STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2019-194
March 2019

COLLEGE OF CENTRAL FLORIDA

For the Fiscal Year Ended
June 30, 2018

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2017-18 fiscal year, Dr. James D. Henningsen served as President of the College of Central Florida and the following individuals served as Members of the Board of Trustees:

	County
William "Bill" H. Edgar, Chair	Marion
Russell "Rusty" Branson, Vice Chair	Marion
Sandra L. Balfour through 6-27-18 [a]	Citrus
Joyce Brancato	Levy
Robert E. Durrance	Levy
Randall L. Ewers from 3-13-18 [b]	Marion
Ronald L. Ewers through 2-28-18 [b]	Marion
Donald "Don" Taylor	Citrus

[a] Trustee position vacant 6-28-18, through 6-30-18.

[b] Trustee position vacant 3-1-18, through 3-12-18.

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

The team leader was Jenna L. Pietras, CFE, and the audit was supervised by Denita K. Tyre, CPA.

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

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

FLAuditor.gov

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

State of Florida Auditor General

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

COLLEGE OF CENTRAL FLORIDA
TABLE OF CONTENTS

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the College of Central Florida and its officers with administrative and stewardship responsibilities for College operations had:

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

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

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

AUDIT METHODOLOGY

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

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended component unit, which represent 1 percent or less of the assets, net position, and revenues reported for the College of Central Florida. In addition, 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. The financial statements of the blended and discretely presented component units were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Emphasis of Matters

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.

As discussed in Note 3. to the financial statements, the College's discretely presented component unit implemented GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which is a change in accounting principle that addresses accounting and financial reporting for irrevocable split-interest agreements. 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 26, 2019, on our consideration of the College of Central Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College of Central Florida's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman, CPA
Tallahassee, Florida
March 26, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

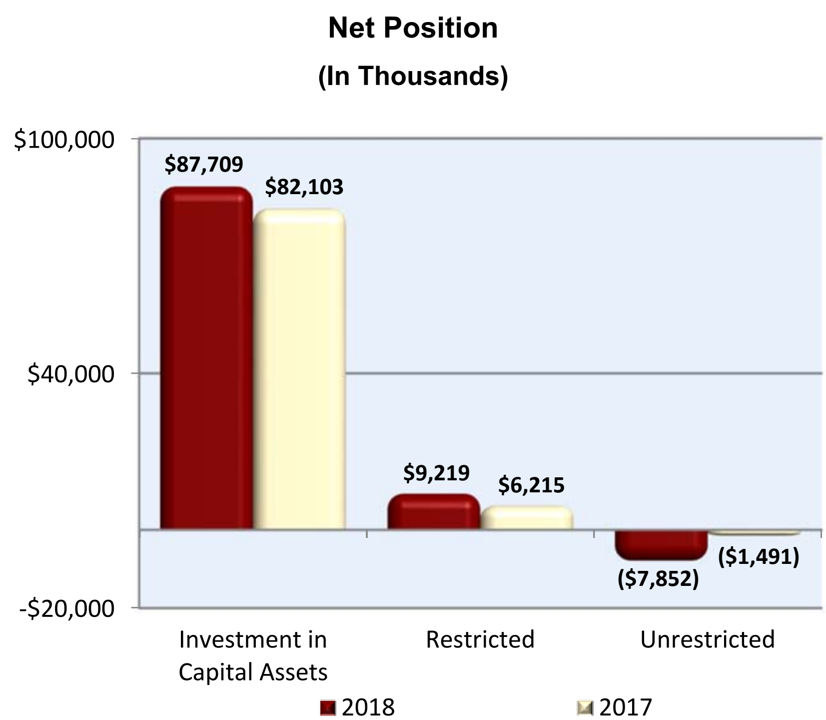
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2018, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are 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, which includes its blended component unit, The Appleton Cultural Center, Inc. for fiscal years ended December 31, 2017, and December 31, 2016. The MD&A also includes the financial activity of the College of Central Florida Foundation, Inc. (discretely presented component unit) for the fiscal years ended December 31, 2017, and December 31, 2016.

FINANCIAL HIGHLIGHTS

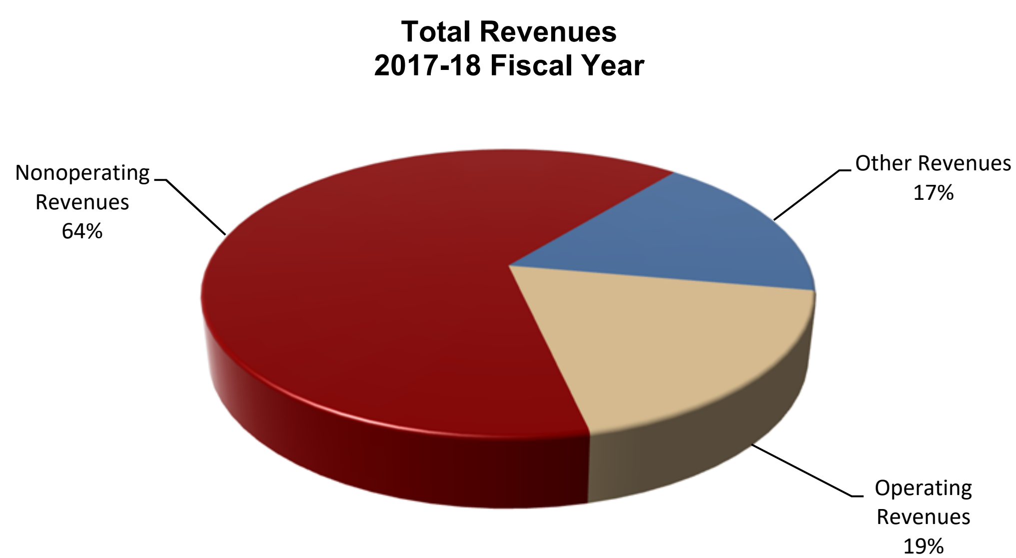
The College's assets and deferred outflows of resources totaled $119.4 million at June 30, 2018. This balance reflects a $2.5 million, or 2.1 percent, increase as compared to the 2016-17 fiscal year, resulting primarily from an increase in net capital assets of $4.1 million and an increase in deferred outflows of $0.6 million. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources increased by $0.2 million, or 0.7 percent, totaling $30.3 million at June 30, 2018, resulting from an increase in deferred inflows of resources of $1.6 million and from a decrease in accounts payable of $1.1 million. As a result, the College's net position increased by $2.2 million, resulting in a year-end balance of $89.1 million.

