



**PALM BEACH STATE**  
**COLLEGE**

**2016-2017**  
**Annual Financial Report**

**PALM BEACH STATE COLLEGE  
ANNUAL FINANCIAL REPORT  
June 30, 2017**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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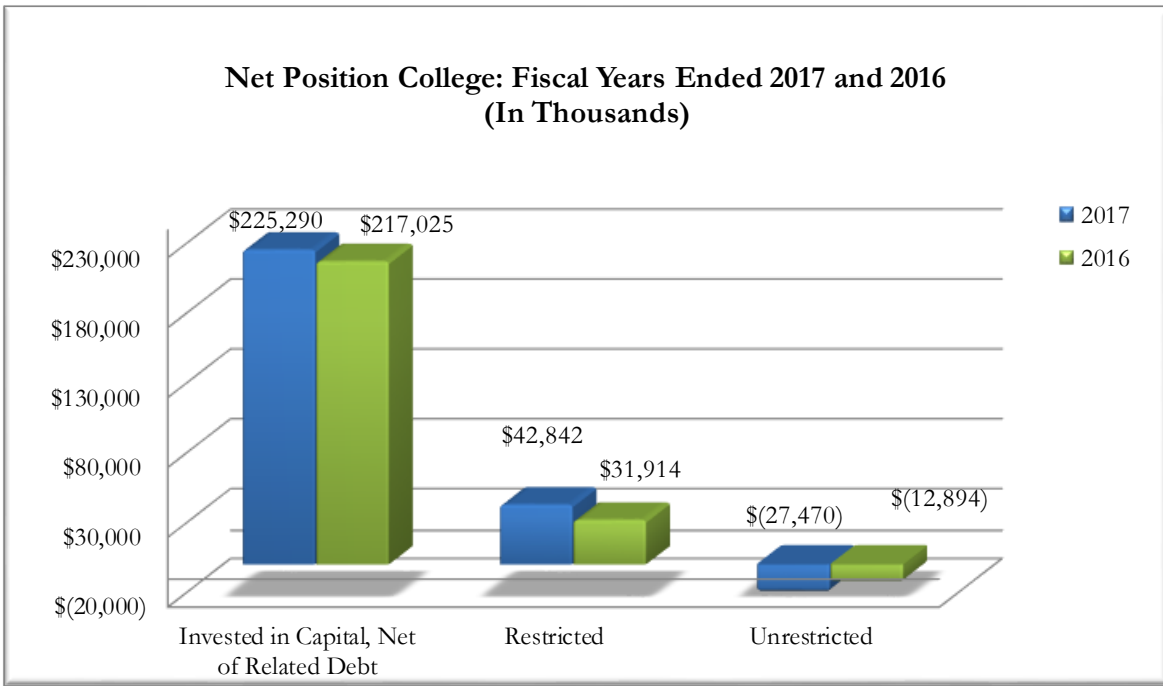
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2017, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2017, and June 30, 2016, and its component unit the Palm Beach State College Foundation, Inc., for the fiscal years ended December 31, 2016, and December 31, 2015.

### FINANCIAL HIGHLIGHTS

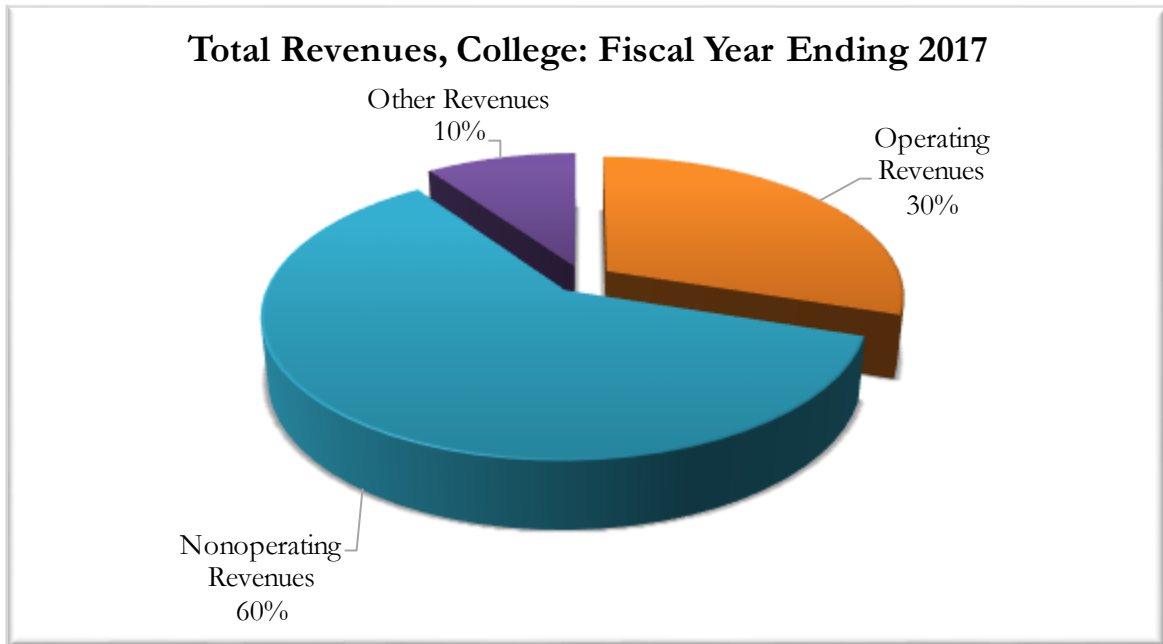
The College's assets and deferred outflows of resources totaled \$330.3 million at June 30, 2017. This balance reflects a \$17.1 million, or 5.5 percent increase as compared to the 2015-16 fiscal year. Liabilities and deferred inflows of resources increased by \$12.5 million, or 16.2 percent, totaling \$89.7 million at June 30, 2017, compared to \$77.2 million at June 30, 2016. However, the net effect of the College's deferred outflows and inflows of \$24.1 million and \$1.1 million, respectively, resulted in the College's net position increase of \$4.6 million or 2.0 percent, resulting in a year-end balance of \$241 million.

The College's operating revenues totaled \$55.5 million for the 2016-17 fiscal year, representing a 2.9 percent decrease compared to the 2015-16 fiscal year due mainly to a \$1.9 million increase in scholarship allowance offset by increases in tuition and fees. Operating expenses totaled \$180.4 million for the 2016-17 fiscal year, representing an increase of 6.2 percent as compared to the 2015-16 fiscal year due mainly to increases in personnel services of \$9.2 million. Net nonoperating revenues were up \$3.8 million or 3.5 percent for a total of \$111.5 million in the 2016-17 fiscal year due primarily to increases in state noncapital appropriations of \$4.9 million. Other revenues increased by \$5.4 million or 43.6 percent, primarily due to increased state capital appropriation reimbursements.

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, 2017, and June 30, 2016, is shown in the following graph:



The following chart provides a graphical presentation of the College revenues by category for the 2016-17 fiscal year:



### OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College’s financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the College and its component unit, Palm Beach State

College Foundation, Inc. (Foundation). Based on the application of the criteria for determining component units, the Foundation is included within the College reporting entity as a discretely presented component unit.

This MD&A focuses on the College, excluding the discretely presented component unit. The component unit reports under GASB standards, and its MD&A information is included in their separately issued audit reports.

