarships	(7,452,797)
Auxiliary Enterprises, Net	3,268,015
Other Receipts	72,746
Net Cash Used by Operating Activities	(31,860,155)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	19,762,315
Federal and State Student Financial Aid	10,622,942
Federal Direct Loan Program Receipts	5,449,132
Federal Direct Loan Program Disbursements	(5,449,132)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	742,562
Net Cash Provided by Noncapital Financing Activities	31,127,819
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,103,646
Capital Grants and Gifts	1,448,151
Proceeds from Insurance Recoveries	26,027
Proceeds from Sale of Capital Assets	7,462
Purchases of Capital Assets	(1,254,265)
Net Cash Provided by Capital and Related Financing Activities	1,331,021
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	203,404
Net Increase in Cash and Cash Equivalents	802,089
Cash and Cash Equivalents, Beginning of Year	18,880,393
Cash and Cash Equivalents, End of Year	$ 19,682,482

ST. JOHNS RIVER STATE COLLEGE
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2018

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (35,314,501)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,166,222
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	341,537
Inventories	184,057
Prepaid Expenses	(42,471)
Accounts Payable	(45,739)
Salary and Payroll Taxes Payable	(392,765)
Unearned Revenue	97,741
Deposits Held for Others	31,579
Due from Component Unit	26,875
Compensated Absences Payable	(152,982)
Other Postemployment Benefits Payable	(89,457)
Net Pension Liability	774,193
Deferred Outflows of Resources Related to Other Postemployment Benefits	(1,246)
Deferred Inflows of Resources Related to Other Postemployment Benefits	134,891
Deferred Outflows of Resources Related to Pensions	(628,998)
Deferred Inflows of Resources Related to Pensions	1,050,909
NET CASH USED BY OPERATING ACTIVITIES	$ (31,860,155)

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the St. Johns River State College Foundation, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the Vice President for Development and External Affairs, St. Johns River State College, 5001 St. Johns Avenue, Palatka, Florida 32177. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2018.

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

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

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

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

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition and book scholarship allowances. Tuition and book scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College is able to identify, within its accounting system, amounts paid for tuition, fees, and book charges by financial aid. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenues and auxiliary enterprise revenues.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash with the State Treasury Special Purpose Investment Account (SPIA) investment pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less, that are not held solely for income or profit to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury SPIA investment pool to be cash equivalents.

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

At June 30, 2018, the College reported as cash equivalents at fair value $18,415,958 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The College categorizes the fair value with in the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation of inputs used to measure the fair value of the assets. 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 State Treasury SPIA investment pool is valued using 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 balance. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

The Foundation, for reporting cash flows, considers all highly liquid investments with original maturities of 3 months or less to be cash equivalents. At March 31, 2018, the component unit had $136,455 in demand accounts, $430,337 in money market accounts, and $476,655 in its separate State Treasury SPIA account.

Inventories. Inventories consist of items for resale by the campus bookstore, and are valued using the moving average inventory method of valuation. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

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

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

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

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

2. Reporting Change

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

3. Adjustment to Beginning Net Position

The beginning net position of the College was decreased by $1,052,543 due to implementation of GASB Statement No. 75. The College's total OPEB liability reported at June 30, 2017, increased by $1,112,062 to $1,631,504 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and beginning balances for deferred outflows of resources were restated for subsequent contributions totaling $59,519.

4. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	$ (7,435,882)
Auxiliary Funds	4,584,299
Total	$ (2,851,583)

5. Investments – Discretely Presented Component Unit

Fair Value Measurement. The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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.

Investments held by the Foundation as of March 31, 2018, reported at fair value using quoted market prices in active markets for identical assets (Level 1 inputs) with the following maturities:

		Maturity in Years	
Investment Type	**Fair Value**	**1-5**	**6-10**
Fixed Income Mutual Funds	$ 741,021	$ 476,425	$ 264,596
Equity Investments:			
Common Stock	3,310,697		
Exchange Traded Fund	64,330		
Real Estate Mutual Fund	308,289		
Fixed Income Exchange Traded Fund	213,113		
Total Component Unit Investments	$4,637,450		

The Foundation invested in various debt and equity securities. The following risks apply to the Foundation's investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation investment policies include asset allocation guidelines and investment management structure to ensure adequate diversification to reduce the volatility of investment returns.