The College's operating revenues totaled $12 million for the 2017-18 fiscal year, representing a $1.9 million or 13.9 percent decrease compared to the 2016-17 fiscal year primarily due to a $1.1 million decrease in student tuition. Operating expenses totaled $61.9 million for the 2017-18 fiscal year representing an increase of 6 percent as compared to the 2016-17 fiscal year due to a $1.5 million increase in personnel services.

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 Governmental Accounting Standards Board (GASB) Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College's finances, and include the following entities:

- College of Central Florida (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- The Appleton Cultural Center, Inc. (Blended Component Unit) – Although legally separate, this component unit is important because the College has operational responsibility of the Center. The main purpose of the component unit is to provide financial support to the Appleton Museum, which is a department of the primary government. Based on the application of the criteria for determining component units, The Appleton Cultural Center, Inc. is included within the College's reporting entity as a blended component unit.
- College of Central Florida Foundation, Inc. (Discretely Presented Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

Information regarding these component units is presented in the notes to financial statements.

The Statement of Net Position

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

The following summarizes assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College and its discretely presented 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**	**12-31-17**	**12-31-16**
Assets				
Current Assets	$ 16,734	$ 19,495	$ 4,265	$ 3,114
Capital Assets, Net	87,709	83,599	24,031	24,054
Other Noncurrent Assets	5,563	5,055	76,608	71,092
Total Assets	110,006	108,149	104,904	98,260
Deferred Outflows of Resources	9,403	8,808	-	-
Liabilities				
Current Liabilities	3,338	5,165	786	453
Noncurrent Liabilities	24,496	24,107	1,612	1,872
Total Liabilities	27,834	29,272	2,398	2,325
Deferred Inflows of Resources	2,499	858	463	-
Net Position				
Net Investment in Capital Assets	87,709	82,103	23,056	22,934
Restricted	9,219	6,215	64,391	61,983
Unrestricted	(7,852)	(1,491)	14,596	11,018
Total Net Position	$ 89,076	$ 86,827	$ 102,043	$ 95,935
Change in Net Position	$ 2,249	2.6%	$ 6,108	6.4%

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

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

The following summarizes the activities of the College's and its discretely presented component unit 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**	**12-31-17**	**12-31-16**
Operating Revenues	$ 12,014	$ 13,951	$ 13,084	$ 5,311
Less, Operating Expenses	61,873	58,346	6,871	4,378
Operating Income (Loss)	(49,859)	(44,395)	6,213	933
Net Nonoperating Revenues	41,462	39,764	(77)	6,095
Income (Loss) Before Other Revenues	(8,397)	(4,631)	6,136	7,028
Other Revenues	10,837	12,739	407	906
Net Increase In Net Position	2,440	8,108	6,543	7,934
Net Position, Beginning of Year	86,827	78,719	95,935	88,001
Adjustment to Beginning Net Position	(191)	-	(435)	-
Net Position, Beginning of Year, as Restated	86,636	78,719	95,500	88,001
Net Position, End of Year	$ 89,076	$ 86,827	$ 102,043	$ 95,935

(1) For the 2017-18 fiscal year, the College's beginning net position was decreased due to the implementation of GASB Statement No. 75. For the 2017 year, the College of Central Florida Foundation, Inc.'s beginning net position was decreased due to the 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 discretely presented component unit by source that were used to fund operating activities for the respective fiscal years ended:

Operating Revenues
For the Fiscal Years Ended

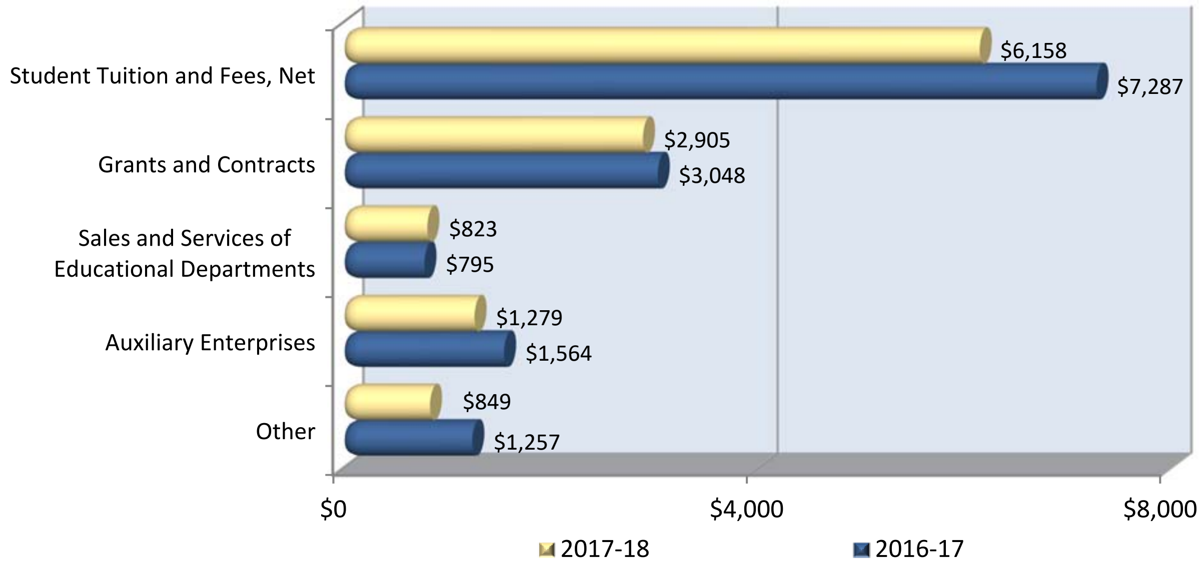
(In Thousands)

	College		Component Unit	
	6-30-18	**6-30-17**	**12-31-17**	**12-31-16**
Student Tuition and Fees, Net	$ 6,158	$ 7,287	$ -	$ -
Grants and Contracts	2,905	3,048	-	3,590
Sales and Services of Educational Departments	823	795	-	-
Auxiliary Enterprises	1,279	1,564	-	-
Other	849	1,257	13,084	1,721
Total Operating Revenues	$ 12,014	$ 13,951	$ 13,084	$ 5,311

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

Operating Revenues: College

(In Thousands)



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 discretely presented component unit for the respective fiscal years:

Operating Expenses
For the Fiscal Years Ended

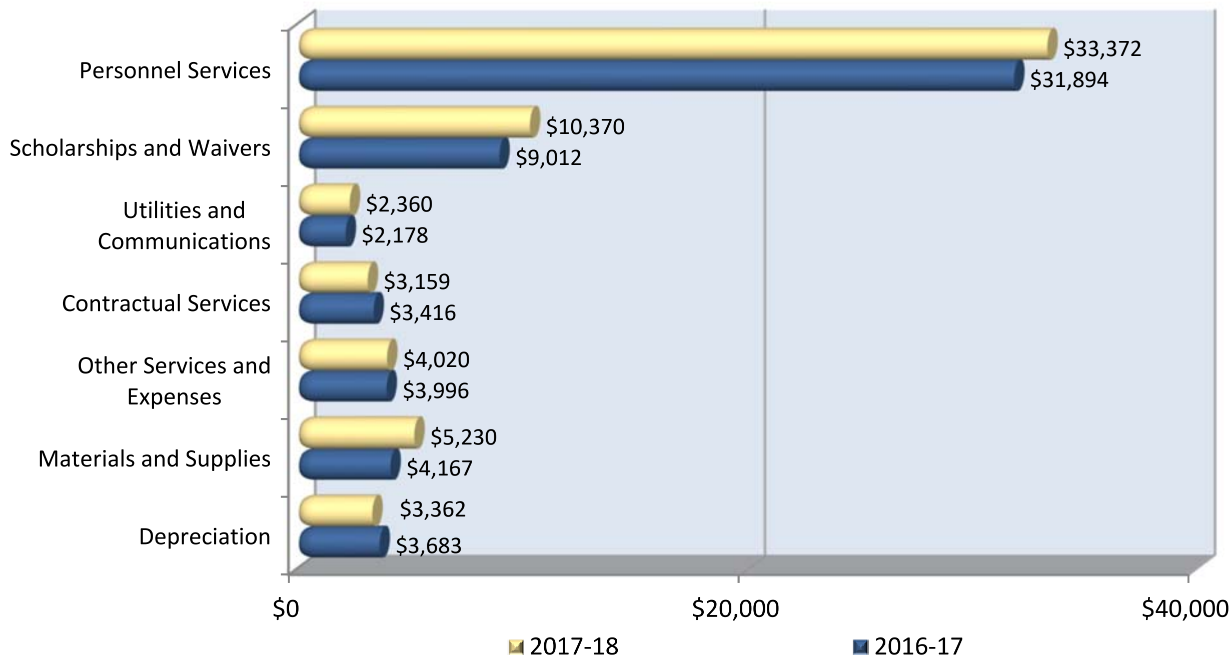
(In Thousands)

	College		Component Unit	
	6-30-18	**6-30-17**	**12-31-17**	**12-31-16**
Personnel Services	$ 33,372	$ 31,894	$ -	$ -
Scholarships and Waivers	10,370	9,012	968	992
Utilities and Communications	2,360	2,178	-	-
Contractual Services	3,159	3,416	-	574
Other Services and Expenses	4,020	3,996	5,474	2,468
Materials and Supplies	5,230	4,167	204	196
Depreciation	3,362	3,683	225	148
Total Operating Expenses	$ 61,873	$ 58,346	$ 6,871	$ 4,378

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

Operating Expenses: College

(In Thousands)



College operating expense changes were the result of an increase of $1.5 million in personnel services and $1.1 million increase in materials and supplies. The College also had an increase in scholarship and waivers of $1.4 million when compared to the 2016-17 fiscal year.

Nonoperating Revenues and Expenses

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

Nonoperating Revenues (Expenses): College
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
State Noncapital Appropriations	$ 21,633	$ 22,773
Federal and State Student Financial Aid	17,560	15,034
Gifts and Grants	1,954	1,703
Investment Income, Net	282	253
Other Nonoperating Revenues	34	7
Interest on Capital Asset-Related Debt	(1)	(6)
Net Nonoperating Revenues	$ 41,462	$ 39,764

The College's net nonoperating revenues and expenses increased by $1.7 million when compared to the 2016-17 fiscal year due mainly to an increase in Federal and State Student Financial Aid (e.g., Pell grants).

Other Revenues

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

Other Revenues: College
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
State Capital Appropriations	$ 4,053	$ 8,480
Capital Grants, Contracts, Gifts, and Fees	4,947	3,728
Other Revenues	1,837	531
Total	$ 10,837	$ 12,739

Changes in other revenues were the result of State capital appropriations decreasing $4.4 million, or 52.2 percent, along with an increase of $1.2 million in capital grants, contracts, gifts, and fees, along with a $1.3 million increase in Other Revenue. Part of the capital grants, contracts, gifts, and fees increase was due to the receipt of the $2.9 million non-cash donation of the Vintage Farm. The $1.3 million other revenues increase is attributed to an endowment from the Foundation for the Appleton Museum.

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: College
For the Fiscal Years

(In Thousands)

	2017-18	**2016-17**
Cash Provided (Used) by:		
Operating Activities	$ (44,491)	$ (40,641)
Noncapital Financing Activities	42,962	40,061
Capital and Related Financing Activities	(2,231)	1,840
Investing Activities	273	241
Net Increase (Decrease) in Cash and Cash Equivalents	(3,487)	1,501
Cash and Cash Equivalents, Beginning of Year	18,708	17,207
Cash and Cash Equivalents, End of Year	$ 15,221	$ 18,708

Major sources of funds came from net student tuition and fees ($5.8 million), grants and contracts ($5 million), State noncapital appropriations ($21.6 million), Federal and State student financial aid ($17.6 million), and State capital appropriations ($1.1 million). Major uses of funds were for payments to suppliers ($13.6 million), payments to employees and for employee benefits ($32.1 million), payments for scholarships ($10.4 million), and purchases of capital assets ($5.3 million).

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

- The College's cash outflow operating activities increased by $3.8 million primarily due to a $2.4 million increase in payments to suppliers and a $1.4 million decrease in tuition and fees.
- The College's cash outflow from noncapital financing activities increased by $2.9 million due to a $1.1 million decrease in State noncapital appropriations and a $2.5 million increase in Federal and State Student Financial Aid combined with $1.8 million in private gifts and grants for endowment purposes.
- The College's cash outflow from capital and related financing activities decreased by $4.1 million due to a decrease of $8.9 million in State capital appropriations, a $1.7 million decrease in capital grants and contracts, while the College had a $6.2 million decrease in the purchases of capital assets.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the College had $156.9 million in capital assets, less accumulated depreciation of $69.2 million, for net capital assets of $87.7 million. Depreciation charges for the current fiscal year totaled $3.4 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30: College

(In Thousands)

	2018	2017
Land	$ 15,804	$ 14,254
Construction in Progress	-	14,994
Buildings	64,151	49,025
Other Structures and Improvements	6,829	3,544
Furniture, Machinery, and Equipment	925	1,001
Assets Under Capital Lease	-	781
Capital Assets, Net	$ 87,709	$ 83,599

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2018-19 fiscal year. The Board of Trustees approved a budget with no increase in tuition and fee rates for the 2018-19 fiscal year.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, financial statements and notes thereto, or requests for additional financial information should be addressed to Francis J. Mazur, III, MS-CIS, CPA, Vice President of Administration and Finance, College of Central Florida, 3001 SW College Road, Ocala, Florida 34474.