## 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)

	<b>College</b>	
	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
Current Assets	\$ 24,896	\$ 37,544
Capital Assets, Net	241,209	235,801
Other Noncurrent Assets	40,167	28,392
<b>Total Assets</b>	<b>306,272</b>	<b>301,737</b>
<b>Deferred Outflows of Resources</b>	<b>24,071</b>	<b>11,466</b>
<b>Liabilities</b>		
Current Liabilities	8,892	8,904
Noncurrent Liabilities	79,671	63,399
<b>Total Liabilities</b>	<b>88,563</b>	<b>72,303</b>
<b>Deferred Inflows of Resources</b>	<b>1,117</b>	<b>4,855</b>
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt	225,290	217,025
Restricted	42,842	31,914
Unrestricted	(27,470)	(12,894)
<b>Total Net Position</b>	<b>\$ 240,662</b>	<b>\$ 236,045</b>

The College's net position increased \$4.6 million, or 2.0 percent which is attributed primarily to the net changes in deferred inflows and outflows related to pensions over the prior year. Further information related to pension expenses,

liabilities, deferred inflows and outflows, and other relevant actuarial data are found in the notes and supplementary information of this report.

Other significant changes included a decrease in current assets of \$12.6 million, or 33.7 percent and an increase in noncurrent liabilities of \$16.3 million, or 25.7 percent related to the pension reporting requirements.

### **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 2016-17 and 2015-16 fiscal years:

**Condensed Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Years Ended  
(In Thousands)**

	<b>College</b>	
	<b>2016-17</b>	<b>2015-16</b>
Operating Revenues	\$ 55,531	\$ 57,193
Less Operating Expenses	180,369	169,887
<b>Operating Income (Loss)</b>	(124,838)	(112,694)
Net Nonoperating Revenues	111,531	107,734
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	(13,307)	(4,960)
Other Revenues	17,924	7,832
<b>Net Increase in Net Position</b>	4,617	2,871
Net Position, Beginning of Year	236,045	233,174
Adjustments to Beginning Net Position		
<b>Net Position, Beginning of Year, as Restated</b>	236,045	233,174
<b>Net Position, End of Year</b>	<u>\$ 240,662</u>	<u>\$ 236,045</u>

### **Operating Revenues**

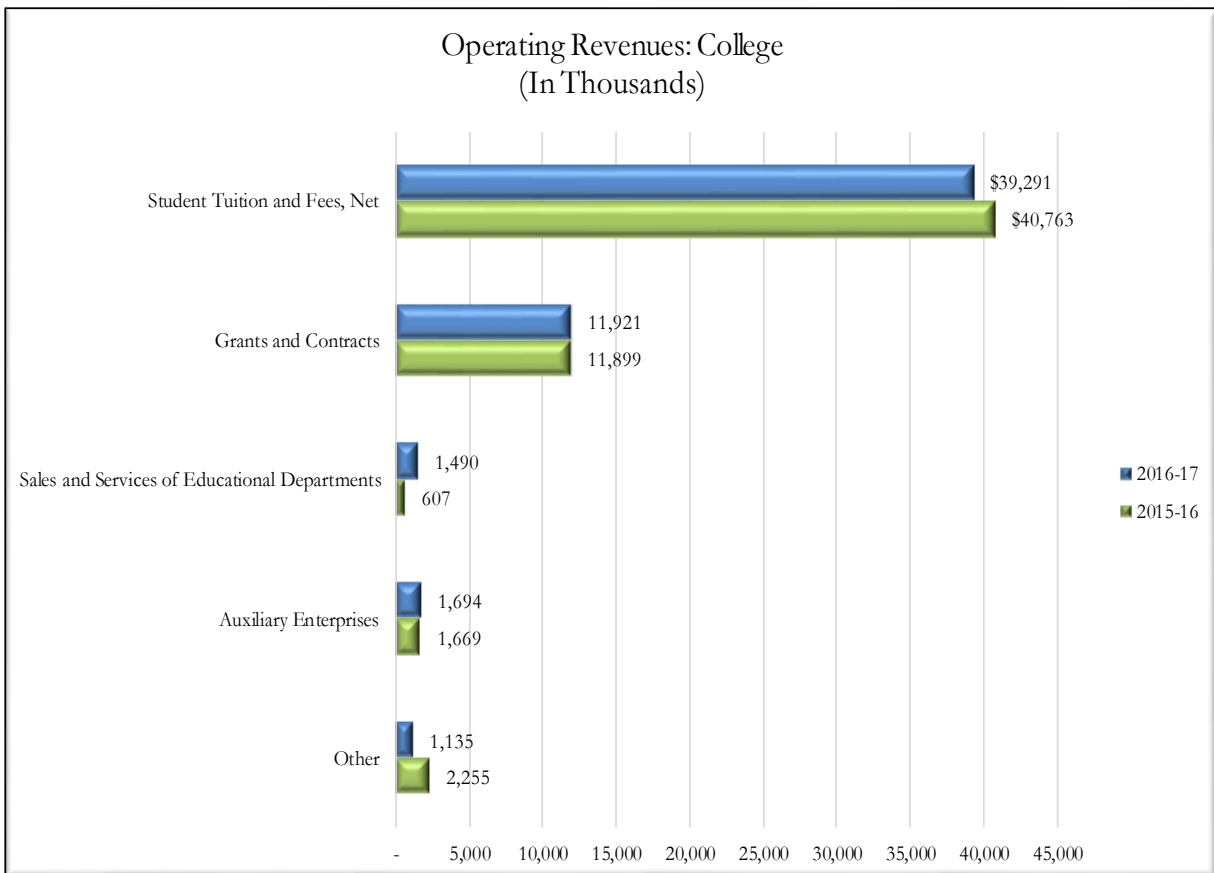
GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2016-17 and 2015-16 fiscal years:

**Operating Revenues**  
**For the Fiscal Years Ended**  
**(In Thousands)**

	College	
	2016-17	2015-16
Student Tuition and Fees, Net	\$ 39,291	\$ 40,763
Grants and Contracts	11,921	11,899
Sales and Services of Educational Departments	1,490	607
Auxiliary Enterprises	1,694	1,669
Other	1,135	2,255
<b>Total Operating Revenues</b>	<b>\$ 55,531</b>	<b>\$ 57,193</b>

The following chart presents the College's operating revenues for the 2016-17 and 2015-16 fiscal years:



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

- A decrease of net student tuition and fees of \$1.5 million, or 3.6 percent, mainly attributed to a \$1.9 million increase in scholarship allowance and a decrease of \$1.4 million in contracted course fees resulting from a program closing offset by increases due to increased enrollment.
- A decrease in other revenues of \$1.1 million from other revenues and an increase in sales and service of \$0.9 million primarily due to a restatement from other revenues to sales and service of educational departments.

