STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2020-109
February 2020

SEMINOLE STATE COLLEGE OF FLORIDA

For the Fiscal Year Ended
June 30, 2019

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2018-19 fiscal year, Dr. Georgia Lorenz served as President of Seminole State College of Florida and the following individuals served as Members of the Board of Trustees:

[a] Chair position vacant 7-12-18, through 8-12-18.
[b] Trustee resigned 7-11-18.
[c] Trustee resigned 7-24-18, and position vacant through 9-5-18.

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 Keith O. Auyang, CPA, and the audit was supervised by Keith A. Wolfe, CPA.

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

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SEMINOLE STATE COLLEGE OF FLORIDA

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

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

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2019. 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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Seminole State College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Seminole State College of Florida and of its discretely presented component unit as of June 30, 2019, 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.

Other Matter

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2020, on our consideration of the Seminole State College of Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Seminole State College of Florida's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
January 31, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

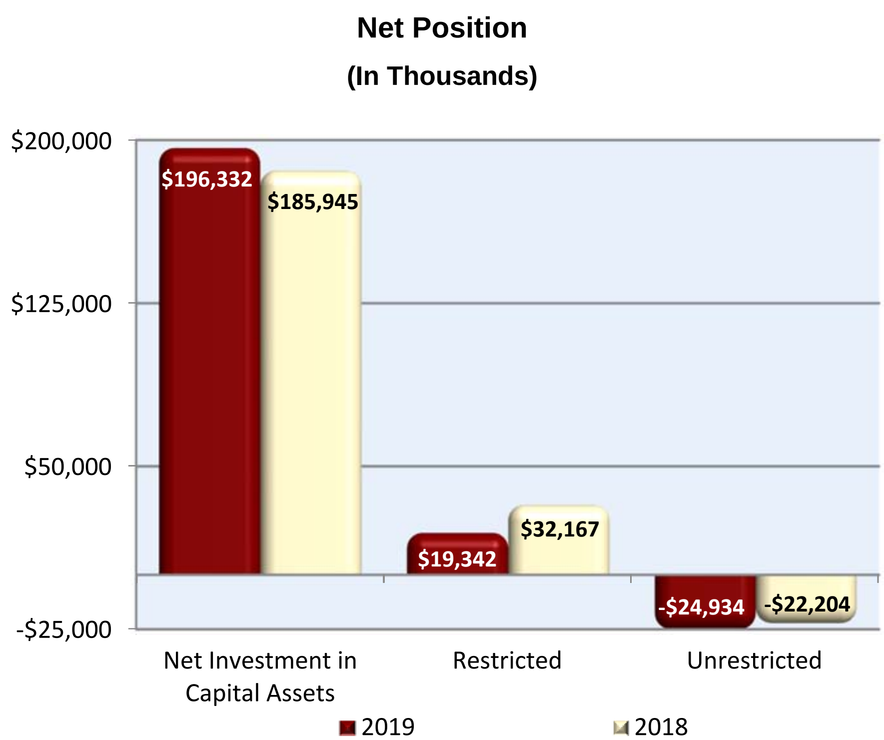
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2019, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2019, and June 30, 2018.

FINANCIAL HIGHLIGHTS

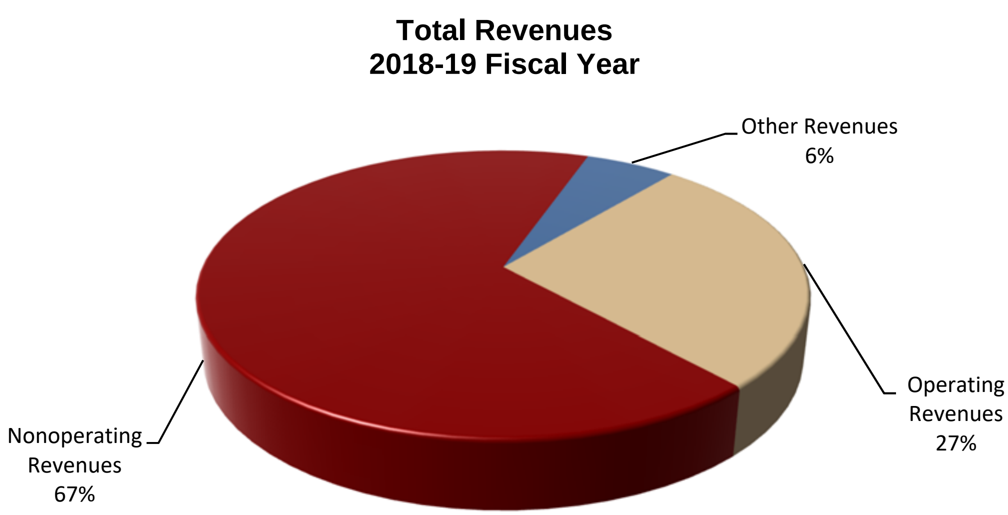
The College's assets and deferred outflows of resources totaled $257.3 million at June 30, 2019. This balance reflects a $5.9 million, or 2.2 percent, decrease as compared to the 2017-18 fiscal year, resulting primarily from decreases in amounts due from other governmental agencies of $8.8 million and restricted cash and cash equivalents of $5.7 million, due to less State funding received in support of current and future construction projects. Liabilities and deferred inflows of resources also decreased $0.7 million, or 1 percent, totaling $66.6 million at June 30, 2019, as compared to $67.3 million at June 30, 2018. This change is the result of decreases in accounts payable of $1.5 million and salary and payroll taxes payable of $0.7 million, partially offset by an increase in net pension liability of $1.7 million. As a result, the College's net position decreased by $5.2 million, resulting in a year-end balance of $190.7 million.

