

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

TALLAHASSEE COMMUNITY COLLEGE

For the Fiscal Year Ended
June 30, 2015



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2014-15 fiscal year, Dr. James T. Murdaugh served as President and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Frank S. Messersmith, Chair from 8-18-14, Vice Chair to 8-17-14	Wakulla
Donna G. Callaway, Vice Chair from 8-18-14	Leon
Eugene Lamb, Chair to 8-17-14	Gadsden
Jonathan A. Kilpatrick	Wakulla
Karen B. Moore	Leon
Randolph M. Pople	Gadsden
G. Kevin Vaughn	Leon

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

The team leader was Stacy P. Boyd and the audit was supervised by Karen L. Revell, CPA.

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

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TALLAHASSEE COMMUNITY COLLEGE
TABLE OF CONTENTS

	Page No.
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	1
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	14
Statement of Revenues, Expenses, and Changes in Net Position	16
Statement of Cash Flows	18
Notes to Financial Statements	20
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress – Other Postemployment Benefits Plan	43
Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	43
Schedule of College Contributions – Florida Retirement System Pension Plan	44
Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan.....	44
Schedule of College Contributions – Health Insurance Subsidy Pension Plan.....	45
Notes to Required Supplementary Information	45
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	
Internal Control Over Financial Reporting	46
Compliance and Other Matters	47
Purpose of this Report	47

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether Tallahassee Community College and its officers with administrative and stewardship responsibilities for College operations had:

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2015. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2016-135.

AUDIT METHODOLOGY

The methodology used to develop the findings in this report included the examination of pertinent College records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Tallahassee Community College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Tallahassee Community College and of its aggregate discretely presented component units as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 2 and 3 to the financial statements, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 24, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The 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, 2015, 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, 2015, and June 30, 2014, and its component units, Tallahassee Community College Foundation, Inc. and Public Safety Academy Housing, Inc. for the fiscal years ended March 31, 2015, and March 31, 2014.

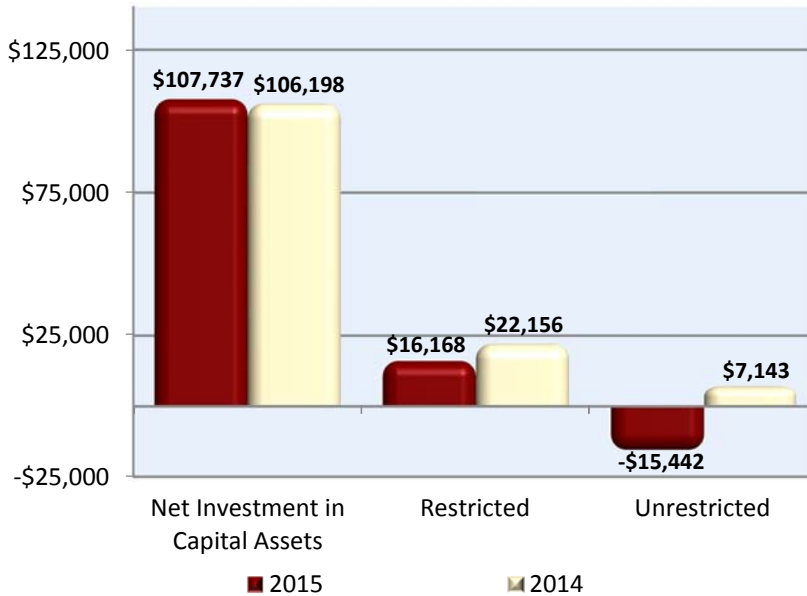
FINANCIAL HIGHLIGHTS

The College's assets totaled \$163.5 million at June 30, 2015. This balance reflects a \$2.4 million, or 1.5 percent, increase as compared to the 2013-14 fiscal year, resulting primarily from an increase of \$2.8 million in cash and cash equivalents, a decrease of \$0.9 million due from other governmental agencies as a result of a decrease in Public Education Capital Outlay (PECO) funding, and an increase in capital assets, net of \$0.5 million due primarily to the capitalization of construction in progress and the implementation of a new enterprise resource planning system. Liabilities increased by \$21.5 million, or 84.1 percent, totaling \$47.1 million at June 30, 2015, compared to \$25.6 million at June 30, 2014, resulting mainly from the addition of pension liabilities due to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the College's net position decreased by \$27 million, resulting in a year-end balance of \$108.5 million.

The College's operating revenues totaled \$46.7 million for the 2014-15 fiscal year, which were essentially the same as the 2013-14 fiscal year operating revenues. Operating expenses totaled \$109.8 million for the 2014-15 fiscal year, representing a 6 percent decrease as compared to the 2013-14 fiscal year due mainly to changes related to personnel services, scholarships and waivers, other services and expenses, and depreciation expenses.