COLLEGE OF CENTRAL FLORIDA
A Component Unit of the State of Florida
Statement of Net Position
June 30, 2018

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 8,943,524	$ 4,199,098
Restricted Cash and Cash Equivalents	1,995,708	-
Restricted Investments	155,516	-
Accounts Receivable	1,335,310	-
Due from Other Governmental Agencies	3,563,759	3,400
Due from Component Unit	141,866	-
Inventories	37,178	-
Prepaid Expenses	540,388	62,056
Other Assets	20,385	-
Total Current Assets	16,733,634	4,264,554
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	4,282,272	886,513
Investments	-	1,409,616
Restricted Investments	-	14,490
Endowed Investments	600,000	73,979,951
Due from Component Unit	680,343	-
Depreciable Capital Assets, Net	71,905,611	4,665,814
Nondepreciable Capital Assets	15,803,849	19,365,075
Other Assets	-	317,939
Total Noncurrent Assets	93,272,075	100,639,398
TOTAL ASSETS	110,005,709	104,903,952
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	28,320	-
Pensions	9,375,328	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,403,648	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	702,843	124,546
Accrued Interest Payable	-	3,526
Salary and Payroll Taxes Payable	1,348,037	-
Due to Other Governmental Agencies	364,292	-
Due to College	-	289,119
Unearned Revenue	187,544	39,600
Deposits Held for Others	241,952	57,670
Long-Term Liabilities - Current Portion:		
Bonds Payable	-	154,998
Loan Payable to College	-	100,000
Compensated Absences Payable	281,383	-
Other Postemployment Benefits Payable	28,320	-
Net Pension Liability	183,756	-
Other Long-Term Liabilities	-	16,421
Total Current Liabilities	3,338,127	785,880

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

June 30, 2018

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	820,002
Loan Payable to College	-	680,343
Compensated Absences Payable	3,108,777	-
Other Postemployment Benefits Payable	681,954	-
Net Pension Liability	20,705,327	-
Other Long-Term Liabilities	-	111,208
Total Noncurrent Liabilities	24,496,058	1,611,553
TOTAL LIABILITIES	27,834,185	2,397,433
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	15,950	-
Pensions	2,482,990	-
Irrevocable Split-Interest Agreements	-	462,992
TOTAL DEFERRED INFLOWS OF RESOURCES	2,498,940	462,992
NET POSITION		
Net Investment in Capital Assets	87,709,460	23,055,889
Restricted:		
Nonexpendable:		
Endowment	600,000	62,317,684
Expendable:		
Endowment	155,516	2,073,544
Grants and Loans	718,305	-
Scholarships	102,766	-
Capital Projects	7,642,042	-
Unrestricted	(7,851,857)	14,596,410
TOTAL NET POSITION	$ 89,076,232	$ 102,043,527

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

THIS PAGE INTENTIONALLY LEFT BLANK

COLLEGE OF CENTRAL FLORIDA
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2018

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $9,052,965	$ 6,157,578	$ -
Federal Grants and Contracts	2,621,481	-
State and Local Grants and Contracts	121,313	-
Nongovernmental Grants and Contracts	162,261	-
Sales and Services of Educational Departments	823,126	-
Auxiliary Enterprises	1,279,217	-
Other Operating Revenues	849,092	13,084,106
Total Operating Revenues	12,014,068	13,084,106
EXPENSES		
Operating Expenses:		
Personnel Services	33,371,917	-
Scholarships and Waivers	10,369,959	968,165
Utilities and Communications	2,360,258	-
Contractual Services	3,158,577	-
Other Services and Expenses	4,019,847	5,473,182
Materials and Supplies	5,230,273	203,891
Depreciation	3,362,645	225,318
Total Operating Expenses	61,873,476	6,870,556
Operating Income (Loss)	(49,859,408)	6,213,550
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	21,633,477	-
Federal and State Student Financial Aid	17,559,758	-
Gifts and Grants	1,953,679	-
Investment Income	282,074	-
Other Nonoperating Revenues	22,552	-
Gain on Disposal of Capital Assets	10,739	-
Interest on Capital Asset-Related Debt	(86)	(77,554)
Net Nonoperating Revenues (Expenses)	41,462,193	(77,554)
Income (Loss) Before Other Revenues	(8,397,215)	6,135,996
State Capital Appropriations	4,053,055	-
Capital Grants, Contracts, Gifts, and Fees	4,946,843	-
Additions to Endowments	1,837,440	407,392
Total Other Revenues	10,837,338	407,392
Increase in Net Position	2,440,123	6,543,388
Net Position, Beginning of Year	86,827,400	95,935,107
Adjustment to Beginning Net Position	(191,291)	(434,968)
Net Position, Beginning of Year, as Restated	86,636,109	95,500,139
Net Position, End of Year	$ 89,076,232	$ 102,043,527

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

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

For the Fiscal Year Ended June 30, 2018

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 5,834,246
Grants and Contracts	5,039,614
Payments to Suppliers	(13,561,987)
Payments for Utilities and Communications	(2,360,258)
Payments to Employees	(25,775,042)
Payments for Employee Benefits	(6,278,095)
Payments for Scholarships	(10,397,209)
Auxiliary Enterprises	1,274,485
Sales and Services of Educational Departments	823,126
Other Receipts	910,130
Net Cash Used by Operating Activities	(44,490,990)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	21,633,477
Federal and State Student Financial Aid	17,556,360
Federal Direct Loan Program Receipts	12,125,077
Federal Direct Loan Program Disbursements	(12,125,077)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	1,953,679
Other Nonoperating Receipts	1,818,866
Net Cash Provided by Noncapital Financing Activities	42,962,382
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,144,389
Capital Grants and Gifts	1,996,843
Proceeds from Sale of Capital Assets	22,552
Purchases of Capital Assets	(5,289,040)
Principal Paid on Capital Debt and Leases	(105,296)
Interest Paid on Capital Debt and Leases	(86)
Net Cash Used by Capital and Related Financing Activities	(2,230,638)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments	(12,802)
Investment Income	285,790
Net Cash Provided by Investing Activities	272,988
Net Decrease in Cash and Cash Equivalents	(3,486,258)
Cash and Cash Equivalents, Beginning of Year	18,707,762
Cash and Cash Equivalents, End of Year	$ 15,221,504

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

For the Fiscal Year Ended June 30, 2018

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (49,859,408)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,362,645
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(411,649)
Due from Other Governmental Agencies	138,086
Due from Component Unit	2,079,750
Due to Other Governmental Agencies	58,789
Inventories	3,388
Prepaid Expenses	(102,275)
Accounts Payable	(1,052,891)
Salaries and Payroll Taxes Payable	79,482
Unearned Revenue	(32,346)
Deposits Held for Others	1,361
Compensated Absences Payable	20,156
Other Postemployment Benefits Payable	186,192
Net Pension Liability	(40,185)
Deferred Outflows of Resources Related to Other Postemployment Benefits	3,906
Deferred Inflows of Resources Related to Other Postemployment Benefits	15,950
Deferred Outflows of Resources Related to Pensions	(566,724)
Deferred Inflows of Resources Related to Pensions	1,624,783
NET CASH USED BY OPERATING ACTIVITIES	$ (44,490,990)
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITIES	
Gains from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 10,739
Donations of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 2,950,000

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 the College of Central Florida, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of 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 Marion, Citrus, and Levy 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.