The College's operating revenues totaled $31 million for the 2018-19 fiscal year, representing a 2 percent decrease compared to the 2017-18 fiscal year due to decreases in student tuition and fees, net, and grants and contracts. Operating expenses totaled $119.6 million for the 2018-19 fiscal year, representing a decrease of 5.4 percent as compared to the 2017-18 fiscal year, due mainly to a decrease in materials and supplies expense.

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, 2019, and June 30, 2018, is shown in the following graph:



The following chart provides a graphical presentation of College revenues by category for the 2018-19 fiscal year:



OVERVIEW OF FINANCIAL STATEMENTS

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

In February 2019, articles of incorporation were filed to establish a tax exempt 501(c)(3) corporation to be organized and operated as a direct-support organization named the Seminole State College of Florida Housing Corporation. The corporation shall provide residential housing services and other services ancillary to residential housing to students of Seminole State College of Florida. As of June 30, 2019, no financial transactions have been conducted by this entity.

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

The Statement of Net Position

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

The following summarizes the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30:

Condensed Statement of Net Position at June 30

(In Thousands)

	2019	2018
Assets		
Current Assets	$ 26,230	$ 39,310
Capital Assets, Net	199,200	189,092
Other Noncurrent Assets	12,994	16,598
Total Assets	238,424	245,000
Deferred Outflows of Resources	18,924	18,215
Liabilities		
Current Liabilities	8,504	11,655
Noncurrent Liabilities	53,168	52,200
Total Liabilities	61,672	63,855
Deferred Inflows of Resources	4,936	3,452
Net Position		
Net Investment in Capital Assets	196,332	185,945
Restricted	19,342	32,167
Unrestricted	(24,934)	(22,204)
Total Net Position	$ 190,740	$ 195,908

Total assets decreased by $6.6 million from the prior fiscal year primarily due to decreases in current assets of $13.1 million and other noncurrent assets of $3.6 million. More specifically, amounts due from other governmental agencies decreased by $8.8 million and restricted cash and cash equivalents decreased by $5.7 million as funds were used in completion of construction projects. The decreases in current and other noncurrent assets were partially offset by a $10.1 million increase in capital assets, net, primarily related to construction in progress for the renovation of two buildings (Lower L and F) on the Sanford/Lake Mary Campus.

Total liabilities decreased $2.2 million from the prior fiscal year primarily due to a decrease in current liabilities of $3.2 million resulting from decreases in accounts payable and salary and payroll taxes payable. The decrease in current liabilities was partially offset by an increase in noncurrent liabilities of $1 million as a result of an increase in the net pension liability of $1.7 million and partially offset by decreases in bonds payable and compensated absences.

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

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

The following summarizes the College's activity for the 2018-19 and 2017-18 fiscal years:

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

(In Thousands)

	2018-19	2017-18
Operating Revenues	$ 31,045	$ 31,675
Less, Operating Expenses	119,594	126,422
Operating Loss	(88,549)	(94,747)
Net Nonoperating Revenues	76,847	75,913
Loss Before Other Revenues	(11,702)	(18,834)
Other Revenues	6,534	12,655
Net Decrease In Net Position	(5,168)	(6,179)
Net Position, Beginning of Year	195,908	203,259
Adjustment to Beginning Net Position (1)	-	(1,172)
Net Position, Beginning of Year, as Restated	195,908	202,087
Net Position, End of Year	$ 190,740	$ 195,908

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

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities for the 2018-19 and 2017-18 fiscal years:

Operating Revenues
For the Fiscal Years

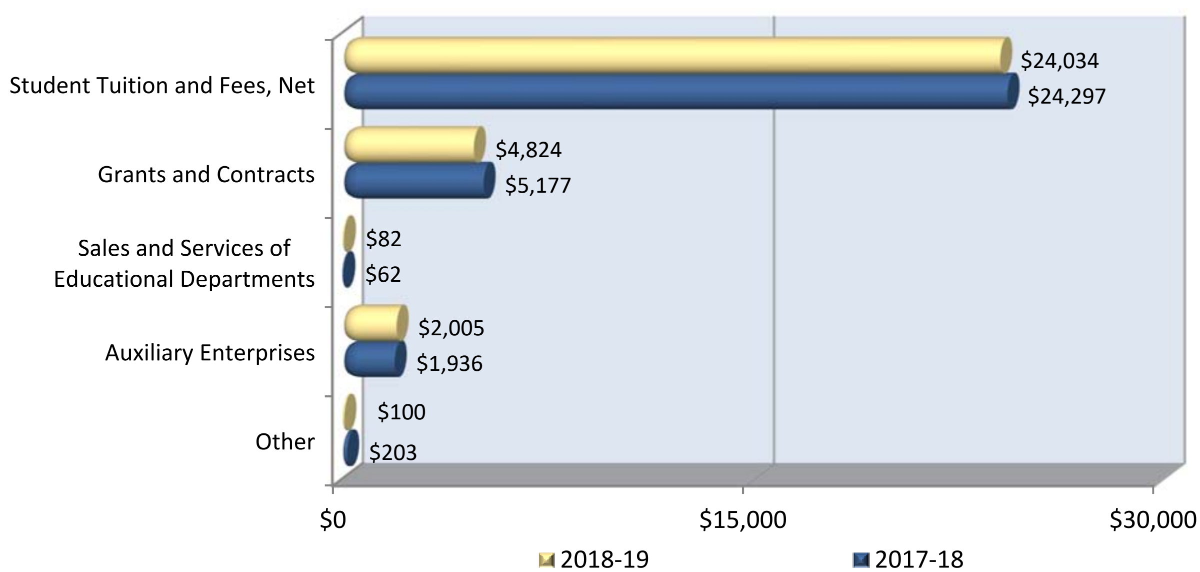
(In Thousands)

	2018-19	2017-18
Student Tuition and Fees, Net	$ 24,034	$ 24,297
Grants and Contracts	4,824	5,177
Sales and Services of Educational Departments	82	62
Auxiliary Enterprises	2,005	1,936
Other	100	203
Total Operating Revenues	$ 31,045	$ 31,675

The following chart presents the College's operating revenues for the 2018-19 and 2017-18 fiscal years:

Operating Revenues

(In Thousands)



Total operating revenue decreased by $0.6 million compared to prior year as a result of slight decreases in both grants and contracts and student tuition and fees, net.