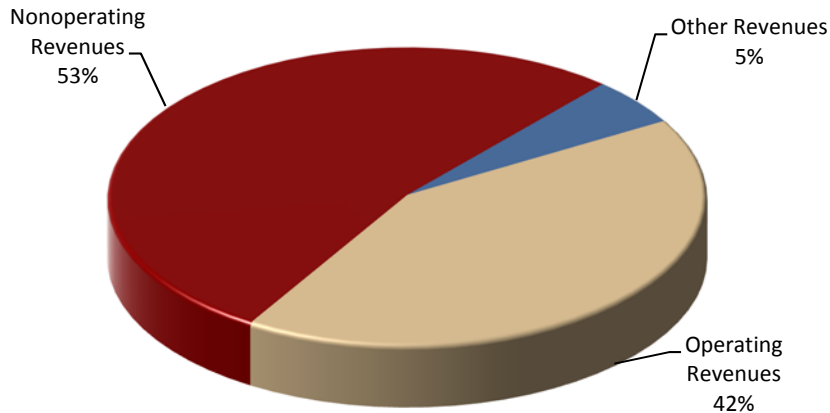
The College's comparative total net position by category for the fiscal years ended June 30, 2015, and June 30, 2014, is shown in the following graph:

Net Position: College
(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2014-15 fiscal year:

Total Revenues: College



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, provide information on the College as a whole, present a long-term view of the College’s finances, and include activities for the following entities:

- Tallahassee Community College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Tallahassee Community College Foundation, Inc. (Foundation) (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.
- Public Safety Academy Housing, Inc. (PSAH) (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

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.

A condensed statement of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College and its component units for the respective fiscal years ended is shown in the following table:

Condensed Statement of Net Position at (In Thousands)

	College		Component Units	
	6-30-15	6-30-14	3-31-15	3-31-14
Assets				
Current Assets	\$ 34,783	\$ 30,560	\$ 3,512	\$ 4,837
Capital Assets, Net	121,155	120,704	6,178	6,386
Other Noncurrent Assets	7,607	9,833	10,768	11,263
Total Assets	163,545	161,097	20,458	22,486
Deferred Outflows of Resources	4,647	-	-	-
Liabilities				
Current Liabilities	7,590	4,082	504	497
Noncurrent Liabilities	39,549	21,518	5,454	5,868
Total Liabilities	47,139	25,600	5,958	6,365
Deferred Inflows of Resources	12,590	-	-	-
Net Position				
Net Investment in Capital Assets	107,737	106,198	274	251
Restricted	16,168	22,156	12,875	14,685
Unrestricted	(15,442)	7,143	1,351	1,185
Total Net Position	\$ 108,463	\$ 135,497	\$ 14,500	\$ 16,121

The initial reporting of deferred outflows and inflows of resources and noncurrent liabilities and the significant decrease in the College's unrestricted net position resulted mainly from the implementation of GASB Statement No. 68. Further information on the implementation of this reporting change can be found in Notes 2 and 3 of the notes to financial statements.

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

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

The following summarizes the activities of the College and its component units for the respective fiscal years ended:

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

(In Thousands)

	College		Component Units	
	6-30-15	6-30-14	3-31-15	3-31-14
Operating Revenues	\$ 46,699	\$ 46,932	\$ 1,839	\$ 1,693
Less, Operating Expenses	109,788	116,751	3,200	2,071
Operating Income (Loss)	(63,089)	(69,819)	(1,361)	(378)
Net Nonoperating Revenues	58,541	62,102	(260)	919
Income (Loss) Before Other Revenues	(4,548)	(7,717)	(1,621)	541
Other Revenues	5,752	5,233	-	-
Net Increase (Decrease) In Net Position	1,204	(2,484)	(1,621)	541
Net Position, Beginning of Year	135,497	137,981	16,121	15,580
Adjustments to Beginning Net Position (1)	(28,238)	-	-	-
Net Position, Beginning of Year, as Restated	107,259	137,981	16,121	15,580
Net Position, End of Year	<u>\$ 108,463</u>	<u>\$ 135,497</u>	<u>\$ 14,500</u>	<u>\$ 16,121</u>

Note: (1) The adjustment to the College's beginning net position was due to the implementation of GASB Statement No. 68, which is a change in accounting principle that requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans. See Notes 2 and 3 to the financial statements.