Blended Component Unit. Although it is legally separate from the College, The Appleton Cultural Center, Inc. (Center) is included within the College's reporting entity as a blended component unit because management of the College has operational responsibility of the Center. The main purpose of the component unit is to provide financial support to the Appleton Museum, which is a department of the primary government.

The Center was audited by other auditors pursuant to Section 1004.70(6), Florida Statutes, and the audited financial statements are available to the public at the College. The financial data blended within the College's accompanying financial statements was derived from the Center's audited financial statements for the fiscal year ended December 31, 2017. Condensed financial statements for the College's blended component unit are shown in a subsequent note.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the College of Central Florida 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 at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2017.

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

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

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

The College's component units use the economic resources measurement focus and accrual basis of accounting and follow GASB standards of accounting and financial reporting.

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College calculated its scholarship allowances by tracking actual recorded amounts of tuition and fees paid by scholarship revenues in each scholarship account. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee 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 – College. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash invested with the State Treasury Special Purpose Investment Account (SPIA), and the State Board of Administration (SBA), Florida PRIME investment pools. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury SPIA and SBA Florida PRIME investment pools to be cash equivalents.

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

At June 30, 2018, the College reported as cash equivalents at fair value $10,542,696 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 7.). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of A+f by Standard & Poor's, had an effective duration of 3 years and fair value factor of 0.9872 at June 30, 2018. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balance. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2018, the College reported as cash equivalents $967,758 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 30 days as of June 30, 2018. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost.

Section 218.409(8)(a), Florida Statutes, provides that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2018, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Cash and Cash Equivalents – Discretely Presented Component Unit. The amount reported for the Foundation as cash and cash equivalents consists of cash, certificates of deposit, money market accounts, and highly liquid fixed income investments with original maturities of 3 months or less. Cash and cash equivalents that are part of the endowment account are classified as noncurrent assets in the statement of net position as they are not intended to be used for current operating costs.

Cash deposits in excess of Federal Depositors Insurance Corporation (FDIC) limits at individual financial institutions and cash held in money market accounts are uninsured. Management does not consider this risk significant. Certain investments are held in brokerage house investment accounts that are not insured by the FDIC. Cash and cash equivalents, including cash and cash equivalents held in endowment, were held by depositories and the bank balances totaled $5,085,611, of which

$3,921,319 was uninsured at December 31, 2017, and uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Foundation's name.

Capital Assets – College. College capital assets consist of land, construction in progress, buildings, other structures and improvements, furniture, machinery, and equipment, and assets under capital lease. 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 $50,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

Capital Assets – Discretely Presented Component Unit. The Foundation's land, buildings, and equipment are stated at costs except for donated property, which is stated at fair market value of the date of donation, and is net of accumulated depreciation of $3,039,741. The Foundation depreciates buildings and equipment using the straight-line method over estimated lives ranging from 5 years for most equipment and 40 years for buildings.

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

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

2. Reporting Change – College

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

3. Reporting Change – Component Unit

During the fiscal year ended December 31, 2017, the College of Central Florida Foundation, Inc. implemented GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which requires that an entity that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that an entity recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the entity controls the present service capacity of the beneficial interests. This Statement also requires that an entity recognize revenue when the resources become applicable to the reporting period. This Statement was effective for fiscal years beginning after December 15, 2016.

4. Adjustment to Beginning Net Position – College

The beginning net position of the College was decreased by $191,291 due to implementation of GASB Statement No. 75. The College's total OPEB liability reported at June 30, 2017, increased by $223,517 to $524,082 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, and the beginning balance for deferred outflows of resources was restated for subsequent contributions totaling $32,226. Deferred inflows of resources were not restated.

5. Adjustment to Beginning Net Position – Component Unit

The beginning net position of the College of Central Florida Foundation, Inc. was decreased by $434,968, and the Foundation's Deferred Inflows of Resources: Deferred Amounts Related to Irrevocable Split-Interest Agreements reported at December 31, 2016, increased to $434,968 due to implementation of GASB Statement No. 81.

6. 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 recognition of long-term liabilities (i.e., compensated absences payable, OPEB payable, and net pension liabilities) in the current unrestricted funds.

Fund	Net Position
Current Funds - Unrestricted	$ (12,117,869)
Auxiliary Funds	4,266,012
Total	$ (7,851,857)

7. Investments

The Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes.

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

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

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

The Appleton Cultural Center, Inc.

The Center (blended component unit) categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant observable inputs, which is based on matrix pricing model; and Level 3 inputs are significant unobservable inputs and were evaluated using curve-based approach. Investments of the Center totaling $755,516 are carried at fair market value measured with Level 2 inputs and consist of mutual funds invested in United States Government securities. As of December 31, 2017, the mutual fund carried a credit rating of AAA/AA by Standard & Poor's and had a weighted-average life of 5.79 years. A $600,000 nonexpendable principal balance is maintained in the Center's Fine Arts Endowment Program Fund while the remaining $155,516 current portion is classified as restricted.

Discretely Presented Component Unit.

Investments of the Foundation at December 31, 2017, include endowed investments of $73,979,951 in United States Government securities, and corporate debt securities and equities, reported at fair value based on quoted market prices, non-endowed investments of $1,424,106 held for various unrestricted and restricted purposes, reported at fair value.