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 2018-19 and 2017-18 fiscal years:

Operating Expenses
For the Fiscal Years

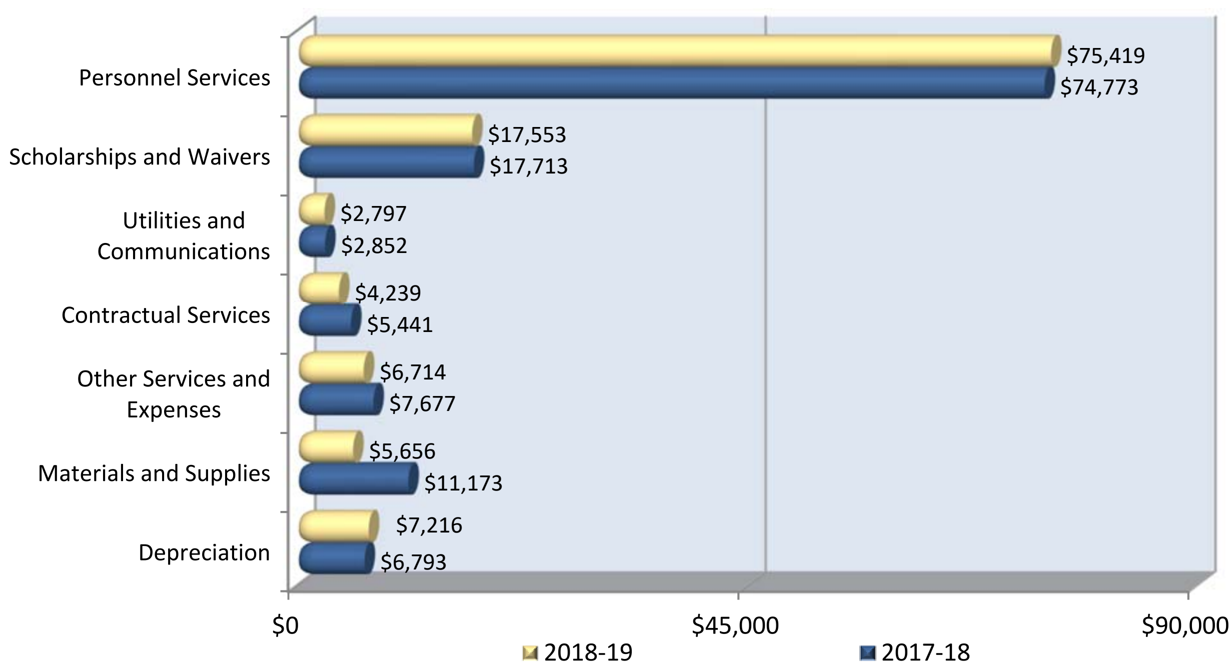
(In Thousands)

	2018-19	**2017-18**
Personnel Services	$ 75,419	$ 74,773
Scholarships and Waivers	17,553	17,713
Utilities and Communications	2,797	2,852
Contractual Services	4,239	5,441
Other Services and Expenses	6,714	7,677
Materials and Supplies	5,656	11,173
Depreciation	7,216	6,793
Total Operating Expenses	$ 119,594	$ 126,422

The following chart presents the College's operating expenses for the 2018-19 and 2017-18 fiscal years:

Operating Expenses

(In Thousands)



College operating expenses decreased by $6.8 million due primarily to a decrease in materials and supplies expenditures in the 2018-19 fiscal year. Materials and supplies expenditures in the prior fiscal year included nonrecurring costs to repair the heating, ventilation, and air conditioning (HVAC) system.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2018-19 and 2017-18 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2018-19	2017-18
State Noncapital Appropriations	$ 47,013	$ 45,684
Federal and State Student Financial Aid	28,589	28,620
Gifts and Grants	464	466
Investment Income	632	486
Net Gain on Investments	107	6
Other Nonoperating Revenues	224	821
Interest on Capital Asset-Related Debt	(182)	(170)
Net Nonoperating Revenues	$ 76,847	$ 75,913

Net nonoperating revenue and expenses increased by $0.9 million, or 1.2 percent. This increase is primarily the result of an increase in performance funding over the prior fiscal year.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2018-19 and 2017-18 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2018-19	2017-18
State Capital Appropriations	$ 1,471	$ 9,372
Capital Grants, Contracts, Gifts, and Fees	5,063	3,283
Total	$ 6,534	$ 12,655

The decrease in other revenue of $6.1 million, or 48.4 percent, is primarily the result of a decrease in State capital appropriations for construction projects.

The Statement of Cash Flows

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

The following summarizes the College's cash flows for the 2018-19 and 2017-18 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2018-19	**2017-18**
Cash Provided (Used) by:		
Operating Activities	$ (75,807)	$ (84,448)
Noncapital Financing Activities	76,129	75,233
Capital and Related Financing Activities	(7,998)	2,186
Investing Activities	740	452
Net Decrease in Cash and Cash Equivalents	(6,936)	(6,577)
Cash and Cash Equivalents, Beginning of Year	33,017	39,594
Cash and Cash Equivalents, End of Year	$ 26,081	$ 33,017

Major sources of funds came from net student tuition and fees ($24.7 million), State noncapital appropriations ($47 million), Federal and State student financial aid ($28.4 million), and Federal Direct Student Loan program receipts ($20.7 million). Major uses of funds were for payments to employees and for employee benefits ($74.1 million), disbursements to students for Federal Direct Student Loans ($20.7 million), payments for scholarships ($17.6 million), payments to providers of goods and services ($16.4 million), and purchases of capital assets ($19.2 million).