Operating Revenues

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

The following summarizes the operating revenues for the College and its component units by source that were used to fund operating activities for the respective fiscal years ended:

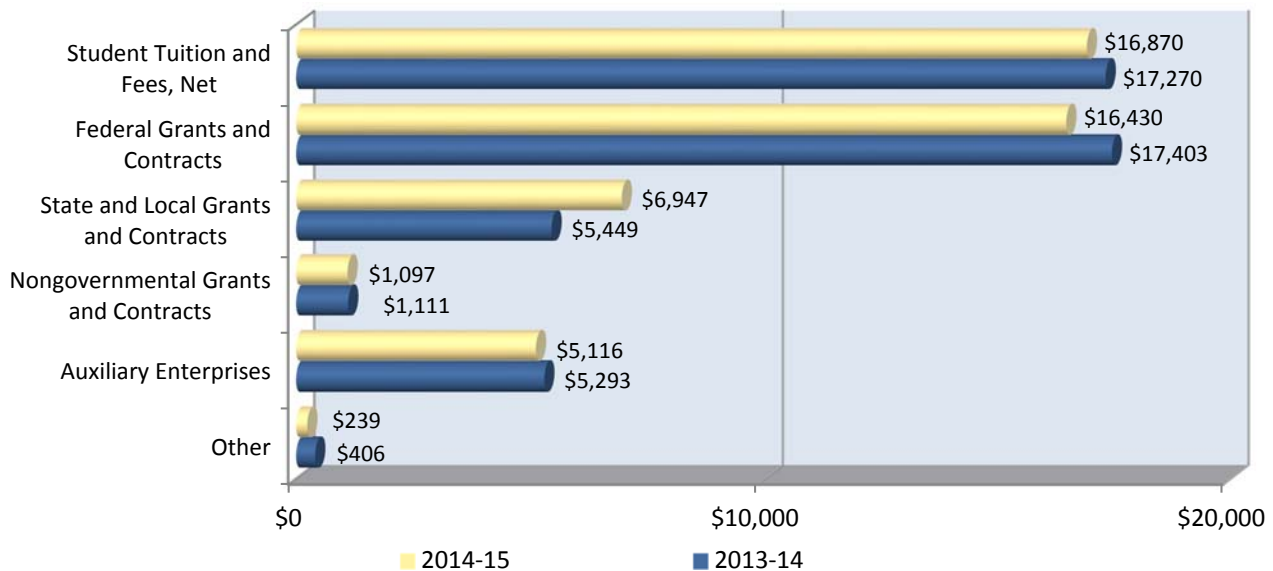
**Operating Revenues
For the Fiscal Years Ended**

(In Thousands)

	College		Component Units	
	6-30-15	6-30-14	3-31-15	3-31-14
Student Tuition and Fees, Net	\$ 16,870	\$ 17,270	\$ -	\$ -
Federal Grants and Contracts	16,430	17,403	-	-
State and Local Grants and Contracts	6,947	5,449	-	-
Nongovernmental Grants and Contracts	1,097	1,111	-	-
Auxiliary Enterprises	5,116	5,293	-	-
Other	239	406	1,839	1,693
Total Operating Revenues	\$ 46,699	\$ 46,932	\$ 1,839	\$ 1,693

The following chart presents the College's operating revenues for the 2014-15 and 2013-14 fiscal years:

Operating Revenues: College
(In Thousands)



College operating revenue changes were the result of the following factors: net student tuition and fees decreased by \$0.4 million, or 2.3 percent, due to a decline in student enrollment during the 2014-15 fiscal year. Federal grants and contracts decreased by \$1 million, or 5.6 percent, as a result of a decline in Federal grants during the 2014-15 fiscal year. State and local grants and contracts increased by \$1.5 million, or 27.5 percent, due to an increase in funding for grants and contracts during the 2014-15 fiscal year.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the

choice of reporting operating expenses in the functional or natural classifications. The College has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements. The following summarizes operating expenses by natural classification for the College and its component units for the respective fiscal years ended:

**Operating Expenses
For the Fiscal Years Ended**

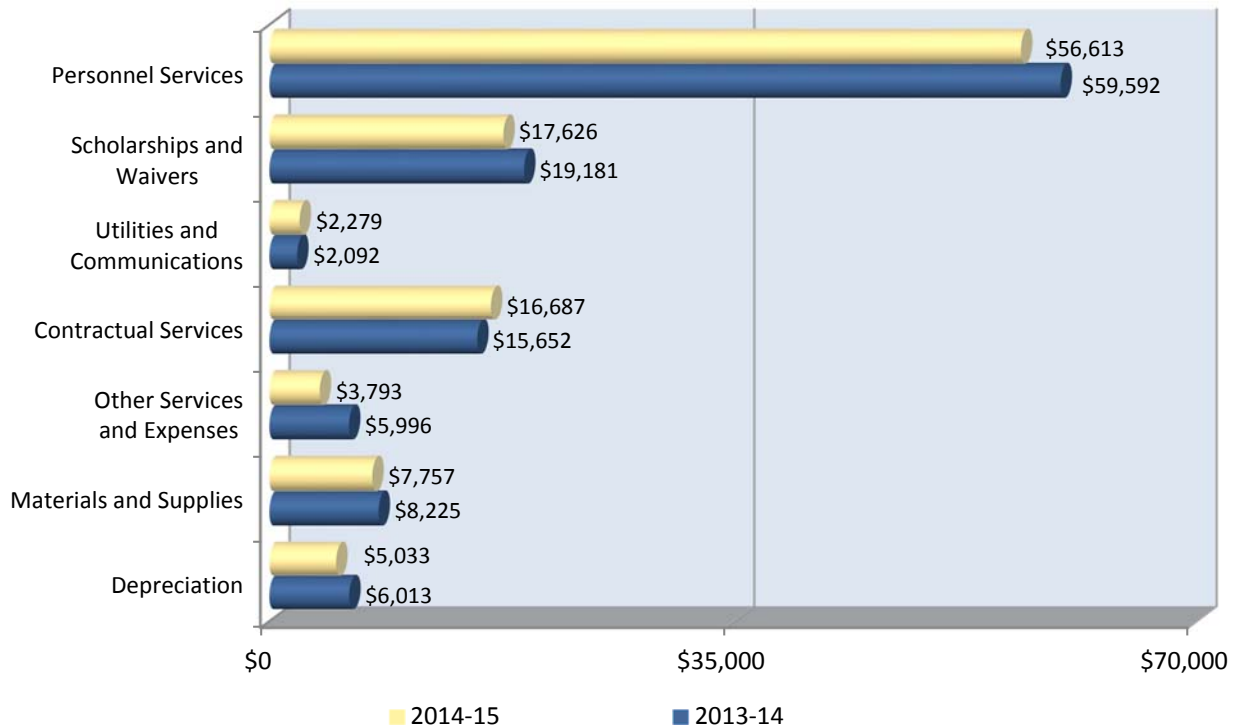
(In Thousands)

	College		Component Units	
	6-30-15	6-30-14	3-31-15	3-31-14
Personnel Services	\$ 56,613	\$ 59,592	\$ 301	\$ 423
Scholarships and Waivers	17,626	19,181	269	248
Utilities and Communications	2,279	2,092	4	6
Contractual Services	16,687	15,652	202	205
Other Services and Expenses	3,793	5,996	2,167	952
Materials and Supplies	7,757	8,225	49	29
Depreciation	5,033	6,013	208	208
Total Operating Expenses	\$ 109,788	\$ 116,751	\$ 3,200	\$ 2,071

The following chart presents the College's operating expenses for the 2014-15 and 2013-14 fiscal years:

Operating Expenses: College

(In Thousands)



College operating expense changes were the result of a decrease of \$3 million in salary payments. As indicated in the table below, the recording of the net pension liability adjustments decreased current expenses by \$1.6 million for salary and benefit payments. Other services and expenses decreased by \$2.2 million due primarily to discontinued Department of Transportation grant programs.

<u>Pension Plan</u>	<u>Pension Expense</u>	<u>Expenditures Reclassified to Deferred Outflows</u>	<u>Effects of Recording Net Pensions on Salary and Benefit Payments</u>
FRS	\$ 652,758	\$ (2,465,505)	\$ (1,812,747)
HIS	654,552	(457,343)	197,209
Total	\$ 1,307,310	\$ (2,922,848)	\$ (1,615,538)

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 2014-15 and 2013-14 fiscal years:

Nonoperating Revenues (Expenses): College

(In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
State Noncapital Appropriations	\$ 31,817	\$ 29,771
Federal and State Student Financial Aid	29,216	31,021
Gifts and Grants	182	2,874
Investment Income	5	8
Other Nonoperating Revenues	19	-
Interest on Capital Asset-Related Debt	(644)	(700)
Other Nonoperating Expenses	(2,054)	(872)
Net Nonoperating Revenues	\$ 58,541	\$ 62,102

College net nonoperating revenue decreased by \$3.6 million, or 5.7 percent. The decrease was primarily due to a decrease in gifts and grants of \$2.7 million, or 93.7 percent, as a result of the reduction in Federal stimulus funds through the American Recovery and Reinvestment Act.

Other Revenues

This category is mainly composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2014-15 and 2013-14 fiscal years:

Other Revenues: College

(In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
State Capital Appropriations	\$ 940	\$ 1,772
Capital Grants, Contracts, Gifts, and Fees	4,812	3,461
Total	<u>\$ 5,752</u>	<u>\$ 5,233</u>

Total other revenues increased by \$0.5 million as compared to the prior fiscal year. A decrease in State capital appropriations of \$0.8 million due to a decrease in PECO appropriations was offset by an increase in private capital grants and capital improvement fees collected of \$1.3 million.