Endowed investments are managed by bank trust departments and investment brokerage houses. The Foundation has established an investment policy for its endowed investments and has investment managers who are required to oversee the management of the portfolios pursuant to its investment policy. The Foundation has a separate investment policy pertaining to the Appleton Museum Family Endowment and the Edith Marie Appleton Endowment, which are managed and governed by a trust company with oversight by the Appleton family. The following information is presented for the Appleton Museum Family Endowment portfolio, the Edith Marie Appleton Endowment portfolio, and other endowed investments:

Endowment Investment	**Maturity (Years)**	**Credit Rating**	**Fair Value**
Edith Marie Appleton Endowment:			
Govt/Corporate Bonds	7.10	AA	$ 727,604
High Yield Bonds	5.29	Unrated	195,061
Equities	(1)	(1)	3,368,346
Global Real Estate	(1)	(1)	143,615
Commodities	(1)	(1)	254,760
Total Edith Marie Appleton Endowment			4,689,386
Arthur Appleton Endowment:			
Govt/Corporate Bonds	7.10	AA	2,419,006
High Yield Bonds	5.29	Unrated	648,502
Equities	(1)	(1)	11,186,687
Global Real Estate	(1)	(1)	477,587
Commodities	(1)	(1)	847,109
Total Arthur Appleton Endowment			15,578,891
Other Endowed Investments:			
Investment Grade Fixed Income	2.82	AA	7,327,997
Non-Investment Grade Fixed Income	2.35	B	3,018,283
Investment Bonds	4.87	BBB	1,973,606
Equities	(1)	(1)	32,811,139
Balance Funds	(1)	(1)	3,085,911
Hedge Funds	(1)	(1)	5,494,110
Other	(1)	(1)	628
Total Other Endowed Investments			53,711,674
Total Endowment Investments			$ 73,979,951

(1) Disclosure of maturity/duration or credit quality is not required.

Non-endowed investments are invested separately and managed in accordance with the Foundation's Board of Directors approval for non-endowed investments. The following information is presented for the Foundation's non-endowed investments:

Investment	Weighted-Average Maturity or Duration (Years)	Credit Quality Rating	Fair Value
Non-Endowed Investment:			
Investment Grade Fixed Income	2.42	AA	$ 1,158,012
Non-Investment Grade Fixed Income	2.35	B	139,952
Investment Bonds	5.03	BBB	111,651
Equities	(1)	(1)	14,489
Other	(1)	(1)	2
Total Non-Endowed Investments			$ 1,424,106

(1) Disclosure of maturity/duration or credit quality is not required.

The following risks apply to the Foundation's investments:

Interest Rate Risk: Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The weighted-average-maturity method is used to determine the interest rate risk for the Arthur Appleton Endowment and the Edith Marie Appleton Endowment, and the duration method is used for the other endowed investments.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit for debt securities are show in the above schedule. Investment ratings are from Moody's Investors Services, Inc., Standard & Poor's, and Fitch. SEI Investments Management Corporation manages the other endowed investments and seeks "real return" for the portfolio. Fixed income securities managed by SEI Investments Management Corporation may invest in debt securities of any credit quality and with a broad range of maturities.

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

- Arthur Appleton Endowment and Edith Marie Appleton Endowment – All investments are held in a counterparty account for the Northern Trust Company, a trust department, as custodian for the above referenced client account.
- Other Endowed Investments – All investments are managed by SEI Investment Management Corporation and are held in counterparty accounts as custodian for the Foundation.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. Disclosure of any issuer of investments that in the aggregate is 5 percent or more of the portfolio is required to be disclosed as a concentration of credit risk. As of December 31, 2017, there were no concentrations of credit risk.

Foreign Currency Risk: Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment. The Foundation investment risk exposure is as follows:

- Arthur Appleton Endowment and Edith Marie Appleton Endowment – Both portfolios include exposure to international equity securities. Fluctuating exchange rates will have an impact on the performance of those investments. No investments are completed with the sole intent to profit from changes in foreign currency exchange rates.

- Other Endowment Investments – The investment managed by SEI Investments Management Corporation are not exposed to this type of risk.

8. Accounts Receivable

Accounts receivable represent amounts for accrued interest, student fee deferments, and accounts receivable – other.

9. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of $3.4 million of Public Education Capital Outlay allocations due from the State for construction of College facilities and $83,486 due from Federal government for reimbursement of grant expenditures.

10. Due From Component Unit

The College's financial statements are reported for the fiscal year ended June 30, 2018, and the financial statements of the Foundation (discretely presented component unit) are reported for the fiscal year ended December 31, 2017. Accordingly, on the statement of net position, the amount (current) due from component unit of $141,866 reported by the College does not agree with the amount of loan payable to the College of $100,000 reported by the Foundation. However, on the statement of net position, the amount (noncurrent) due from component unit reported by the College pursuant to a limited pledge agreement, as explained in Note 13., agrees with the amount (noncurrent) loan payable to the College reported by the Foundation of $680,343. This is because any advances to the Foundation were completed before December 31, 2017.

11. Capital Assets

Capital assets activity of the College 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	$ 14,254,357	$ 1,549,492	$ -	$ 15,803,849
Construction in Progress	14,994,145	-	14,994,145	-
Total Nondepreciable Capital Assets	$ 29,248,502	$ 1,549,492	$ 14,994,145	$ 15,803,849
Depreciable Capital Assets:				
Buildings	$ 97,118,206	$ 17,540,855	$ 189,037	$ 114,470,024
Other Structures and Improvements	13,526,375	5,532,538	-	19,058,913
Furniture, Machinery, and Equipment	7,580,499	448,416	414,458	7,614,457
Assets Under Capital Lease	2,604,386	-	2,604,386	-
Total Depreciable Capital Assets	120,829,466	23,521,809	3,207,881	141,143,394
Less, Accumulated Depreciation:				
Buildings	48,093,046	2,414,907	189,037	50,318,916
Other Structures and Improvements	9,982,851	2,246,103	-	12,228,954
Furniture, Machinery, and Equipment	6,579,667	524,704	414,458	6,689,913
Assets Under Capital Lease	1,823,069	-	1,823,069	-
Total Accumulated Depreciation	66,478,633	5,185,714	2,426,564	69,237,783
Total Depreciable Capital Assets, Net	$ 54,350,833	$ 18,336,095	$ 781,317	$ 71,905,611

Capital assets activity of the Foundation (discretely presented component unit) for the fiscal year ended December 31, 2017, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 2,153,491	$ 202,019	$ -	$ 2,355,510
Works of Art and Historical Treasures	17,009,565	-	-	17,009,565
Total Nondepreciable Capital Assets	$ 19,163,056	$ 202,019	$ -	$ 19,365,075
Depreciable Capital Assets:				
Buildings	$ 7,665,065	$ -	$ -	$ 7,665,065
Furniture, Machinery, and Equipment	40,490	-	-	40,490
Total Depreciable Capital Assets	7,705,555	-	-	7,705,555
Less, Accumulated Depreciation:				
Buildings	2,774,634	225,318	-	2,999,952
Furniture, Machinery, and Equipment	39,789	-	-	39,789
Total Accumulated Depreciation	2,814,423	225,318	-	3,039,741
Total Depreciable Capital Assets, Net	$ 4,891,132	$ (225,318)	$ -	$ 4,665,814

12. Unearned Revenue

Unearned revenue at June 30, 2018, in the amount of $187,544 consists of student tuition and fees along with Federal and State grant funds received prior to fiscal year end related to subsequent accounting periods.