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

- Operating activities used $8.6 million less in cash compared to the prior fiscal year. Payments to suppliers decreased $7 million due primarily to the HVAC system repairs that were paid for in the prior fiscal year.
- Noncapital financing cash flows increased by $0.9 million primarily due to a $1.3 million increase in State Noncapital Appropriations as a result of the College achieving the highest level of performance funding.
- Net cash flows from capital and related financing activities decreased by $10.2 million because of a decrease in State capital appropriations of $6.6 million and an increase in cash outflows for purchases of capital assets of $4 million related to construction projects.

Capital Assets, Capital Expenses and Commitments, and Debt Administration

Capital Assets

At June 30, 2019, the College had $301 million in capital assets, less accumulated depreciation of $101.8 million, for net capital assets of $199.2 million. Depreciation charges for the current fiscal year totaled $7.2 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2019	2018
Land	$ 32,526	$ 32,526
Construction in Progress	13,970	4,866
Buildings	148,625	147,135
Other Structures and Improvements	1,316	2,444
Furniture, Machinery, and Equipment	2,106	1,473
Leasehold Improvements	657	648
Capital Assets, Net	$199,200	$189,092

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2019, were incurred for the renovation of two buildings (Lower L and F) on the Sanford/Lake Mary Campus. Initial costs for renovation of the H Building for the new Wellness Center are also included. The College's major construction commitments at June 30, 2019, are as follows:

	Amount (In Thousands)
Total Committed	$ 14,705
Completed to Date	11,186
Balance Committed	$ 3,519

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

Debt Administration

As of June 30, 2019, the College's long-term debt consisted of $2.9 million in outstanding bonds payable and had a decrease of $0.3 million, or 8.9 percent, in bonds payable from the prior fiscal year.

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2018-19 fiscal year, there were no bond sales and debt repayments totaled $0.3 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is somewhat tied to that of the State of Florida. However, although the State has experienced expanded economic growth, increased demand for State resources have resulted in only a modest increase in funding for the Florida College System. Also, improved job markets have had a negative impact on the overall enrollment in the System.

State funding for the 2018-19 fiscal year increased compared to the prior fiscal year primarily as a result of the College receiving gold status for performance funding. The College received a decrease in State allocations for the 2019-20 fiscal year. This decrease was due to the State's decision to transition to a different performance funding model. In the 2019-20 fiscal year the College will offer additional programs to attract new students and increase retention of students currently enrolled. Therefore, the College anticipates an increase in student enrollment of approximately 1.8 percent in full-time equivalent enrollment in the 2019-20 fiscal year. The Board of Trustees (Board) elected to make no change in the tuition rate for the 2019-20 fiscal year.

The continued strength of the College's financial position is reflected in the ability of the Board to designate reserves in excess of the 5 percent minimum statutory level in order to lessen the possible impact of unforeseen changes in allocations or enrollments in future years. Due to recent legislation, at the end of the 2019-20 fiscal year, the College will be required to submit a plan regarding the use of any reserves above the 5 percent minimum statutory level.

The College received $12.7 million in State funding in the 2016-17 fiscal year to continue a renovation project of two buildings (Lower L and F) on the Sanford/Lake Mary Campus. Funding in the amount of $5.3 million for the final phase of this renovation project has not been provided by the State so certain capital renewal projects had to be postponed in order to complete the project. The Board determined that the advantages in cost containment, protection of the building's infrastructure, and benefit to student instruction were significant enough to proceed while concurrently working with the Legislature to secure the final installment of funding originally committed to the project. This renovation project is expected to be complete in the fall of 2019. The College was awarded no State funding for continuing repair, maintenance and site improvements on its campuses for the 2019-20 fiscal year. Additionally, the College received no funding for specific projects in the 2019-20 fiscal year.

On-going facility improvements for the next 2 years include replacement of the existing gymnasium with a comprehensive Wellness Center on the Sanford/Lake Mary Campus. The College continues to plan the development of the Altamonte Springs Campus. A major new building is being planned for the campus once the source of funding can be finalized. This building will enable the College to meet future demand for healthcare and other general educational program offerings. The College will continue to prioritize and complete capital renewal projects as funding permits.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President, Business Operations/Chief Financial Officer, Seminole State College of Florida, 100 Weldon Blvd., Sanford, FL 32773.

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

June 30, 2019

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 10,206,923	$ 6,458
Restricted Cash and Cash Equivalents	2,911,519	1,887,383
Accounts Receivable, Net	6,879,276	831,724
Due from Other Governmental Agencies	5,762,891	-
Due from Component Unit	190,484	-
Prepaid Expenses	263,527	-
Deposits	15,618	-
Total Current Assets	26,230,238	2,725,565
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	12,962,231	-
Investments	-	1,811,962
Restricted Investments	15,313	20,770,029
Prepaid Expenses	16,887	-
Depreciable Capital Assets, Net	152,703,643	1,880,808
Nondepreciable Capital Assets	46,496,418	3,328,049
Other Assets	-	1,756,316
Total Noncurrent Assets	212,194,492	29,547,164
TOTAL ASSETS	238,424,730	32,272,729
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	18,829,706	-
Other Postemployment Benefits	94,036	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	18,923,742	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,954,527	16,060
Salary and Payroll Taxes Payable	533,213	-
Retainage Payable	490,331	-
Due to Other Governmental Agencies	1,041	-
Due to College	-	190,484
Unearned Revenue	4,519,684	-
Deposits Held for Others	92,172	27,535
Long-Term Liabilities - Current Portion:		
Bonds Payable	324,000	-
Compensated Absences Payable	165,188	-
Other Postemployment Benefits Payable	94,036	-
Net Pension Liability	329,626	-
Total Current Liabilities	8,503,818	234,079