### Operating Expenses

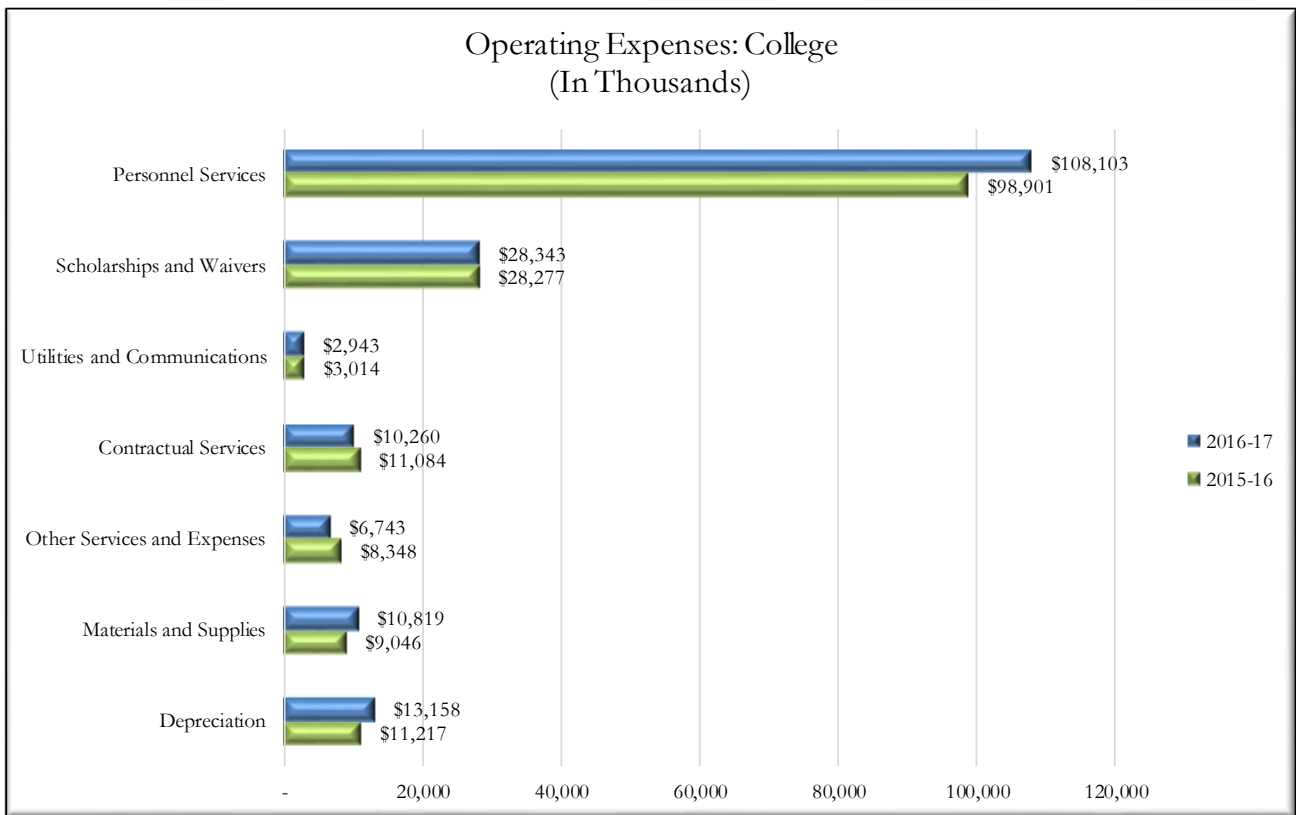
Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen 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 2016-17 and 2015-16 fiscal years:

<b>Operating Expenses</b>		
<b>(In Thousands)</b>		
	<u>College</u>	
	<u>2016-17</u>	<u>2015-16</u>
<b>Operating Expenses</b>		
Personnel Services	\$ 108,103	\$ 98,901
Scholarships and Waivers	28,343	28,277
Utilities and Communications	2,943	3,014
Contractual Services	10,260	11,084
Other Services and Expenses	6,743	8,348
Materials and Supplies	10,819	9,046
Depreciation	13,158	11,217
<b>Total Operating Expenses</b>	<u><u>\$ 180,369</u></u>	<u><u>\$ 169,887</u></u>

The following chart presents the College’s operating expenses for the 2016-17 and 2015-16 fiscal years:





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

- An increase in personnel services of \$9.2 million, or 9.3 percent, related to salary increases based on the salary survey.
- A decrease of other services and expenses of \$1.6 million, or 19.2 percent resulting primarily from a reduction of costs related to contracted instructional service, \$1.2 million.
- An increase of materials and supplies of \$1.8 million, or 19.6 percent, primarily related to procurement of educational equipment and data software.
- A decrease in contractual services of \$0.8 million, or 7.4 percent, primarily due to a decrease of \$1.2 million in Contracted Instructional Services resulting from a program closing.
- An increase in depreciation of \$1.9 million, or 17.3 percent, due to completion of construction and purchases related to the Loxahatchee campus.

**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 2016-17 and 2015-16 fiscal years:

**Nonoperating Revenues (Expenses): College  
(In Thousands)**

	2016-17	2015-16
State Noncapital Appropriations	\$ 63,134	\$ 58,239
Federal and State Financial Aid	43,430	47,573
Gifts and Grants	5,848	1,369
Investment Income	657	1,192
Net Loss on Investments	(989)	
Gain on Disposal of Capital Assets		47
Other Nonoperating Revenues	77	
Interest on Capital Asset-Related Debt	(626)	(686)
<b>Net Nonoperating Revenues</b>	<b>\$ 111,531</b>	<b>\$ 107,734</b>

Net nonoperating revenues increased \$3.8 million, or 3.5 percent, primarily due to an increase in State noncapital appropriations of \$4.9 million less a decrease in investment income of \$.5 million and a net loss on investments of \$1.0 million.

**Other Revenues, Expenses, Gains, or Losses**

This category is mainly composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2016-17 and 2015-16 fiscal years:

**Other Revenues, Expenses, Gains, or Losses  
( In Thousands)**

	2016-17	2015-16
State Capital Appropriations	\$ 11,529	\$ 7,404
Capital Grants, Contracts, Gifts, and Fees	6,395	5,082
<b>Total</b>	<b>\$ 17,924</b>	<b>\$ 12,486</b>

Other revenues increased by \$5.4 million, or 43.6 percent, due primarily to an increase of State capital appropriations of \$4.1 million, or 55.7 percent, related to an increase in Public Education Capital Outlay (PECO) appropriation for the current fiscal year.

**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 2016-17 and 2015-16 fiscal years:

**Condensed Statement of Cash Flows**  
**(In Thousands)**

	<b>2016-17</b>	<b>2015-16</b>
Cash Provided (Used) by:		
Operating Activities	\$ (108,841)	\$ (103,964)
Noncapital Financing Activities	112,924	106,504
Capital and Related Financing Activities	(3,968)	(4,511)
Investing Activities	(64)	1,409
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	51	(563)
Cash and Cash Equivalents, Beginning of Year	55,481	56,044
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 55,532</b>	<b>\$ 55,481</b>

Major sources of funds came from State noncapital appropriations (\$63.1 million), Federal and State student financial aid (\$43.9 million), net student tuition and fees (\$38.8 million), Grants and Contracts (\$12.2 million), and Federal direct loan receipts (\$11.2 million). Major uses of funds were for payments to employees (\$86.7 million) and employee benefits (\$18.6 million), payments to suppliers including utilities and communication (\$30.8 million), payments for scholarships (\$28.2 million), purchases of capital assets (\$19.1 million), and Federal direct loan disbursements (\$11.2 million).

Total cash and cash equivalents did not change significantly from the prior fiscal year.

**CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2017, the College had \$408.0 million in capital assets, less accumulated depreciation of \$166.8 million, for net capital assets of \$241.2 million. Depreciation charges for the current fiscal year totaled \$13.2 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)**

<b>Capital Assets</b>	<b>2017</b>	<b>2016</b>
Land	\$ 9,768	\$ 9,768
Construction in Progress	0	13,679
Buildings	210,822	199,431
Other Structures and Improvements	17,358	9,753
Furniture, Machinery, and Equipment	3,261	3,170
<b>Capital Assets, Net</b>	<b>\$ 241,209</b>	<b>\$ 235,801</b>

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

**CAPITAL EXPENSES AND COMMITMENTS**

Major capital expenses through June 30, 2017, were primarily incurred for Security Initiatives and the Loxahatchee Groves Campus. The College's (major) construction commitments at June 30, 2017, are as follows:

## CAPITAL EXPENSES AND COMMITMENTS

(In Thousands)

Total Committed	\$	23,182
Completed to Date		18,771
<b>Balance Committed</b>	<b>\$</b>	<b>4,411</b>

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

### DEBT ADMINISTRATION

As of June 30, 2017, the College had \$16.2 million in outstanding bonds payable and loans payable, representing a decrease of \$2.5 million, or 13.6 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2017, and June 30, 2016:

#### Long-Term Debt, at June 30

(In Thousands)

	2017	2016
State Board of Education Capital Outlay Bonds	\$ 1,438	\$ 1,847
Capital Improvement Revenue Bonds	13,800	14,640
Loans Payable	993	2,289
<b>Total</b>	<b>\$ 16,231</b>	<b>\$ 18,776</b>

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2016-17 fiscal year, there were no bond sales and debt repayments.

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 Palm Beach State College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2016-17 fiscal year. The College's current financial and capital plans indicate that the infusion of additional financial resources from active enrollment management efforts, careful materials budget monitoring, and continued savings of utilities costs will be necessary to maintain its present level of services.

### 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 Richard Becker, the Vice President for Administration and Business Services, Palm Beach State College, 4200 Congress Avenue, MS#24, Lake Worth, Florida 33461.

## BASIC FINANCIAL STATEMENTS

**Palm Beach State College**  
**A Component Unit of the State of Florida**  
**Statement of Net Position**  
**As of June 30, 2017**

	College	Component Unit	Total Reporting Entity
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 16,343,113	\$ 2,896,178	\$ 19,239,291
Restricted Cash and Cash Equivalents	(44,964)		(44,964)
Restricted Investments		11,830,839	11,830,839
Accounts Receivable, Net	3,090,418	995,681	4,086,099
Due from Other Governmental Agencies	3,578,121		3,578,121
Due from Component Unit	13,324		13,324
Inventories	18,219		18,219
Prepaid Expenses	1,897,828	71,646	1,969,474
<b>Total Current Assets</b>	<b>24,896,059</b>	<b>15,794,344</b>	<b>40,690,403</b>
Noncurrent Assets			
Restricted Cash and Cash Equivalents	39,233,874		39,233,874
Investments	932,771	18,737,233	19,670,004
Restricted Investments			
Depreciable Capital Assets, Net	231,441,005		231,441,005
Nondepreciable Capital Assets	9,767,813		9,767,813
<b>Total Noncurrent Assets</b>	<b>281,375,464</b>	<b>18,737,233</b>	<b>300,112,697</b>
<b>TOTAL ASSETS</b>	<b>306,271,523</b>	<b>34,531,577</b>	<b>340,803,100</b>
<b>Deferred Outflows of Resources</b>			
Deferred Outflow Related to Pension	24,070,885		24,070,885
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	770,939	99,964	870,903
Salary and Payroll Taxes Payable	2,477,465		2,477,465
Retainage Payable	242,636		242,636
Payable to Other Governmental Agencies			
Payable to State			
Payable to Component Unit			
Payable to College			
Deferred Revenue			
Estimated Claims Payable			
Unearned Revenue	14,458	54,235	68,693
Deposits Held for Others	1,147,366		1,147,366
Long-Term Liabilities - Current Portion:			
Bonds Payable	1,302,000		1,302,000
Notes and Loans Payable	992,732		992,732
HIS Net Pension Liability	638,089		638,089
Compensatory Absences Payable	995,363		995,363
Other Liabilities	311,546	893,078	1,204,624
<b>Total Current Liabilities</b>	<b>\$ 8,892,594</b>	<b>\$ 1,047,277</b>	<b>\$ 9,939,871</b>

**Palm Beach State College**  
**A Component Unit of the State of Florida**  
**Statement of Net Position (Continued)**  
**As of June 30, 2017**

	<u>College</u>	<u>Component Unit</u>	<u>Total Reporting Entity</u>
<b>Noncurrent Liabilities</b>			
Bonds Payable	\$ 13,936,000		\$ 13,936,000
Loans Payable			
Compensated Absence Payable	8,269,680		8,269,680
Other Postemployment Payable	778,344		778,344
Other Noncurrent Liabilities	621,226		621,226
FRS Net Pension Liability	34,570,469		34,570,469
HIS Net Pension Liability	21,494,979		21,494,979
<b>Total Noncurrent Liabilities</b>	<u>79,670,698</u>		<u>79,670,698</u>
<b>TOTAL LIABILITIES</b>	<u>88,563,292</u>	<u>1,047,277</u>	<u>89,610,569</u>
<b>Deferred Inflows of Resources</b>			
Deferred Amounts Related to Pensions	<u>1,117,039</u>		<u>1,117,039</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 225,290,197	\$	\$ 225,290,197
Restricted:			
Nonexpendable Endowment		18,737,233	18,737,233
Expendable:			
Grants and Loans	1,880,662		1,880,662
Scholarships	(80,573)	12,544,619	12,464,046
Capital Projects	41,007,556		41,007,556
Debt Service	34,035		34,035
Unrestricted	<u>(27,469,801)</u>	<u>2,202,448</u>	<u>(25,267,353)</u>
<b>Total Net Position</b>	<u>\$ 240,662,076</u>	<u>\$ 33,484,300</u>	<u>\$ 274,146,376</u>

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

**Palm Beach State College**  
**A Component Unit of the State of Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2017**

	<u>College</u>	<u>Component Unit</u>
<b>Operating Revenues</b>		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$28,053,905	\$ 39,290,930	\$
Federal Grants and Contracts	4,959,371	
State and Local Grants and Contracts	1,267,559	
Nongovernmental Grants and Contracts	5,694,513	1,531,250
Sales and Services of Educational Departments	1,490,193	
Auxiliary Enterprises	1,693,585	
Other Operating Revenues	1,134,711	877,844
<b>Total Operating Revenues</b>	<b>55,530,862</b>	<b>2,409,094</b>
<b>Operating Expenses</b>		
Personnel Services	108,102,881	
Scholarships and Waivers	28,343,422	1,666,588
Utilities and Communications	2,942,558	
Contractual Services	10,259,760	
Other Services and Expenses	6,743,286	2,076,413
Materials and Supplies	10,819,502	
Depreciation	13,158,200	
<b>Total Operating Expenses</b>	<b>180,369,609</b>	<b>3,743,001</b>
<b>Operating Loss</b>	<b>(124,838,747)</b>	<b>(1,333,907)</b>
<b>Nonoperating Revenues (Expenses)</b>		
State Noncapital Appropriations	63,133,845	
Federal and State Student Financial Aid	43,430,084	
Gifts and Grants	5,848,513	355,824
Investment Income	657,123	1,742,247
Net Loss on Investments	(989,144)	
Other Nonoperating Revenues	76,755	
Interest on Capital Asset-Related Debt	(625,723)	
<b>Net Nonoperating Revenues</b>	<b>111,531,453</b>	<b>2,098,071</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(13,307,294)</b>	<b>764,164</b>
State Capital Appropriations	11,528,655	
Capital Grants, Contracts, Gifts, and Fees	6,395,419	
<b>Total Other Revenues</b>	<b>17,924,074</b>	
<b>Increase in Net Position</b>	<b>4,616,780</b>	<b>764,164</b>
Net Position, Beginning of Year	236,045,296	32,720,136
<b>Net Position, End of Year</b>	<b>\$ 240,662,076</b>	<b>\$ 33,484,300</b>