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 2014-15 and 2013-14 fiscal years:

Condensed Statement of Cash Flows: College

(In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
Cash Provided (Used) by:		
Operating Activities	\$ (55,563)	\$ (66,276)
Noncapital Financing Activities	59,560	63,666
Capital and Related Financing Activities	(1,206)	425
Investing Activities	46	(554)
Net Increase (Decrease) in Cash and Cash Equivalents	2,837	(2,739)
Cash and Cash Equivalents, Beginning of Year	30,080	32,819
Cash and Cash Equivalents, End of Year	<u>\$ 32,917</u>	<u>\$ 30,080</u>

Major sources of funds came from State noncapital appropriations (\$31.8 million), Federal and State student financial aid (\$29.2 million), Federal Direct Loan program receipts (\$25.5 million), grants and contracts (\$23.4 million), net student tuition and fees (\$18.3 million), auxiliary enterprises (\$4.9 million), capital grants and gifts (\$4.8 million), and State capital appropriations (\$1.4 million). Major uses of funds were for payments to employees (\$46 million), payments to suppliers (\$25.6 million), and disbursements to students for Federal Direct Loans (\$25.5 million).

Changes in cash and cash equivalents increased by \$2.8 million from the prior fiscal year and were the result of the following factors: cash flows used by operating activities decreased by \$10.7 million, primarily

due to a decrease of \$6.8 million in payments to suppliers, \$1.5 million in payments for scholarships, and payments to employees of \$2.9 million. Cash provided by noncapital financing activities decreased by \$3.8 million due primarily to a decrease in gifts and grants received for other than capital or endowment purposes of \$2.7 million. Also, cash used by capital and related financing activities increased by \$1.9 million, mainly due to an increase in capital grants and gifts of \$1.4 million offset by an increase in purchases of capital assets of \$2.9 million.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION
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Capital Assets

At June 30, 2015, the College had \$197.1 million in capital assets, less accumulated depreciation of \$76 million, for net capital assets of \$121.1 million. Depreciation charges for the current fiscal year totaled \$5 million. The following table summarizes the College’s capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30: College

(In Thousands)

<u>Capital Assets</u>	<u>2015</u>	<u>2014</u>
Land	\$ 9,556	\$ 9,556
Construction in Progress	5,716	1,700
Buildings	103,361	105,452
Other Structures and Improvements	858	1,172
Furniture, Machinery, and Equipment	1,009	1,861
Assets Under Capital Leases	655	963
Capital Assets, Net	<u>\$121,155</u>	<u>\$120,704</u>

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2015, were incurred on the renovation of the Wakulla Environmental Center project and costs of implementation of the new Enterprise Resource Planning system. The College’s major construction commitments at June 30, 2015, are as follows:

	<u>Amount</u> <u>(In Thousands)</u>
Total Committed	\$ 11,889
Completed to Date	<u>7,253</u>
Balance Committed	<u>\$ 4,636</u>

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

Debt Administration

As of June 30, 2015, the College had \$13.9 million in outstanding long-term debt that included capital improvement revenue bonds payable, State Board of Education (SBE) capital outlay bonds payable, and capital leases payable, representing a decrease of \$1.1 million, or 7.4 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2015, and June 30, 2014:

Long-Term Debt, at June 30: College (In Thousands)

	<u>2015</u>	<u>2014</u>
Capital Improvement Revenue Bonds	\$ 9,660	\$ 10,195
SBE Capital Outlay Bonds	3,176	3,435
Capital Leases	<u>1,086</u>	<u>1,401</u>
Total	<u><u>\$ 13,922</u></u>	<u><u>\$ 15,031</u></u>

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2014-15 fiscal year, debt repayments totaled \$1.1 million and debt refunding of \$0.3 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

[ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE](#)

The College's economic condition is 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 2015-16 fiscal year. In response, the Board of Trustees did not increase the tuition rate for the Fall 2015 term. The College's current financial and capital plans indicate that the infusion of additional State funding 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 Dr. Barbara Wills, Vice President for Administrative Services, Tallahassee Community College, 444 Appleyard Drive, Tallahassee, Florida 32304.