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	2,544,000	-
Compensated Absences Payable	6,476,619	-
Other Postemployment Benefits Payable	2,192,920	-
Net Pension Liability	41,954,572	-
Total Noncurrent Liabilities	53,168,111	-
TOTAL LIABILITIES	61,671,929	234,079
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	4,726,451	-
Other Postemployment Benefits	209,626	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,936,077	-
NET POSITION		
Net Investment in Capital Assets	196,332,061	5,208,857
Restricted:		
Nonexpendable:		
Endowment	-	12,048,868
Expendable:		
Grants and Loans	529,600	-
Scholarships	877,613	12,595,322
Capital Projects	17,919,652	-
Debt Service	15,313	-
Unrestricted	(24,933,773)	2,185,603
TOTAL NET POSITION	$ 190,740,466	$ 32,038,650

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

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

For the Fiscal Year Ended June 30, 2019

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $12,604,600	$ 24,033,344	$ -
Federal Grants and Contracts	1,892,463	-
State and Local Grants and Contracts	462,340	-
Nongovernmental Grants and Contracts	2,469,335	-
Sales and Services of Educational Departments	82,242	-
Auxiliary Enterprises	2,005,350	-
Other Operating Revenues	100,282	2,165,450
Total Operating Revenues	31,045,356	2,165,450
EXPENSES		
Operating Expenses:		
Personnel Services	75,418,936	661,134
Scholarships and Waivers	17,552,412	2,636,679
Utilities and Communications	2,797,018	-
Contractual Services	4,239,458	658,160
Other Services and Expenses	6,713,652	371,008
Materials and Supplies	5,656,348	56,460
Depreciation	7,216,490	-
Total Operating Expenses	119,594,314	4,383,441
Operating Loss	(88,548,958)	(2,217,991)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	47,013,385	112,431
Federal and State Student Financial Aid	28,588,464	-
Gifts and Grants	463,848	503,007
Investment Income	631,685	573,003
Net Gain on Investments	107,152	681,233
Other Nonoperating Revenues	223,513	-
Interest on Capital Asset-Related Debt	(181,623)	-
Net Nonoperating Revenues	76,846,424	1,869,674
Loss Before Other Revenues	(11,702,534)	(348,317)
State Capital Appropriations	1,470,961	-
Capital Grants, Contracts, Gifts, and Fees	5,063,549	-
Total Other Revenues	6,534,510	-
Decrease in Net Position	(5,168,024)	(348,317)
Net Position, Beginning of Year	195,908,490	32,386,967
Net Position, End of Year	$ 190,740,466	$ 32,038,650

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

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

For the Fiscal Year Ended June 30, 2019

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 24,674,509
Grants and Contracts	7,818,590
Payments to Suppliers	(16,361,659)
Payments for Utilities and Communications	(2,616,742)
Payments to Employees	(58,548,578)
Payments for Employee Benefits	(15,529,379)
Payments for Scholarships	(17,552,412)
Auxiliary Enterprises	2,133,832
Sales and Services of Educational Departments	82,242
Other Receipts	92,512
Net Cash Used by Operating Activities	(75,807,085)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	47,013,385
Federal and State Student Financial Aid	28,430,513
Federal Direct Loan Program Receipts	20,659,034
Federal Direct Loan Program Disbursements	(20,659,034)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	463,848
Other Nonoperating Receipts	221,886
Net Cash Provided by Noncapital Financing Activities	76,129,632
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	8,325,643
Capital Grants and Gifts	3,338,255
Proceeds from Sale of Capital Assets	1,627
Purchases of Capital Assets	(19,203,221)
Principal Paid on Capital Debt	(279,000)
Interest Paid on Capital Debt	(181,623)
Net Cash Used by Capital and Related Financing Activities	(7,998,319)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	2,233
Investment Income	737,693
Net Cash Provided by Investing Activities	739,926
Net Decrease in Cash and Cash Equivalents	(6,935,846)
Cash and Cash Equivalents, Beginning of Year	33,016,519
Cash and Cash Equivalents, End of Year	$ 26,080,673

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (88,548,958)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	7,216,490
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	1,080,039
Due from Other Governmental Agencies	3,566,495
Due from Component Unit	27,532
Due to Other Governmental Agencies	385
Prepaid Expenses	133,170
Other Assets	1,785
Accounts Payable	(296,585)
Salaries and Taxes Payable	(710,495)
Unearned Revenue	(276,484)
Deposits Held for Others	(62,151)
Compensated Absences Payable	(497,205)
Other Postemployment Benefits Payable	59,015
Net Pension Liability	1,724,631
Deferred Outflows of Resources Related to Pensions	(698,577)
Deferred Inflows of Resources Related to Pensions	1,421,494
Deferred Outflows of Resources Related to Other Postemployment Benefits	(10,742)
Deferred Inflows of Resources Related to Other Postemployment Benefits	63,076
NET CASH USED BY OPERATING ACTIVITIES	$ (75,807,085)

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The governing body of Seminole State College of Florida, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of 5 members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education (SBE) rules. However, the Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and SBE rules. The College serves Seminole County.

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the Vice President, Business Operations/Chief Financial Officer, Seminole State College of Florida, 100 Weldon Blvd., Sanford, Florida 32773. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2019.

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

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

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

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

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College determines its scholarship allowance by identifying those student transactions where the student's classes were paid by an applicable financial aid resource. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fees revenues.

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

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

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

At June 30, 2019, the College reported as cash equivalents at fair value $4,743,298 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 3.). 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 AA-f by Standard & Poor's, had an effective duration of 2.71 years and fair value factor of 1.0103 at June 30, 2019. 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, 2019, the College also reported as cash equivalents at fair value $5,221,539 in a money market account. The funds invested in the money market account carried a credit rating of AAAm by Standard and Poor's. As of June 30, 2019, there were no redemption fees or maximum transactions amounts, or any other requirements that serve to limit the College's daily access to 100 percent of the account value.