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

**Palm Beach State College**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended June 30, 2017**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 38,786,522
Grants and Contracts	12,152,748
Payments to Suppliers	(27,848,858)
Payments to Utilities and Communication	(2,942,558)
Payments to Employees	(86,657,957)
Payments for Benefits	(18,566,225)
Payments for Scholarships	(28,202,458)
Auxiliary Enterprises	1,725,028
Sales and Service of Educational Departments	1,490,193
Other Receipts	1,222,497
	<b>(108,841,068)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	63,133,846
Federal and State Student Financial Aid	43,942,046
Federal Direct Loans Program Receipts	11,177,743
Federal Direct Loans Program Disbursements	(11,177,743)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	5,848,513
	<b>112,924,405</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	11,795,074
Capital Grants and Gifts	6,412,127
Proceeds from Sale of Capital Assets	76,755
Purchases of Capital Assets	(19,081,003)
Principal Paid on Capital Debt and Leases	(2,545,498)
Interest Paid on Capital Debt and Leases	(625,723)
	<b>(3,968,268)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	267,612
Purchase of Investments	
Investment Income	(332,021)
	<b>(64,409)</b>
<b>Net Cash Provided by Investing Activities</b>	<b>(64,409)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>50,660</b>
Cash and Cash Equivalents, Beginning of Year	55,481,365
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 55,532,025</b>



**Palm Beach State College**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows (Continued)**  
**For the Fiscal Year Ended June 30, 2017**

	<b>College</b>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ (124,838,746)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	13,158,200
Changes in Assets and Liabilities	
Receivables, Net	276,487
Inventories	21,083
Prepaid Expenses	(419,726)
Accounts Payable	401,962
Salaries and Payroll Taxes Payable	92,930
Unearned Revenue	(28,900)
Deposits Held for Others	87,785
Special Termination Benefits Payable	(221,384)
Compensated Absences Payable	(292,559)
Other Postemployment Benefits Payable	93,430
Net Pension Liability	19,170,523
Deferred Outflows of Resources Related to Pensions	(12,604,660)
Deferred Inflows of Resources Related to Pensions	(3,737,493)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (108,841,068)</b>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING  
AND CAPITAL FINANCING ACTIVITY**

Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ (989,144)
Property Donation	\$ 70,000

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

## **1. Summary of Significant Accounting Policies**

**Reporting Entity.** The governing body of Palm Beach State College, a component unit of the State of Florida, is the District Board of Trustees. The Board of Trustees constitutes a corporation and is composed of five 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 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. Geographic boundaries of the College correspond with those of Palm Beach 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 Palm Beach State College Foundation, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

The Foundation is also a direct-support organization, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, is financially accountable to the College. The Foundation is managed independently, outside the College's budgeting process, and its powers generally are vested in a governing board pursuant to various State statutes. The Foundation receives, holds, invests, and administers property, and makes expenses 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 from the Controller's Office at 4200 Congress Avenue, MS#11.5, Lake Worth, FL, 33461. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2016.

**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 entity wide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:

- Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Other Required Supplementary Information

**Measurement Focus and Basis of Accounting.** Basis of accounting refers to when revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The 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, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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 source. To the extent that those resources are used to pay student charges, the College records a scholarship allowance against tuition and fees revenue.

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

**Cash and Cash Equivalents - College.** The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash placed with the State Treasury Special Purpose Investment Account (SPIA) and

State Board of Administration (SBA) Florida PRIME investment pools. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury SPIA and the SBA Florida PRIME investment pools to be cash equivalents. College demand 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, 2017, the College reported as cash equivalents at fair value \$43,832,714 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.80 years and fair value factor of .9923 at June 30, 2017. 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, 2017, the College reported as cash equivalents \$3,035,255 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 39 days as of June 30, 2017. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

**Cash and Cash Equivalents – Discretely Presented Component Unit.** The amount reported for the Foundation as cash and cash equivalents consists of cash, money market accounts, and highly liquid fixed income investments with original maturities of 3 months or less.

**Custodial Credit Risk – Discretely Presented Component Unit.** Cash deposits in excess of Federal Depositors Insurance Corporation (FDIC) limits at individual financial institutions and cash held in money market accounts are uninsured. Management does not consider this risk significant. Certain cash equivalents are held in brokerage house investment accounts that are not insured by the FDIC. The total amount of cash and cash equivalents held by such institutions amounted to \$2,896,178 of which \$2,265,526 was uninsured at December 31, 2016.

**Capital Assets.** College capital assets consist of land; construction in progress; buildings; other structures and improvements; and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$50,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 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

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

**Pensions.** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position 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’s and the HIS’s fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

## 2. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds-Unrestricted	\$ (30,754,444)
Auxiliary Funds	3,284,644
<b>Total</b>	<b>\$ (27,469,801)</b>

## 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.

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

All of the College’s recurring fair value measurements as of June 30, 2017 are valued using quoted market prices (Level 1 inputs).

The College’s investments at June 30, 2017, are reported at fair value, as follows:

<b>Investment by Fair Value Level:</b>	<b>Amount</b>	<b>Fair Value Using Quoted Prices in Active Markets for Identical Assets (Level 1)</b>
External Investment Pool:		
State Treasury Special Purpose Investment Account	\$ 43,823,006	\$ 43,823,006
SBA Debt Service Accounts	34,035	34,035
Mutual Funds: Equity	932,771	932,771
<b>Total Investment in Debt Obligations</b>	<b>\$ 44,789,812</b>	<b>\$ 44,789,812</b>
<b>Investments Measured at Amortized Cost:</b>		
SBA Florida Prime	3,007,223	
<b>Total College Investments</b>	<b>\$ 47,797,035</b>	

**State Board of Administration Debt Service Accounts.**

The College reported investments totaling \$34,035 at June 30, 2017, 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. The College relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. 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 held by the College’s component unit at December 31, 2016, are reported at fair market value with the following maturities:

Investment Type	Investment Maturities (In Years)					
	Fair Value	Less Than 1	1 - 5	6 - 10	11 - 15	More than 15
<b>Investment in Debt Obligations</b>						
U.S. Government Securities	\$ 2,085,562	\$ 116,633	\$ 1,100,591	\$ 470,219	\$	\$ 398,119
Mortgage Backed Pass Throughs	1,606,116		332,289	330,517	168,917	774,393
Corporate Bonds	1,897,493	189,786	714,365	739,466	42,983	210,893
<b>Total Investment in Debt Obligations</b>	<b>\$ 5,589,171</b>	<b>\$ 306,419</b>	<b>\$ 2,147,245</b>	<b>\$ 1,540,202</b>	<b>\$ 211,900</b>	<b>\$ 1,383,405</b>
<b>Other Investments</b>						
Mutual Funds	\$ 8,572,689					
Alternative Investments	1,957,821					
Equity Securities	14,448,391					
<b>Total Other Investments</b>	<b>24,978,900</b>					
<b>Total Component Unit Investments</b>	<b>\$ 30,568,072</b>					