BASIC FINANCIAL STATEMENTS

Tallahassee Community College
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2015

	<u>College</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 22,725,508	\$ 267,114
Restricted Cash and Cash Equivalents	2,654,924	-
Investments	563,435	2,884,045
Accounts Receivable, Net	2,026,611	349,794
Notes Receivable, Net	12,862	-
Due from Other Governmental Agencies	6,788,438	-
Inventories	10,486	-
Prepaid Expenses	1,000	10,863
Total Current Assets	34,783,264	3,511,816
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	7,536,667	-
Restricted Investments	69,843	9,929,989
Depreciable Capital Assets, Net	105,882,713	6,177,899
Nondepreciable Capital Assets	15,272,227	-
Other Assets	-	838,360
Total Noncurrent Assets	128,761,450	16,946,248
TOTAL ASSETS	163,544,714	20,458,064
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	4,647,377	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,338,868	54,055
Salary and Payroll Taxes Payable	424,429	-
Retainage Payable	46,461	-
Unearned Revenue	143,413	-
Deposits Held for Others	841,634	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	876,000	-
Notes Payable	-	449,664
Capital Leases Payable	364,793	-
Special Termination Benefits Payable	381,542	-
Compensated Absences Payable	767,839	-
Net Pension Liability	404,805	-
Total Current Liabilities	7,589,784	503,719

**Tallahassee Community College
A Component Unit of the State of Florida
Statement of Net Position (Continued)**

June 30, 2015

	College	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	11,960,000	-
Notes Payable	-	5,454,309
Capital Leases Payable	721,287	-
Special Termination Benefits Payable	577,227	-
Compensated Absences Payable	5,254,968	-
Other Postemployment Benefits Payable	2,760,027	-
Net Pension Liability	18,275,657	-
Total Noncurrent Liabilities	39,549,166	5,454,309
TOTAL LIABILITIES	47,138,950	5,958,028
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	12,589,771	-
NET POSITION		
Net Investment in Capital Assets	107,736,859	273,926
Restricted:		
Nonexpendable:		
Endowment	-	4,919,475
Expendable:		
Grants and Loans	1,339,956	-
Scholarships	479,960	7,955,608
Capital Projects	13,501,836	-
Debt Service	846,904	-
Unrestricted	(15,442,145)	1,351,027
TOTAL NET POSITION	\$ 108,463,370	\$ 14,500,036

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

Tallahassee Community 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, 2015

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$13,415,350	\$ 16,869,593	\$ -
Federal Grants and Contracts	16,429,992	-
State and Local Grants and Contracts	6,947,215	-
Nongovernmental Grants and Contracts	1,097,119	-
Auxiliary Enterprises	5,116,009	-
Other Operating Revenues	238,982	1,839,880
Total Operating Revenues	46,698,910	1,839,880
EXPENSES		
Operating Expenses:		
Personnel Services	56,613,089	300,651
Scholarships and Waivers	17,625,781	269,799
Utilities and Communications	2,278,883	4,186
Contractual Services	16,687,384	201,727
Other Services and Expenses	3,792,591	2,167,496
Materials and Supplies	7,756,967	48,605
Depreciation	5,033,227	207,661
Total Operating Expenses	109,787,922	3,200,125
Operating Loss	(63,089,012)	(1,360,245)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	31,817,398	-
Federal and State Student Financial Aid	29,216,207	-
Gifts and Grants	182,037	-
Investment Income	4,456	169,456
Other Nonoperating Revenues	19,074	-
Interest on Capital Asset-Related Debt	(644,261)	(283,958)
Other Nonoperating Expenses	(2,053,684)	(145,719)
Net Nonoperating Revenues (Expenses)	58,541,227	(260,221)
Loss Before Other Revenues	(4,547,785)	(1,620,466)
State Capital Appropriations	939,843	-
Capital Grants, Contracts, Gifts, and Fees	4,812,488	-
Total Other Revenues	5,752,331	-
Increase (Decrease) in Net Position	1,204,546	(1,620,466)
Net Position, Beginning of Year	135,497,218	16,120,502
Adjustment to Beginning Net Position	(28,238,394)	-
Net Position, Beginning of Year, as Restated	107,258,824	16,120,502
Net Position, End of Year	\$ 108,463,370	\$ 14,500,036

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

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**Tallahassee Community College
A Component Unit of the State of Florida
Statement of Cash Flows**

For the Fiscal Year Ended June 30, 2015

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 18,316,224
Grants and Contracts	23,435,896
Payments to Suppliers	(25,623,589)
Payments for Utilities and Communications	(2,278,883)
Payments to Employees	(46,032,439)
Payments for Employee Benefits	(10,993,651)
Payments for Scholarships	(17,625,781)
Loans Issued to Students	(12,691)
Collection on Loans to Students	47,029
Auxiliary Enterprises, Net	4,966,146
Other Receipts	238,982
	(55,562,757)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	31,817,398
Federal and State Student Financial Aid	29,216,207
Federal Direct Loan Program Receipts	25,495,488
Federal Direct Loan Program Disbursements	(25,495,488)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	182,037
Other Nonoperating Disbursements	(1,655,847)
	59,559,795
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,421,383
Capital Grants and Gifts	4,812,488
Purchases of Capital Assets	(5,700,436)
Principal Paid on Capital Debt and Leases	(1,095,234)
Interest Paid on Capital Debt and Leases	(644,261)
	(1,206,060)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	41,603
Investment Income	4,456
	46,059
Net Increase in Cash and Cash Equivalents	2,837,037
Cash and Cash Equivalents, Beginning of Year	30,080,062
Cash and Cash Equivalents, End of Year	\$ 32,917,099