Credit Risk: Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy requires that debt securities be rated "Baa" or "BBB" or better by Moody's or Standard & Poor's rating services, respectively. The Foundation's investment policy also sets allowable ranges for allocation of assets as follows: domestic equities (50 – 70 percent); international equities (10 – 20 percent); fixed income securities (10 – 20 percent); and cash equivalents (2 – 10 percent).

Custodial Credit Risk: Custodial credit risk is the risk that in the event of failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. The Foundation does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Foundation's investment policy limits investments with a single issuer to not more than 5 percent of the market value of the portfolio.

6. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, interest receivable, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a $292,473 allowance for doubtful accounts.

7. Due From Other Governmental Agencies

The amount due from other governmental agencies consists of $6,071,796 of Public Education Capital Outlay allocations due from the State for maintenance and renovation of College facilities.

8. Due From Component Unit

The amount reported as due from component unit consists of $16,182 owed to the College as of June 30, 2018, for reimbursement of scholarships and student aid. The College's financial statements are reported for the fiscal year ended June 30, 2018, and the component unit's financial statements are reported for the fiscal year ended March 31, 2018. There was no corresponding amount reported as due to the College by the component unit as of March 31, 2018.

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	$ 687,582	$ -	$ -	$ 687,582
Construction in Progress	3,460,551	745,775	3,600,027	606,299
Total Nondepreciable Capital Assets	$ 4,148,133	$ 745,775	$ 3,600,027	$ 1,293,881
Depreciable Capital Assets:				
Buildings	$ 63,162,243	$ 3,600,027	$ -	$ 66,762,270
Other Structures and Improvements	4,586,101	-	-	4,586,101
Furniture, Machinery, and Equipment	6,443,402	375,227	322,706	6,495,923
Total Depreciable Capital Assets	74,191,746	3,975,254	322,706	77,844,294
Less, Accumulated Depreciation:				
Buildings	24,166,707	1,563,054	-	25,729,761
Other Structures and Improvements	4,296,567	43,473	-	4,340,040
Furniture, Machinery, and Equipment	4,865,093	559,695	322,706	5,102,082
Total Accumulated Depreciation	33,328,367	2,166,222	322,706	35,171,883
Total Depreciable Capital Assets, Net	$ 40,863,379	$ 1,809,032	$ -	$ 42,672,411

10. Unearned Revenue

Unearned revenue includes prepayments of cultural program sales and meeting room rentals for which expenses have yet to be incurred. As of June 30, 2018, the College reported $195,085 of unearned revenue.

11. Long-Term Liabilities

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	$ 2,212,202	$ 115,199	$ 268,181	$ 2,059,220	$ 245,543
Other Postemployment Benefits Payable (1)	1,631,504	121,146	210,603	1,542,047	60,765
Net Pension Liability	17,837,999	3,482,237	2,708,044	18,612,192	164,028
Total Long-Term Liabilities	$ 21,681,705	$ 3,718,582	$ 3,186,828	$ 22,213,459	$ 470,336

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

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2018, the estimated liability for compensated absences, which includes the College's share of the Florida

Retirement System and FICA contributions, totaled $2,059,220. The current portion of the compensated absences liability, $245,543, is the amount expected to be paid in the coming fiscal year, and represents an average of the reductions over the past 3 years.