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

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

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

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

2. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	$ (28,161,875)
Auxiliary Funds	3,228,102
Total	$ (24,933,773)

3. Investments

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

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

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

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

State Board of Administration Debt Service Accounts. The College reported investments totaling $15,313 at June 30, 2019, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value (Level 1 inputs). The College relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Unit Investments.

Investments of the Foundation consist of corporate bonds, United States Treasury Bonds, foreign bonds, United States mortgage-backed securities, mutual funds, and domestic and international equities. Investments held by the Foundation at June 30, 2019, are reported at fair value as follows:

Investment	Average Maturity	Credit Quality Rating	Fair Value
Corporate Bonds	6.26 years	AAA - Baa3	$ 1,838,353
United States Treasury Bonds	6.45 years	AAA - AA+	1,019,098
Foreign Bonds	2.76 years	Aa2 - Baa3	257,337
United States Mortgage-Backed Securities	21.81 years	AAA - AA+	1,074,316
Mutual Funds	N/A	(1)	8,472,024
Domestic Equities	N/A	(1)	8,964,860
International Equities	N/A	(1)	956,003
Total Foundation Investments			$ 22,581,991

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

The following table presents the levels within the fair value hierarchy in which the Foundation's financial instruments are measured at June 30, 2019.

Investments by fair value level	Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest-sensitive investments:				
Corporate Bonds	$ 1,838,353	$ -	$ 1,838,353	$ -
United States Treasury Bonds	1,019,098	1,019,098	-	-
Foreign Bonds	257,337	-	257,337	-
Total interest-sensitive investments	3,114,788	1,019,098	2,095,690	-
Alternative Investments:				
United States Mortgage-Backed Securities	1,074,316	-	1,074,316	-
Total alternative investments	1,074,316	-	1,074,316	-
Equity Investments:				
Mutual Funds	8,472,024	8,472,024	-	-
Domestic Equities	8,964,860	8,964,860	-	-
International Equities	956,003	956,003	-	-
Total equity investments	18,392,887	18,392,887	-	-
Total investments measured at fair value	$ 22,581,991	$ 19,411,985	$ 3,170,006	$ -

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

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

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

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

Exchange Traded/Closed-End Funds: Valued at the closing price reported on the active market on which the individual securities are traded and are included in mutual funds in the table above.

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

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

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

Management believes the Foundation is in compliance with its investment policy for the fiscal year ended June 30, 2019.

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

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

Custodial Credit Risk: In fiscal year 2016, the Foundation transferred its investment accounts to U.S. Trust. U.S. Trust's policy is to hold these assets in fiduciary accounts at Bank of America segregated from other assets of the bank.

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

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

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates between the U.S. dollar and foreign currencies will adversely affect the fair value of an investment. The Foundation had $257,337 in foreign fixed-income bonds at June 30, 2019.

4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for bookstore, food service and vending machine sales, payroll receivables, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a $1,360,085 allowance for doubtful accounts.

5. Due From Other Governmental Agencies

The amount due from other governmental agencies consists of $3,531,861 of Public Education Capital Outlay allocations due from the State for construction, renovation, repair, and remodeling of College facilities, and $2,231,030 due from Federal, State, and local agencies for grants, student fees or other contractual obligations.

6. Due From and To Component Unit/College

The $190,484 reported as due from component unit consists of amounts owed to the College by the Foundation for scholarships, student aid, and other contractual obligations.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2019, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 32,526,430	$ -	$ -	$ 32,526,430
Construction in Progress	4,866,259	16,020,511	6,916,782	13,969,988
Total Nondepreciable Capital Assets	$ 37,392,689	$ 16,020,511	$ 6,916,782	$ 46,496,418
Depreciable Capital Assets:				
Buildings	$ 211,608,570	$ 6,511,002	$ -	$ 218,119,572
Other Structures and Improvements	17,070,922	14,150	-	17,085,072
Furniture, Machinery, and Equipment	10,542,143	1,603,167	352,581	11,792,729
Leasehold Improvements	3,867,483	405,781	351,129	3,922,135
Computer Software	3,595,938	-	-	3,595,938
Total Depreciable Capital Assets	246,685,056	8,534,100	703,710	254,515,446
Less, Accumulated Depreciation:				
Buildings	64,473,588	5,021,418	-	69,495,006
Other Structures and Improvements	14,627,007	1,141,641	-	15,768,648
Furniture, Machinery, and Equipment	9,069,337	970,010	352,581	9,686,766
Leasehold Improvements	3,219,659	83,421	37,635	3,265,445
Computer Software	3,595,938	-	-	3,595,938
Total Accumulated Depreciation	94,985,529	7,216,490	390,216	101,811,803
Total Depreciable Capital Assets, Net	$ 151,699,527	$ 1,317,610	$ 313,494	$ 152,703,643

Component Unit Capital Assets

Foundation capital assets activity for the fiscal year ended June 30, 2019, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 3,328,049	$ -	$ -	$ 3,328,049
Depreciable Capital Assets:				
Buildings and Improvements	2,244,122	-	-	2,244,122
Less, Accumulated Depreciation:				
Buildings and Improvements	259,510	103,804	-	363,314
Total Depreciable Capital Assets, Net	$ 1,984,612	$ (103,804)	$ -	$ 1,880,808

8. Unearned Revenue

Unearned revenue at June 30, 2019, in the amount of $4,519,684 consists primarily of student tuition and fees invoiced prior to fiscal year-end related to the subsequent accounting period.

9. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2019, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 3,147,000	$ -	$ 279,000	$ 2,868,000	$ 324,000
Compensated Absences Payable	7,139,012	383,485	880,690	6,641,807	165,188
Other Postemployment Benefits Payable	2,227,941	122,091	63,076	2,286,956	94,036
Net Pension Liability	40,559,567	24,582,211	22,857,580	42,284,198	329,626
Total Long-Term Liabilities	$ 53,073,520	$ 25,087,787	$ 24,080,346	$ 54,080,961	$ 912,850

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

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

The College had the following bonds payable at June 30, 2019:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2010A	$ 110,000	5.0	2022
Series 2014B	1,000	2.0	2020
Series 2017A	492,000	5.0	2026
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2018A	2,265,000	4.0 - 5.0	2027
Total	$ 2,868,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2019, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2020	$ 324,000	$ 143,370	$ 467,370
2021	343,000	127,200	470,200
2022	369,000	110,050	479,050
2023	344,000	91,600	435,600
2024	366,000	74,400	440,400
2025-2027	1,122,000	109,600	1,231,600
Total	$ 2,868,000	$ 656,220	$ 3,524,220

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, 2019, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $6,641,807. The current portion of the compensated absences liability, $165,188, is the amount expected to be paid in the coming fiscal year and represents varying percentages of leave payments for employees in the final year of the Deferred Retirement Option Program.

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

General Information about the OPEB Plan

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

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

Employees Covered by Benefit Terms. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	67
Active Employees	732
Total	799

Total OPEB Liability

The College's total OPEB liability of $2,286,956 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017.

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

Inflation	2.60 percent
Real wage growth	0.65 percent
Wage inflation	3.25 percent
Salary increases, including wage inflation	
Regular Employees	4.00 percent – 7.80 percent
Senior Management	4.70 percent – 7.10 percent
Healthcare cost trend rates	
Pre-Medicare	7.50 percent for 2017, decreasing to an ultimate rate of 5.00 percent by 2023
Medicare	5.50 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2020
Benefit-related costs	100 percent of projected health insurance premiums for retirees

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

Mortality rates were based on the Generational RP-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 6/30/18	$ 2,227,941
Changes for the year:	
Service Cost	153,766
Interest	77,845
Changes in Assumptions or Other Inputs	(89,302)
Benefit Payments	(83,294)
Net Changes	59,015
Balance at 6/30/19	$ 2,286,956

Changes of assumptions and other inputs reflect a change in the discount rate from 3.56 percent in 2017 to 3.87 percent in 2018 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 (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	$2,596,750	$2,286,956	$2,033,689

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$1,942,867	$2,286,956	$2,727,709

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

For the fiscal year ended June 30, 2019, the College recognized OPEB expense of $111,349. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions or other inputs	$ -	$ 209,626
Transactions subsequent to the measurement date	94,036	-
Total	$ 94,036	$ 209,626

Of the total amount reported as deferred outflows of resources related to OPEB, $94,036 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2020	$ (26,226)
2021	(26,226)
2022	(26,226)
2023	(26,226)
2024	(26,226)
Thereafter	(78,496)
Total	$ (209,626)

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, 2019, the College's proportionate share of the net pension liabilities totaled $42,284,198. Note 10. includes a complete discussion of defined benefit pension plans.

10. 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 $6,116,007 for the fiscal year ended June 30, 2019.

<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 2018-19 fiscal year were:

	Percent of Gross Salary	
Class	**Employee**	**Employer (1)**
FRS, Regular	3.00	8.26
FRS, Senior Management Service	3.00	24.06
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.03
FRS, Reemployed Retiree	(2)	(2)

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

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

The College's contributions to the Plan totaled $2,965,093 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the College reported a liability of $28,817,406 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The College's proportionate share of the net pension liability was based on the College's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the College's proportionate share was 0.095673673 percent, which was an increase of 0.002598686 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the College recognized pension expense of $5,109,975. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 2,441,267	$ 88,607
Change of assumptions	9,416,127	-
Net difference between projected and actual earnings on FRS Plan investments	-	2,226,496
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	870,636	576,881
College FRS contributions subsequent to the measurement date	2,965,093	-
Total	$ 15,693,123	$ 2,891,984

The deferred outflows of resources totaling $2,965,093, 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, 2020. 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**
2020	$ 3,841,227
2021	2,480,312
2022	349,518
2023	1,761,337
2024	1,207,834
Thereafter	195,818
Total	$ 9,836,046

Actuarial Assumptions. The total pension liability in the July 1, 2018, 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	7.00 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, 2018, 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%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (Property)	11%	6.6%	6.0%	11.3%
Private Equity	10%	10.7%	7.8%	26.5%
Strategic Investments	6%	6.0%	5.7%	8.6%
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 7.00 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 2018 valuation was updated from 7.10 percent to 7.00 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 7.00 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 (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	**Current Discount Rate (7.00%)**	**1% Increase (8.00%)**
College's proportionate share of the net pension liability	$52,592,975	$28,817,406	$9,070,391

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, 2019, 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, 2019, 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 $703,366 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the College reported a net pension liability of $13,466,792 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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The College's proportionate share of the net pension liability was based on the College's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the College's proportionate share was 0.127235919 percent, which was an increase of 0.005387364 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the College recognized pension expense of $1,006,032. 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	$ 206,171	$ 22,879
Change of assumptions	1,497,674	1,423,822
Net difference between projected and actual earnings on HIS Plan investments	8,128	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	721,244	387,766
College contributions subsequent to the measurement date	703,366	-
Total	$ 3,136,583	$ 1,834,467

The deferred outflows of resources totaling $703,366, 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, 2020. 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
2020	$ 188,622
2021	187,937
2022	145,947
2023	136,808
2024	(73,836)
Thereafter	13,272
Total	$ 598,750

Actuarial Assumptions. The total pension liability at July 1, 2018, 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	3.87 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 3.87 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 2018 valuation was updated from 3.58 percent to 3.87 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 3.87 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 (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
College's proportionate share of the net pension liability	$15,337,888	$13,466,792	$11,907,126

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

Payables to the Pension Plan. At June 30, 2019, the College reported a payable of $329,626 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2019.