**Tallahassee Community College
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)**

For the Fiscal Year Ended June 30, 2015

	College
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (63,089,012)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,033,227
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	204,671
Inventories	38,926
Prepaid Expenses	2,166
Accounts Payable	3,128,652
Unearned Revenue	49,128
Deposits Held for Others	(573,930)
Special Termination Benefits Payable	65,511
Compensated Absences Payable	956,728
Other Postemployment Benefits Payable	236,714
Net Pension Liability	(12,377,025)
Deferred Outflows of Resources Related to Pensions	(1,828,284)
Deferred Inflows of Resources Related to Pensions	12,589,771
NET CASH USED BY OPERATING ACTIVITIES	\$ (55,562,757)

**SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL
FINANCING ACTIVITIES**

The State Board of Education (SBE) issued \$301,000 in SBE Capital Outlay Bonds, Series 2014B, to refund \$315,000 in SBE Capital Outlay Bonds, Series 2005B. The new debt and the refunded debt were recorded as an increase and a decrease, respectively, to bonds payable on the statement of net position; however, the transactions, including the debt service savings, are not cash transactions for the statement of cash flows.

\$ 14,000

Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.

\$ (195,905)

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The governing body of Tallahassee Community 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 seven members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by law and State Board of Education 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 State Board of Education rules. Geographic boundaries of the District correspond with those of Gadsden, Leon, and Wakulla Counties.

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

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following component units are included within the College's reporting entity:

- The Tallahassee Community College Foundation, Inc. (Foundation) – This legally separate organization provides funding and services to support and foster the pursuit of higher education at the College and is governed by a separate board.
- Public Safety Academy Housing, Inc. (PSAH) – This legally separate organization was established to obtain financing to construct a 200-room housing facility for students at the College's Florida Public Safety Institute. The housing facility was completed on January 4, 2006. Upon completion, the PSAH executed an agreement with the College whereby the College leases the housing facility from the PSAH and is responsible for operating and maintaining the facility. In exchange, the PSAH receives a monthly lease payment in the amount of its mortgage payment and operating expenses. During the 2014-2015 fiscal year, these lease and note transactions accounted for substantially all of the PSAH financial activity.

The Foundation and the PSAH are also direct-support organizations, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, are financially accountable to the College. The Foundation and the PSAH are managed independently, outside the College's budgeting process, and their powers generally are vested in a governing board pursuant to various State statutes. The Foundation and the PSAH receive, hold, invest, and administer property, and make expenses to or for the benefit of the College.

The Foundation and the PSAH are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation and PSAH audited financial statements are available to the public at the College's administrative offices. The financial data reported on the accompanying financial statements for the Foundation and the PSAH was derived from the Foundation and PSAH audited financial

statements for the fiscal year ended March 31, 2015. Additional condensed financial statements for the College's component units are included in a subsequent note.

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

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

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

The College's component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The Foundation follows FASB standards of accounting and financial reporting for not-for-profit organizations. The PSAH 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, gifts and grants,

investment income, 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 calculated the scholarship allowance by determining the total financial aid received for the fiscal year, then excluding all loan assistance from this total. The College then applied the average for scholarship allowance percentage to tuition and fees for the previous five years to the current year tuition and fees, then applied the product as the current year scholarship allowance.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and funds invested with the State Board of Administration (SBA) Florida PRIME investment pool. 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 SBA Florida PRIME investment pool to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2015, the College reported as cash equivalents \$10,442 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 34 days as of June 30, 2015. 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.

Capital Assets. College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and assets under capital leases. 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 increased the capitalization threshold from \$25,000 to \$65,000 for buildings and other structures and improvements during the 2014-15 fiscal year. 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
- Assets Under Capital Lease – 3 to 10 years

Land, buildings, and equipment of the College's component units are stated at cost, except for donated property, which is stated at fair market value at the date of donation and is net of accumulated depreciation of \$2,498,811. The College's component units depreciate buildings and equipment over an estimated life of 39 years for buildings and improvements and from 5 to 7 years for furniture and equipment.

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, capital leases 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. Reporting Change

The College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The College participates in the FRS defined benefit pension plan and the HIS defined benefit plan administered by the Florida Department of Management Services, Division of Retirement. The effects of implementing this Statement are discussed in a subsequent note.