The Foundation has developed an investment objective of growth and income over the long term. Per the Foundation's investment policy, the spending policy is to make available on an annual basis an amount equal to approximately 5.0 percent of the market value of the Foundation's assets as of the beginning of each fiscal year, plus approximately 1.0 percent to account for administrative expenses. These distributions may be from any combination of income, earnings, or principal value of contributions that are not donor or Board restricted. The following risks apply to the Foundation's investments:

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The Foundation's policy for managing its exposure for changes in interest rates is through maintaining diversification of its investments and investment maturity dates to minimize the impact of downturns in the market. As of December 31, 2016, the Foundation has investments in U.S. Government securities, mortgage-backed pass-throughs, and corporate bonds and is therefore subject to 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 Foundation's policy for managing its exposure to credit risk is through maintaining its investments in securities rated "BBB" (or its equivalent) or higher at the time of purchase by a nationally recognized statistical rating agency. As of December 31, 2016, the credit quality of the Foundation's fixed income accounts was investment grade "B" or higher. The policy also recommends a target asset allocation strategy of 60 percent equities (minimum 50 percent and maximum 70 percent limits) and 40 percent fixed income and cash equivalents (minimum 25 percent and maximum 50 percent limits).

Obligations of United States government agencies and instrumentalities and domestic equities do not require disclosure of credit quality. Mortgage-backed pass-throughs were not rated. Corporate bonds held by the Foundation at December 31, 2016, were rated as follows:

Investment Type	Fair Value	Credit Quality Ratings	
		Moody's	Standard & Poor's
Corporate Bonds	\$ 1,188,185	AA1 to BAA1	AA to A
	709,308	BAA2 to B2	BBB to B
<b>Total Corporate Bonds</b>	<b>\$ 1,897,493</b>		

*Custodial Credit Risk:* Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial risk relates to investment securities that are held by someone other than the Foundation and are not registered in the Foundation's name. The Foundation's investment policy does not address custodial credit risk.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation's investment policy requires that invested assets be broadly diversified by asset class, investment style, number of issues, issue type, and other factors consistent with the investment objectives to reduce the risk of wide swings in market value from year-to-year or incurring large losses that may result from concentrated positions. Subject to the usual standards of fiduciary prudence, and to minimize the risk of large losses, each investment manager is to maintain adequate diversification in their portfolio.

#### **4. Accounts Receivable**

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$696,311 allowance for doubtful accounts.

#### **5. Due From Other Governmental Agencies**

The amount primarily consists of \$1,648,773 of Public Education Capital Outlay allocations due from the State for construction of College facilities, \$446,659 due from Federal grants and scholarships, and \$972,466 due from the Florida Prepaid Scholarship Program.

#### **6. Due From Component Unit**

The \$13,324 reported as due from component unit consists of amounts owed by the Foundation primarily for scholarships. The College's financial statements are reported for the fiscal year ended June 30, 2017. The Foundation's financial statements are reported for the fiscal year ended December 31, 2016. Accordingly, although the College reported an amount due from the component unit on the statement of net position, no amount is reported by the component unit as due to the College.

#### **7. 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; Level 3 inputs are significant unobservable inputs.

#### **8. Inventories**

Inventories consist of centrally stored items, primarily office and teaching supplies held for College-wide use, and are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

#### **9. Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2017, is shown in the following table:



Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 9,767,812	\$	\$	\$ 9,767,812
Construction in Progress	13,678,486		13,678,485	1
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 23,446,298</b>	<b>\$ -</b>	<b>\$ 13,678,485</b>	<b>\$ 9,767,813</b>
Depreciable Capital Assets:				
Buildings	\$ 305,200,142	\$ 19,181,325	\$	\$ 324,381,467
Other Structures and Improvements	41,933,613	11,291,734	88,909	53,136,438
Furniture, Machinery, and Equipment	20,090,305	1,860,368	1,189,052	20,761,621
<b>Total Depreciable Capital Assets</b>	<b>367,224,060</b>	<b>32,333,427</b>	<b>1,277,961</b>	<b>398,279,526</b>
Less, Accumulated Depreciation:				
Buildings	105,768,769	7,790,857		113,559,626
Other Structures and Improvements	32,180,372	3,686,793	88,909	35,778,256
Furniture, Machinery, and Equipment	16,920,233	1,769,458	1,189,052	17,500,639
<b>Total Accumulated Depreciation</b>	<b>154,869,374</b>	<b>13,247,108</b>	<b>1,277,961</b>	<b>166,838,522</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 212,354,686</b>	<b>\$ 19,086,319</b>	<b>\$ (0.02)</b>	<b>\$ 231,441,004</b>

The June 30, 2017 Depreciable Capital Asset ending balance included donated capital assets of \$70,000 received during the year which included a dump truck and tractor for the Belle Glade Campus programs.

## 10. Unearned Revenue

As of June 30, 2017, the College reported \$14,458 in unearned revenue for student tuition and fees received prior to fiscal year-end related to the subsequent accounting period.

## 11. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2017, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 16,487,000		\$ 1,249,000	\$ 15,238,000	\$ 1,302,000
Loans Payable	2,289,230		1,295,779	993,451	992,732
Compensated Absences Payable	9,557,602	309,197	601,756	9,265,043	995,363
Other Postemployment Benefits Payable	684,914	176,769	83,338	778,345	
FRS Net Pension Liability	18,493,440	25,729,207	9,652,179	34,570,468	
HIS Net Pension Liability	19,039,573	5,922,519	2,829,024	22,133,068	638,089
Other Long-Term Liabilities	1,154,155	67,155	288,539	932,771	311,546
<b>Total Long-Term Liabilities</b>	<b>\$ 67,705,914</b>	<b>\$ 32,204,847</b>	<b>\$ 15,999,615</b>	<b>\$ 83,911,146</b>	<b>\$ 4,239,730</b>

**Long Term Liabilities – Discretely Presented Component Unit.** The Foundation reported \$893,080 of long term liability for annuities payable as of December, 31, 2016.

**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 2008A and 2012A. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and Section 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 Section 1009.23(11), Florida Statutes, by participating colleges on a parity with other 2008A bonds and any additional bonds issued subsequent to the issuance of the Series 2008A bonds. The Series 2008A bonds constitute the second series of bonds issued pursuant to a Master Authorizing Resolution. The Governing Board authorized the sale of the Series 2012A bonds by the Fourth Supplemental Resolution adopted on October 1, 2011, which also amended the Master Authorizing Resolution. 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 2008A and 2012A bonds will share the lien of such additional bonds on the Series 2008A and 2012A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The 2008A and 2012A bonds were issued for new construction and renovation and remodeling of educational facilities.