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

General Information about the OPEB Plan

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the Consortium that provides OPEB for all employees who satisfy the College's retirement eligibility provisions. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. The OPEB Plan contribution requirements and benefit terms of the College and the OPEB Plan members are established and may be amended by action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	28
DROP Members	9
Active Employees	319
Total	356

Total OPEB Liability

The College's total OPEB liability of $1,542,047 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

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

Inflation	2.60 percent
Real Wage Growth	0.65 percent
Wage Inflation	3.25 percent
Salary increases	
Regular Employees	4.00 – 7.80 percent
Senior Management	4.70 – 7.10 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.01 percent
Measurement Date	3.56 percent
Healthcare cost trend rates	
Pre-Medicare	7.50 percent for 2017, decreasing to an ultimate rate of 5.00 percent by 2023
Medicare	5.50 percent for 2017, decreasing to an ultimate rate of 5.00 percent by 2020

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

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

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

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

Changes in the Total OPEB Liability

	Amount
Balance at 6/30/17, as Restated	$ 1,631,504
Changes for the year:	
Service Cost	72,927
Interest	48,219
Changes in Assumptions or Other Inputs	(151,084)
Benefit Payments	(59,519)
Net Changes	(89,457)
Balance at 6/30/18	$ 1,542,047

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

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

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	$1,833,127	$1,542,047	$1,314,152

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$1,282,857	$1,542,047	$1,881,715

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

For the fiscal year ended June 30, 2018, the College recognized OPEB expense of $104,953. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions or other inputs	$ -	$ 134,891
Transactions subsequent to the measurement date	60,765	-
Total	$ 60,765	$ 134,891

The total amount reported as deferred outflows of resources related to OPEB, $60,765 resulting from benefits paid subsequent to the measurement date will be included as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ (16,193)
2020	(16,193)
2021	(16,193)
2022	(16,193)
2023	(16,193)
Thereafter	(53,926)
Total	$ (134,891)

Net Pension Liability. As a participating employer in the FRS, the College recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2018, the College's proportionate share of the net pension liability totaled $18,612,192. Note 12. includes a complete discussion of defined benefit pension plans.

12. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

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

The College's FRS and HIS pension expense totaled $2,729,078 for the fiscal year ended June 30, 2018.

<u>FRS Pension Plan</u>

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* – Members in senior management level positions.

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

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were:

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

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The College's contributions to the Plan totaled $1,260,976 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the College reported a liability of $12,515,368 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The College's proportionate share of the net pension liability was based on the College's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the College's proportionate share was 0.042311196 percent, which was a decrease of 0.001054850 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $2,280,164. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,148,610	$ 69,329
Change of assumptions	4,206,047	-
Net difference between projected and actual earnings on FRS Plan investments	-	310,162
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	621,493	346,386
College FRS contributions subsequent to the measurement date	1,260,976	-
Total	$ 7,237,126	$ 725,877

The deferred outflows of resources totaling $1,260,976, resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 845,036
2020	1,921,672
2021	1,213,336
2022	176,627
2023	791,484
Thereafter	302,118
Total	$ 5,250,273

Actuarial Assumptions. The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.10 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.10 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2017 valuation was updated from 7.60 percent to 7.10 percent.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.10 percent) or 1 percentage point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
College's proportionate share of the net pension liability	$22,652,060	$12,515,368	$4,099,591

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

Payables to the Pension Plan. At June 30, 2018, the College reported a payable of $113,279 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2018.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled $307,697 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the College reported a net pension liability of $6,096,824 for its proportionate share of the net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within 1 year, net of the College's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The College's proportionate share of the net pension liability was based on the College's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the College's proportionate share was 0.057019833 percent, which was a decrease of 0.002081701 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $448,914. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 12,695
Change of assumptions	857,004	527,199
Net difference between projected and actual earnings on HIS Plan investments	3,381	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	95,678	251,605
College contributions subsequent to the measurement date	307,697	-
Total	$ 1,263,760	$ 791,499

The deferred outflows of resources totaling $307,697, resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ 85,091
2020	84,451
2021	84,144
2022	35,456
2023	(7,940)
Thereafter	(116,638)
Total	$ 164,564

Actuarial Assumptions. The total pension liability at July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.58 percent

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

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

Discount Rate. The discount rate used to measure the total pension liability was 3.58 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2017 valuation was updated from 2.85 percent to 3.58 percent.

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

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
College's proportionate share of the net pension liability	$6,957,283	$6,096,824	$5,380,108

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

Payables to the Pension Plan. At June 30, 2018, the College reported a payable of $19,081 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2018.

13. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2017-18 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

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

The College's Investment Plan pension expense totaled $416,162 for the fiscal year ended June 30, 2018.

14. Construction Commitments

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Palatka Campus - Florida School of the Arts Renovation	$ 997,362	$ 352,565	$ 644,797
Orange Park Campus Renovations - Buildings D and V	381,803	253,734	128,069
St. Augustine Campus - General Revovations	165,256	-	165,256
Total	$ 1,544,421	$ 606,299	$ 938,122

15. Risk Management Programs

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

16. Functional Distribution of Operating Expenses

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

Functional Classification	**Amount**
Instruction	$ 14,809,256
Public Services	526,696
Academic Support	3,207,858
Student Services	3,934,866
Institutional Support	6,868,632
Operation and Maintenance of Plant	5,561,522
Scholarships and Waivers	7,452,797
Depreciation	2,166,222
Auxiliary Enterprises	4,011,468
Total Operating Expenses	$ 48,539,317

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

	2017
Total OPEB Liability	
Service cost	$ 72,927
Interest	48,219
Changes of assumptions or other inputs	(151,084)
Benefit Payments	(59,519)
Net change in total OPEB liability	(89,457)
Total OPEB Liability - beginning, as Restated	1,631,504
Total OPEB Liability - ending	$ 1,542,047
Covered-Employee Payroll	$ 15,896,035
Total OPEB Liability as a percentage of covered-employee payroll	9.70%

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

	2017 (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
College's proportion of the FRS net pension liability	0.042311196%	0.043366046%	0.045294300%	0.045560091%	0.035671013%
College's proportionate share of the FRS net pension liability	$ 12,515,368	$ 10,949,960	$ 5,850,366	$ 2,779,836	$ 6,140,569
College's covered payroll (2)	$ 18,174,849	$ 18,293,849	$ 18,089,635	$ 17,939,087	$ 16,821,682
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	68.86%	59.86%	32.34%	15.50%	36.50%
FRS Plan fiduciary net position 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, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of College Contributions – Florida Retirement System Pension Plan

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)
Contractually required FRS contribution	$ 1,260,976	$ 1,137,187	$ 1,098,667	$ 1,104,314	$ 997,959
FRS contributions in relation to the contractually required contribution	(1,260,976)	(1,137,187)	(1,098,667)	(1,104,314)	(997,959)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 18,489,074	$ 18,174,849	$ 18,293,849	$ 18,089,635	$ 17,939,087
FRS contributions as a percentage of covered payroll	6.82%	6.26%	6.01%	6.10%	5.56%

(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 because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

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

	2017 (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
College's proportion of the HIS net pension liability	0.057019833%	0.059101534%	0.059626812%	0.060377669%	0.057905038%
College's proportionate share of the HIS net pension liability	$ 6,096,824	$ 6,888,039	$ 6,080,997	$ 5,645,459	$ 5,041,395
College's covered payroll (2)	$ 18,174,849	$ 18,293,849	$ 18,089,635	$ 17,939,087	$ 16,821,682
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.55%	37.65%	33.62%	31.47%	29.97%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	1.64%	0.97%	0.50%	0.99%	1.78%

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

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

Schedule of College Contributions – Health Insurance Subsidy Pension Plan

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)
Contractually required HIS contribution	$ 307,697	$ 301,742	$ 303,885	$ 227,931	$ 206,834
HIS contributions in relation to the contractually required HIS contribution	(307,697)	(301,742)	(303,885)	(227,931)	(206,834)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 18,489,074	$ 18,174,849	$ 18,293,849	$ 18,089,635	$ 17,939,087
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.26%	1.15%

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

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

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

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions. The municipal bond index rate increased from 3.01 percent at the prior measurement date to 3.56 percent at the current measurement date.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.60 percent to 7.10 percent, and the active member mortality assumption was updated.

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

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

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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 St. Johns River State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 12, 2019, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

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Tallahassee, Florida
March 12, 2019