11. 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 2018-19 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, 2019, 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 $1,072,381 for the fiscal year ended June 30, 2019.

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, 3.5 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 8.65 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 $238,369 and employee contributions totaled $138,856 for the 2018-19 fiscal year.

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

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

The College's contributions to the Local Annuity Program totaled $47,038 and there were no employee contributions for the 2018-19 fiscal year.

12. Construction Commitments

The College's major construction commitments at June 30, 2019, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Wellness Building Renovation	$ 1,304,371	$ 794,101	$ 510,270
Lower L Building Renovation	13,400,284	10,391,565	3,008,719
Total	$ 14,704,655	$ 11,185,666	$ 3,518,989

13. Operating Lease Commitments

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

- Land utilized for a Public Safety Training Center is leased under an operating lease that expires in 2052. Lease payments total $1 annually beginning in the 2014-15 fiscal year until the expiration of the lease term.
- Computers and related equipment are leased under operating leases. These leases are for 4 and 5 years and the equipment is returned to the lessor upon expiration of the lease.
- College vehicles, primarily used by the maintenance department and security department, are leased for 5 years under an operating lease that began in the 2018-19 fiscal year.
- The College entered into a 5-year lease for multi-function printers that commenced in June 2015.

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

Fiscal Year Ending June 30	Amount
2020	$ 1,460,834
2021	836,064
2022	641,399
2023	300,340
2024-2029	61,101
Total Minimum Payments Required	$ 3,299,738

14. 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 $100 million 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.

15. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 41,519,891
Academic Support	9,819,349
Student Services	13,512,442
Institutional Support	17,492,314
Operation and Maintenance of Plant	11,808,790
Scholarships and Waivers	17,552,412
Depreciation	7,216,490
Auxiliary Enterprises	672,626
Total Operating Expenses	$ 119,594,314

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

	2018	2017
Total OPEB Liability		
Service cost	$ 153,766	$ 165,136
Interest	77,845	65,961
Changes of assumptions or other inputs	(89,302)	(163,512)
Benefit Payments	(83,294)	(61,600)
Net change in total OPEB liability	59,015	5,985
Total OPEB Liability - beginning, as Restated	2,227,941	2,221,956
Total OPEB Liability - ending	$ 2,286,956	$ 2,227,941
Covered-Employee Payroll	$ 40,979,092	$ 40,979,092
Total OPEB Liability as a percentage of covered-employee payroll	5.58%	5.44%

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

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)
College's proportion of the FRS net pension liability	0.095673673%	0.093074987%	0.091831378%	0.094243640%
College's proportionate share of the FRS net pension liability	$ 28,817,406	$ 27,530,957	$ 23,187,495	$ 12,172,830
College's covered payroll (2)	$ 46,308,295	$ 43,396,598	$ 41,749,265	$ 40,894,582
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	62.23%	63.44%	55.54%	29.77%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	84.26%	83.89%	84.88%	92.00%

(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

	2019 (1)	**2018** (1)	**2017** (1)	**2016** (1)
Contractually required FRS contribution	$ 2,965,093	$ 2,740,816	$ 2,427,550	$ 2,247,602
FRS contributions in relation to the contractually required contribution	(2,965,093)	(2,740,816)	(2,427,550)	(2,247,602)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 46,982,015	$ 46,308,295	$ 43,396,598	$ 41,749,265
FRS contributions as a percentage of covered payroll	6.31%	5.92%	5.59%	5.38%

(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.

	2014 (1)	2013 (1)
	0.101202976%	0.091429649%
	$ 6,174,870	$ 15,739,112
	$ 43,227,051	$ 43,362,648
	14.28%	36.30%
	96.09%	88.54%

	2015 (1)	2014 (1)
	$ 2,297,740	$ 2,216,775
	(2,297,740)	(2,216,775)
	$ -	$ -
	$ 40,894,582	$ 43,227,051
	5.62%	5.13%

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

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)
College's proportion of the HIS net pension liability	0.127235919%	0.121848555%	0.120032456%	0.117802815%
College's proportionate share of the HIS net pension liability	$ 13,466,792	$ 13,028,610	$ 13,989,286	$ 12,014,034
College's covered payroll (2)	$ 41,605,909	$ 38,846,247	$ 37,397,768	$ 38,114,745
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	32.37%	33.54%	37.41%	31.52%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.15%	1.64%	0.97%	0.50%

(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

	2019 (1)	**2018** (1)	**2017** (1)	**2016** (1)
Contractually required HIS contribution	$ 703,366	$ 690,658	$ 644,848	$ 615,968
HIS contributions in relation to the contractually required HIS contribution	(703,366)	(690,658)	(644,848)	(615,968)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 42,371,465	$ 41,605,909	$ 38,846,247	$ 37,397,768
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.65%

(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.

	2014 (1)	2013 (1)
	0.126571174%	0.127944123%
	$ 11,834,714	$ 11,139,218
	$ 39,933,612	$ 38,888,603
	29.64%	28.64%
	0.99%	1.78%

	2015 (1)	2014 (1)
	$ 450,316	$ 433,590
	(450,316)	(433,590)
	$ -	$ -
	$ 38,114,745	$ 39,933,612
	1.18%	1.09%

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 long-term expected rate of return, using the Municipal Bond Index Rate, increased from 3.56 percent at the prior Measurement Date to 3.87 percent at the current Measurement Date.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.10 percent to 7.00 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 bond rate used to determine total pension liability increased from 3.58 percent to 3.87 percent.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Seminole State College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 31, 2020, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
January 31, 2020