13. Long-Term Liabilities

Long-term liabilities activity of the College for the fiscal year ended June 30, 2018, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Lease Payable	$ 105,296	$ -	$ 105,296	$ -	$ -
Compensated Absences Payable	3,370,004	361,917	341,761	3,390,160	281,383
Other Postemployment Benefits Payable (1)	524,082	236,377	50,185	710,274	28,320
Net Pension Liability	20,929,268	10,400,918	10,441,103	20,889,083	183,756
Total Long-Term Liabilities	$ 24,928,650	$ 10,999,212	$ 10,938,345	$ 24,989,517	$ 493,459

(1) OPEB Payable beginning balance was adjusted for adoption of GASB Statement No. 75, as described in Notes 2. and 4.

Long-term liabilities activity for the Foundation (discretely presented component unit) for the fiscal year ended December 31, 2017, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Enterprise Center Revenue Bonds	$ 1,120,000	$ -	$ 145,000	$ 975,000	$ 154,998
Loan Payable to College	880,343	-	100,000	780,343	100,000
Other Long-Term Liabilities	133,022	-	5,393	127,629	16,421
Total Long-Term Liabilities	$ 2,133,365	$ -	$ 250,393	$ 1,882,972	$ 271,419

Bonds Payable – Foundation. In May 2003, the Foundation issued $2 million tax-exempt Industrial Development Revenue Bonds, Series 2003A1, through the Florida Development Finance Corporation to construct a 25,400-square foot office building known as the Enterprise Center, for lease on the Ocala Campus of the College. The bonds were refinanced in 2010 for $1.8 million. The bonds are secured by a first mortgage on real property, first lien on personal property, and assignment of rents, contracts, and leases. The interest rate was fixed at 4.125 percent annually through 2015. The rate was adjusted to 4.2 percent annually in June 2015 and may be adjusted for each subsequent 5-year period through June 2, 2023, to reflect current market interest rates. Annual requirements, based on the rate in effect for the fiscal year ended December 31, 2017, to amortize the Enterprise Center Revenue Bonds are as follows:

Fiscal Year Ending December 31	Enterprise Center Revenue Bonds Principal	Interest	Total
2018	$ 154,998	$ 38,543	$ 193,541
2019	165,000	31,747	196,747
2020	175,002	24,526	199,528
2021	184,998	16,878	201,876
2022	195,000	8,805	203,805
2023-2024	100,002	1,239	101,241
Total	$ 975,000	$ 121,738	$ 1,096,738

Loans Payable to College – Foundation. On January 1, 1994, the College entered into a limited pledge agreement with the Foundation (discretely presented component unit) to assist the Foundation with unfunded debt service payments associated with the Foundation's financing of a student housing facility. In December 2003, the Foundation legally obligated itself to the College in the form of an uncollateralized, noninterest bearing advance for amounts provided by the College. During the Foundation's fiscal year ended December 31, 2017, the payable to the College was decreased $100,000 for the payment made to the College from the Foundation for the repayment of the Loan.

Annual requirements to amortize the outstanding loan as of December 31, 2017, are as follows:

Fiscal Year Ending December 31	Amount
2018	$ 100,000
2019	100,000
2020	100,000
2021	100,000
2022	100,000
2023-2024	280,343
Total	$ 780,343

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 $3,390,160. The current portion of the compensated absences liability, $281,383, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 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 and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. The OPEB Plan contribution requirements and benefit terms of the College and the OPEB Plan members are established and may be amended by action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	42
Inactive Employees Entitled to But Not Yet Receiving Benefits	16
Active Employees	384
Total	442

Total OPEB Liability

The College's total OPEB liability of $710,274 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
Salary increase:	
Regular Employees	4.00 percent – 7.80 percent
Senior Management	4.70 percent – 7.10 percent
Discount Rate:	3.56 percent
Healthcare cost trend rates:	
Pre-Medicare	7.50 percent for 2017, decreasing to an ultimate rate of 5.00 percent for 2023 and later years
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 RP-2014 mortality tables, with adjustments for FRS experience and generational mortality improvements using Scale MP-2014.

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

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

Changes in the Total OPEB Liability

	Amount
Balance at 6/30/17, as Restated	$ 524,082
Changes for the year:	
Service Cost	221,084
Interest	15,293
Changes in Assumptions or Other Inputs	(17,959)
Benefit Payments	(32,226)
Net Changes	186,192
Balance at 6/30/18	$ 710,274

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

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

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	$755,811	$710,274	$668,296

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	$637,824	$710,274	$796,258

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 $234,368. At June 30, 2018, the College reported 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	$ -	$ 15,950
Contributions subsequent to the measurement date	28,320	-
Total	$ 28,320	$ 15,950

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ (2,009)
2020	(2,009)
2021	(2,009)
2022	(2,009)
2023	(2,009)
Thereafter	(5,905)
Total	$ (15,950)

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the College recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2018, the College's proportionate share of the net pension liabilities totaled $20,889,083. Note 14. includes a complete discussion of defined benefit pension plans.

14. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

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

The College's FRS and HIS pension expense totaled $2,771,397 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* (SMSC) – Members in senior management level positions.

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

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

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

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

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

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

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

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

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

The College's contributions to the Plan totaled $1,399,082 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 $14,058,982 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

0.047529748 percent, which was a decrease of 0.003775891 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $2,329,650. 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	$ 1,290,276	$ 77,880
Change of assumptions	4,724,810	-
Net difference between projected and actual earnings on FRS Plan investments	-	345,392
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	446,950	853,087
College FRS contributions subsequent to the measurement date	1,399,082	-
Total	$ 7,861,118	$ 1,276,359

The deferred outflows of resources totaling $1,399,082, 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	$ 717,519
2020	1,926,945
2021	1,284,352
2022	126,793
2023	812,767
Thereafter	317,301
Total	$ 5,185,677

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	$25,445,906	$14,058,982	$4,605,224

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

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the

Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

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

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

The College's contributions to the HIS Plan totaled $355,034 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 $6,830,101 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 June 30, 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 0.063877649 percent, which was a decrease of 0.004546529 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $441,747. 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	$ -	$ 14,221
Change of assumptions	960,076	590,605
Net difference between projected and actual earnings on HIS Plan investments	3,788	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	195,312	601,805
College HIS contributions subsequent to the measurement date	355,034	-
Total	$ 1,514,210	$ 1,206,631

The deferred outflows of resources totaling $355,034, 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	$ 34,168
2020	33,451
2021	33,107
2022	47,971
2023	(28,917)
Thereafter	(167,235)
Total	$ (47,455)

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	$7,794,041	$6,830,101	$6,027,178

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.