<b>Bond Type</b>	<b>Amount Outstanding</b>	<b>Interest Rates (Percent)</b>	<b>Annual Maturity To</b>
State Board of Education			
Capital Outlay Bonds:			
Series 2014-A	\$ 1,038,000	3.0 - 5.0	2025
Series 2014-B	400,000	2.0 - 5.0	2020
Florida Department of Education			
Capital Improvement Revenue Bonds:			
Series 2008-A	5,860,000	4.0 - 5.0	2028
Series 2012-A	7,940,000	2.0 - 3.625	2032
<b>Total</b>	<b>\$ 15,238,000</b>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2017, are as follows:

**State Board of Education Capital Outlay Bonds and  
Capital Improvement Revenue Bonds**

<b>Fiscal Year</b>			
<b>Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	1,302,000	568,751	1,870,751
2019	1,042,000	521,151	1,563,151
2020	1,074,000	486,851	1,560,851
2021	1,071,000	450,284	1,521,284
2022-2026	5,849,000	1,605,585	7,454,585
2027-2031	4,245,000	521,031	4,766,031
2032	655,000	23,744	678,744
<b>Total</b>	<b>\$ 15,238,000</b>	<b>\$ 4,177,397</b>	<b>\$ 19,415,397</b>

**Loans Payable.** On August 14, 2012, the College borrowed \$3,403,103 to finance the cost of network infrastructure. The loan matures on August 21, 2017, and payments are made annually. On December 11, 2012, the College borrowed \$3,000,000 to finance the acquisition of the Loxahatchee Groves new campus property. The loan matures on December 1, 2017, and payments are made quarterly. Annual requirements to amortize the outstanding loan as of June 30, 2017, are as follows:

<b>Fiscal Year</b>			
<b>Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2018	\$ 992,732	\$ 2,108	\$ 994,840

**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, 2017, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$9.2 million. The current portion of the compensated absences liability, \$995,363, is the amount expected to be paid in the coming fiscal year, and represents the average fiscal year payouts for all leave for the 2 fiscal years immediately preceding, including applicable tax payments.

**Other Postemployment Benefits Payable.** The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for other postemployment benefits provided by the Florida College System Risk Management Consortium (Consortium).

*Plan Description.* The College contributes to an agent, multiple-employer defined benefit plan (Plan) administered by the Consortium for postemployment benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former

employees who retire from the College are eligible to participate in the College’s healthcare benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the 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 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 program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the Plan and the Plan is not included in the annual report of a public employee retirement system or another entity.

*Funding Policy.* Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2016-17 fiscal year, 52 retirees received postemployment healthcare benefits. The College provided required contributions of \$58,031 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$332,948, which represents 1.8 percent of covered payroll.

*Annual OPEB Cost and Net OPEB Obligation.* The College’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College’s annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the College’s net OPEB obligation:

<b>Description</b>	<b>Amount</b>
Normal Cost (service cost for one year)	\$ 97,546
Amortization of Unfunded Actuarial Accrued Liability	51,826
<b>Annual Required Contribution</b>	149,372
Interest on Net OPEB Obligation	27,397
Adjustment to Annual Required Contribution	(25,307)
<b>Annual OPEB Cost (Expense)</b>	151,462
Contribution Toward the OPEB Cost	(58,031)
<b>Increase in Net OPEB Obligation</b>	93,431
Net OPEB Obligation, Beginning of Year	684,914
<b>Net OPEB Obligation, End of Year</b>	<b>\$ 778,345</b>

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2017, and for the 2 preceding fiscal years were as follows:

<u>Fiscal Years</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014-15	\$ 177,535	42.6%	\$ 572,703
2015-16	\$ 143,024	21.5%	\$ 684,914
2016-17	\$ 151,462	38.3%	\$ 778,345

*Funded Status and Funding Progress.* As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$1,285,099 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,285,099 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$69,739,633 for the 2016-17 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2015, used the entry age normal actuarial method to estimate the actuarial accrued liability as of June 30, 2017, and the College's 2016-17 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year, an inflation rate of 2.6 percent per year, and an annual healthcare cost trend rate of 7.5 percent pre-Medicare and 5.5 percent Medicare for the 2016-17 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 4 years for pre-Medicare and 1 year for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2017, was 22 years.

## **12. Retirement Plans – Defined Benefit Pension Plans**

### **General Information about the Florida Retirement System (FRS).**

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter

112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance. 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 (SMSC) employed by the State and faculty and specified employees of State colleges.

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 Florida Retirement System 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](http://www.dms.myflorida.com)).

The College's FRS and HIS pension expense totaled \$7.5 million for the fiscal year ended June 30, 2017.

### **FRS Pension Plan.**

*Plan Description.* The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (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 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.

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 chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>%Value</u>
<b>Regular Class Members initially enrolled before July 1, 2011</b>	
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
<b>Regular Class Members enrolled on or after July 1, 2011</b>	
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
<b>Senior Management Service Class</b>	2.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS 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 is 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 2016-17 fiscal year were:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.52
FRS, Senior Management Service	3.00	21.77
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	12.99
FRS, Reemployed Retiree	(2)	(2)

Notes: (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 \$3,780,083 for the fiscal year ended June 30, 2017.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2017, the College reported a liability of \$34,570,469 million for its proportionate share of the net pension liability.

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The College's proportionate share of the net pension liability was based on the College's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the College's proportionate share was .13691232 percent, which was a decrease of .00626631 percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the College recognized pension expense of \$5,600,288. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,646,981	\$ 321,874
Change in Assumptions	2,091,410	
Net Difference between projected and actual earnings on FRS pension plan investments	8,936,045	
Changes in proportion and differences between College FRS Contributions and Proportionate share of contributions	1,599,952	744,754
College FRS contributions subsequent to the measurement date	3,780,083	
<b>Total</b>	<b>\$ 19,054,471</b>	<b>\$ 1,066,628</b>

The deferred outflows of resources related to pensions totaling \$3,780,471 resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year Ending June 30</b>	<b>Principal</b>
2017	\$ 1,510,224
2018	1,510,224
2019	4,994,049
2020	3,599,575
2021	656,053
Thereafter	227,238
<b>Total</b>	<b>\$ 12,497,363</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:



Inflation	2.60 percent
Salary Changes	3.25 percent, average, including inflation
Investment Rate of Return	7.60 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, 2016, 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	Compound Annual	Standard Deviation
		Arithmetic Return	(Geometric) Return	
Cash	1%	3.0%	3.0%	1.7%
Fixed Income	18%	4.7%	4.6%	4.6%
Global Equity	53%	8.1%	6.8%	17.2%
Real Estate (Property)	10%	6.4%	5.8%	12.0%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	11.1%
<b>Total</b>	<b>100%</b>			
Assumed inflation-Mean		2.60%		1.90%

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

#### FRS INVESTMENTS

*Discount Rate.* The discount rate used to measure the total pension liability was 7.60 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.

*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 7.60 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 (6.60 percent) or 1 percentage point higher (8.60 percent) than the current rate:

<b>Asset Class</b>	<b>1% Decrease (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>1% Increase (8.60.%)</b>
College's Proportionate Share of the Net Pension Liability	\$ 63,646,574	\$ 34,570,469	\$ 10,376,666

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

*Payables to the Pension Plan.* At June 30, 2017, the College reported a payable of \$425,581 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2017.