15. 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 $473,675 for the fiscal year ended June 30, 2018.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes 5.15 percent of the participant's salary to the participant's account, 3.3 percent to cover the unfunded actuarial liability of the FRS pension plan for a total of 8.45 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The College's contributions to the Program totaled $60,259 and employee contributions totaled $21,614 for the 2017-18 fiscal year.

16. Risk Management Programs

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

17. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 19,342,657
Academic Support	5,766,675
Student Services	6,239,958
Institutional Support	11,652,293
Operation and Maintenance of Plant	4,425,746
Scholarships and Waivers	10,424,250
Depreciation	3,362,645
Auxiliary Enterprises	659,252
Total Operating Expenses	$ 61,873,476

18. Blended Component Unit

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

Condensed Statement of Net Position

	Blended Component Unit The Appleton Cultural Center, Inc. 12/31/2017	College 6/30/2018	Total Primary Government
Assets:			
Other Current Assets	$ 155,516	$ 16,578,118	$ 16,733,634
Other Noncurrent Assets	600,000	92,672,075	93,272,075
Total Assets	755,516	109,250,193	110,005,709
Deferred Outflows of Resources	-	9,403,648	9,403,648
Liabilities:			
Other Current Liabilities	-	3,338,127	3,338,127
Noncurrent Liabilities	-	24,496,058	24,496,058
Total Liabilities	-	27,834,185	27,834,185
Deferred Inflows of Resources	-	2,498,940	2,498,940
Net Position:			
Net Investment in Capital Assets	-	87,709,460	87,709,460
Restricted - Nonexpendable	600,000	-	600,000
Restricted - Expendable	155,516	8,463,113	8,618,629
Unrestricted	-	(7,851,857)	(7,851,857)
Total Net Position	$ 755,516	$ 88,320,716	$ 89,076,232

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

	Blended Component Unit The Appleton Cultural Center, Inc. 12/31/2017	College 6/30/2018	Total Primary Government
Operating Revenues	$ 16,591	$ 11,997,477	$ 12,014,068
Depreciation Expense	-	(3,362,645)	(3,362,645)
Other Operating Expenses	(3,750)	(58,507,081)	(58,510,831)
Operating Income (Loss)	12,841	(49,872,249)	(49,859,408)
Nonoperating Revenues (Expenses):			
Nonoperating Revenue		41,462,279	41,462,279
Interest Expense	-	(86)	(86)
Net Nonoperating Revenues (Expenses)	-	41,462,193	41,462,193
Other Revenues, Expenses, Gains, and Losses	-	10,837,338	10,837,338
Increase (Decrease) in Net Position	12,841	2,427,282	2,440,123
Net Position, Beginning of Year	742,675	86,084,725	86,827,400
Adjustment to Beginning Net Position (1)	-	(191,291)	(191,291)
Net Position, Beginning of Year, as Restated	742,675	85,893,434	86,636,109
Net Position, End of Year	$ 755,516	$ 88,320,716	$ 89,076,232

(1) For the 2017-18 fiscal year, the College's beginning net position was decreased due to the implementation of GASB Statement No. 75.

Condensed Statement of Cash Flows

	Blended Component Unit The Appleton Cultural Center, Inc. 12/31/2017	College 6/30/2018	Total Primary Government
Net Cash Provided (Used) by:			
Operating Activities	$ 12,245	$ (44,503,235)	$ (44,490,990)
Noncapital Financing Activities	-	42,962,382	42,962,382
Capital and Related Financing Activities	-	(2,230,638)	(2,230,638)
Investing Activities	(12,245)	285,233	272,988
Net Increase (Decrease) in Cash and Cash Equivalents	-	(3,486,258)	(3,486,258)
Cash and Cash Equivalents, Beginning of Year	100	18,707,662	18,707,762
Cash and Cash Equivalents, End of Year	$ 100	$ 15,221,404	$ 15,221,504

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

	2017
Total OPEB Liability	
Service cost	$ 221,084
Interest	15,293
Changes of assumptions or other inputs	(17,959)
Benefit Payments	(32,226)
Net change in total OPEB liability	186,192
Total OPEB Liability - beginning, as Restated	524,082
Total OPEB Liability - ending	$ 710,274
Covered-Employee Payroll	$ 17,918,365
Total OPEB Liability as a percentage of covered-employee payroll	**3.96%**

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	0.047529748%	0.051305639%	0.055016381%	0.051934163%	0.048830117%
College's proportionate share of the FRS net pension liability	$ 14,058,982	$ 12,954,714	$ 7,106,103	$ 3,168,748	$ 8,405,836
College's covered payroll (2)	$ 21,851,774	$ 22,807,049	$ 23,014,311	$ 21,522,050	$ 22,593,907
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	64.34%	56.80%	30.88%	14.72%	37.20%
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, State college system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of College Contributions – Florida Retirement System Pension Plan

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	$ 1,399,082	$ 1,240,947	$ 1,398,855	$ 1,341,346	$ 1,134,579
FRS contributions in relation to the contractually required contribution	(1,399,082)	(1,240,947)	(1,398,855)	(1,341,346)	(1,134,579)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 22,149,225	$ 21,851,774	$ 22,807,049	$ 23,014,311	$ 21,522,050
FRS contributions as a percentage of covered payroll	6.32%	5.68%	6.13%	5.83%	5.27%

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

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

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

	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
College's proportion of the HIS net pension liability	0.063877649%	0.068424178%	0.069100414%	0.065385575%	0.069790609%
College's proportionate share of the HIS net pension liability	$ 6,830,101	$ 7,974,554	$ 7,047,155	$ 6,113,711	$ 6,076,190
College's covered payroll (2)	$ 21,111,407	$ 21,965,149	$ 21,971,078	$ 20,483,450	$ 21,448,007
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	32.35%	36.31%	32.07%	29.85%	28.33%
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	$ 355,034	$ 338,039	$ 350,646	$ 264,145	$ 223,989
HIS contributions in relation to the contractually required HIS contribution	(355,034)	(338,039)	(350,646)	(264,145)	(223,989)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 21,387,590	$ 21,111,407	$ 21,965,149	$ 21,971,078	$ 20,483,450
HIS contributions as a percentage of covered payroll	1.66%	1.60%	1.60%	1.20%	1.09%

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

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

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

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

Changes of Assumptions. The municipal rate used to determine total OPEB liability increased from 3.01 percent to 3.56 percent.

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.

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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

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

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

INDEPENDENT AUDITOR'S REPORT 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 College of Central Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 26, 2019, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and discretely presented component units, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 26, 2019