### **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, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$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, 2017, the contribution rate was 1.26 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 \$1,027,714 for the fiscal year ended June 30, 2017.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions.* At June 30, 2017, the College reported a liability of \$22,133,067 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 one year, net of the College's proportionate share of the pension plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The College's proportionate share of the net pension liability was based on the College's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the College's proportionate share was .00189908652 percent, which was an increase of .000032174 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the College recognized pension expense of \$1,933,818. In addition, the College reported deferred outflows of resources related to pensions from the following sources:

<b>Description</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Change in Assumptions	\$ 3,473,241	
Change in Experience		\$ 50,411
Net Difference between projected and actual earnings on HIS pension plan investments	11,191	
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	504,267	
College contributions subsequent to the measurement date	1,027,714	
<b>Total</b>	<b>\$ 5,016,413</b>	<b>\$ 50,411</b>

The deferred outflows of resources totaling \$1,027,714 was related to pensions resulting from College contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year Ending June 30</b>	<b>Amount</b>
2017	\$ 520,068
2018	520,068
2019	517,837
2020	516,914
2021	459,143
Thereafter	395,623
<b>Total</b>	<b>\$ 2,929,653</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2016, determined by applying update procedures to the actual valuation at July 1, 2015, used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Changes	3.25 percent, average, including inflation
Municipal Bond Rate	2.85 percent

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

While an experience study had not been completed for the HIS Plan, the Florida Retirement System Actuarial Assumptions Conference reviewed the actuarial assumptions for the HIS Plan.

*Discount Rate.* The discount rate used to measure the total pension liability was 2.85 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.

*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 2.85 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 (1.85 percent) or 1 percentage point higher (3.85 percent) than the current rate:

<b>Asset Class</b>	<b>1% Decrease (1.85%)</b>	<b>Current Discount Rate (2.85%)</b>	<b>1% Increase (3.85%)</b>
College's Proportionate Share of the Net Pension Liability	\$ 25,391,656	\$ 22,133,067	\$ 19,428,615

*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, 2017, the College reported a payable of \$57,213 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2017.

### **13. Retirement Plans – Defined Contribution Pension Plans**

**FRS Investment Plan.** The State Board of Administration (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 of Florida 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 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2016-17 fiscal year were as follows:

<b>Class</b>	<b>Percent of Gross Compensation</b>
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, 2017, 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 rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The College's Investment Plan pension expense totaled \$447,808 for the fiscal year ended June 30, 2017.

**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 5.14 percent of the participant's salary to the participant's account, 2.54 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover the administrative costs, for a total of 7.69, 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 \$240,522 and employee contributions totaled \$133,923 for the fiscal year ended June 30, 2017.

**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 9 percent of the employee's salary to the Local Annuity Program. The participants 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 \$69,948 and employee contributions totaled \$24,315 for the fiscal year ended June 30, 2017.

#### 14. Construction Commitments

The College's major construction commitments at June 30, 2017, are as follows:

##### Major Construction Contract Commitments

Project Description	Total Commitment	Completed to Date	Balance Committed
Loxahatchee Groves Campus Construction Company	\$ 21,888,587	\$ 17,630,691	\$ 4,257,896
Architect	1,294,022	1,140,235	153,787
<b>Total</b>	<b>\$ 23,182,609</b>	<b>\$ 18,770,926</b>	<b>\$ 4,411,683</b>

#### 15. Operating Lease Commitments

The College leased computer equipment under an operating lease, which expires in 2018. These 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 this lease agreement are contingent upon future appropriations. Future minimum lease commitments for this noncancelable operating lease are \$1,320,704.

#### 16. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to \$200 million to February 28, 2017, and up to \$200 million from March 1, 2017, for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

#### 17. Litigation

The College is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the College's legal counsel and management, should not materially affect the College's financial position.

## 18. 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:

<b>Functional Classification</b>	<b>Amount</b>
Instruction	\$ 62,144,383
Public Services	712,613
Organized Research	
Academic Support	20,387,287
Student Services	24,220,307
Institutional Support	12,450,638
Operation and Maintenance of Plant	17,813,579
Scholarships and Waivers	28,745,714
Depreciation	13,158,200
Auxiliary Enterprises	736,889
<b>Total Operating Expenses</b>	<b>\$ 180,369,609</b>

## OTHER REQUIRED SUPPLEMENTARY INFORMATION

### Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (2) (3) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2011		\$ 1,090,710	\$ 1,090,710	0%	\$ 50,945,268	2.14%
7/1/2013		1,533,268	1,533,268	0%	51,196,916	2.99%
7/1/2015		1,285,099	1,285,099	0%	55,651,170	2.31%

Notes: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the unfunded actuarial accrued liability.

(2) The 7/1/2009 valuation assumed a discount rate of 3.00%. The 7/1/2011 and 7/1/2013 valuations assumed a discount rate of 4.00%.

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

Description	2016 (1)	2015 (1)	2014 (1)	2013 (1)
College's Proportion of the FRS net pension liability	0.13691232%	0.14317863%	0.14079430%	0.12586635%
College's Proportion of the FRS net pension liability	\$ 34,570,469	\$ 18,493,440	\$ 8,590,523	\$ 21,667,200
College's covered-employee payroll (2)	\$ 69,739,633	\$ 63,227,836	\$ 61,349,204	\$ 59,530,501
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	49.57%	29.25%	14.00%	36.40%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%	88.54%

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

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, State college system optional retirement plan, 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

Description	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	\$ 3,780,083	\$ 3,338,825	\$ 3,490,816	\$ 3,083,993
FRS contributions in relation to the contractually required contribution	(3,780,083)	(3,338,825)	(3,490,816)	(3,083,993)
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 64,274,429	\$ 64,274,429	\$ 63,227,836	\$ 61,349,204
FRS contributions as a percentage of covered-employee payroll	5.88%	5.19%	5.52%	5.03%

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

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

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

Description	2016 (1)	2015 (1)	2014 (1)
College's Proportion of the HIS net pension liability (asset)	18.6691279%	18.6691279%	18.4935417%
College's Proportion of the HIS net pension liability (asset)	\$ 22,133,067.00	\$ 19,039,574.00	\$ 17,291,913.00
College's covered-employee payroll	\$ 63,717,053.78	\$ 56,874,553.00	\$ 55,196,402.00
College's proportionate share of the HIS net pension liability (asset) as a percentage of its covered-employee payroll	34.74%	33.48%	31.33%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

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

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

### Schedule of College Contributions – Health Insurance Subsidy Pension Plan

Description	2017 (1)	2016 (1)	2015 (1)	2014(1)
Contractually required HIS contribution	\$ 1,027,714	\$ 973,403	\$ 713,650	\$ 633,527
HIS contributions in relation to the contractually required contribution	(1,027,714)	(973,403)	(713,650)	(633,527)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 63,717,054	\$ 58,869,058	\$ 56,874,553	\$ 55,196,402
HIS contributions as a percentage of covered-employee payroll	1.61%	1.65%	1.25%	1.15%

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

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

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## Notes to Required Supplementary Information

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### 1. Schedule of Funding Progress – Other Postemployment Benefit Plan

The July 1, 2015, unfunded actuarial accrued liability of \$1,285,099 was \$248,169 lower than the July 1, 2013, liability of \$1,533,268 as a result of the following factors:

- Demographic assumption (rates of termination, retirement, disability, and mortality) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of healthcare were updated.
- The rates of healthcare inflation used to project the per capita healthcare costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.
- The conditions for retirement eligibility and rates of retirement were supplemented to accommodate those active employees hired on or after July 1, 2011.

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

*Changes of Assumptions.* As of June 30, 2016, the inflation rate assumption remained at 2.6 percent, the real payroll growth remained at 0.65 percent, and the overall payroll growth rate assumption remained at 3.25 percent. The long term expected rate of return remained at 7.65 percent.

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

*Changes of Assumptions.* The municipal rate used to determine the total pension liability decreased from 4.29 percent to 3.80 percent.