3. Adjustment to Beginning Net Position

The beginning net position of the College was decreased by \$28,238,394 due to the adoption of a new GASB Pronouncement, Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires the College to recognize its proportionate share of the net pension liabilities and related pension amounts of the cost-sharing multiple-employer FRS and HIS defined benefit plans.

4. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (24,271,428)
Auxiliary Funds	8,829,283
Total	\$ (15,442,145)

5. 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. State Board of Education (SBE) Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments.

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

The College's investments at June 30, 2015, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Debt Service Accounts	\$ 69,843
Certificates of Deposit	563,435
Total College Investments	\$ 633,278

State Board of Administration Debt Service Accounts

The College reported investments totaling \$69,843 at June 30, 2015, 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.

Certificates of Deposit

The College reported investments totaling \$563,435 at June 30, 2015, in certificates of deposits (CDs) with two banks. The investments in CDs were fully insured by the Federal Deposit Insurance Corporation, except for \$104,509 in investments not insured. The CDs carry original maturity dates of 12 months with annual percentage interest rates between 0.10 and 0.20 percent.

Component Units Investments

Investments reported by the College's component units consisted of those held by the Tallahassee Community College Foundation, Inc. at March 31, 2015, and are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Mutual Funds	\$12,708,014
Money Market Funds	95,692
State Board of Administration Fund	10,328
Total Investments	<u>\$ 12,814,034</u>

6. 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, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$1,222,235 allowance for doubtful accounts.

7. Notes Receivable

Notes receivable represent student loans made for veteran students' fees of \$50,836, and short-term loan program of \$162. Notes receivable are reported net of a \$38,136 allowance for doubtful notes.

8. Due From Other Governmental Agencies

The amount due from other governmental agencies consists of \$5,020,971 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$1,767,467 due from Federal and State agencies for contracts and grants.

9. Inventories

Inventories consist of items for resale by the Florida Public Safety Institute store, 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.

10. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 9,556,301	\$ -	\$ -	\$ 9,556,301
Construction in Progress	1,700,256	4,482,687	467,017	5,715,926
Total Nondepreciable Capital Assets	\$ 11,256,557	\$ 4,482,687	\$ 467,017	\$ 15,272,227
Depreciable Capital Assets:				
Buildings	\$ 154,832,055	\$ 1,447,382	\$ -	\$ 156,279,437
Other Structures and Improvements	11,446,483	-	-	11,446,483
Furniture, Machinery, and Equipment	11,489,345	216,692	458,565	11,247,472
Assets Under Capital Leases	2,892,420	-	-	2,892,420
Total Depreciable Capital Assets	180,660,303	1,664,074	458,565	181,865,812
Less, Accumulated Depreciation:				
Buildings	49,380,583	3,538,414	-	52,918,997
Other Structures and Improvements	10,274,437	313,941	-	10,588,378
Furniture, Machinery, and Equipment	9,628,493	872,495	262,660	10,238,328
Assets Under Capital Leases	1,929,019	308,377	-	2,237,396
Total Accumulated Depreciation	71,212,532	5,033,227	262,660	75,983,099
Total Depreciable Capital Assets, Net	\$ 109,447,771	\$ (3,369,153)	\$ 195,905	\$ 105,882,713

11. Unearned Revenue

Unearned revenue at June 30, 2015, includes advance funding for contracts and grants and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2015, the College reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 25,825
Student Tuition and Fees	117,588
Total Unearned Revenue	\$ 143,413

12. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2015, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable	\$ 13,630,000	\$ 301,000	\$ 1,095,000	\$ 12,836,000	\$ 876,000
Capital Leases Payable	1,401,314	-	315,234	1,086,080	364,793
Special Termination Benefits Payable	893,259	350,930	285,420	958,769	381,542
Compensated Absences Payable	5,066,079	3,380,059	2,423,331	6,022,807	767,839
Other Postemployment Benefits Payable	2,523,313	416,421	179,707	2,760,027	-
Net Pension Liability (1)	31,057,487	3,031,839	15,408,864	18,680,462	404,805
Total Long-Term Liabilities	\$ 54,571,452	\$ 7,480,249	\$ 19,707,556	\$ 42,344,145	\$ 2,794,979

Note: (1) The beginning balance resulted from the implementation of GASB Statement No. 68.

Bonds Payable - College. 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 2006A.** 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 the Series 2006A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2006A bonds. The Series 2006A bonds constitute the first series of bonds to be issued pursuant to a 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 2006A bonds will share the lien of such additional bonds on the Series 2006A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The bonds were issued for new construction and renovation and remodeling of educational facilities.

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
SBE Capital Outlay Bonds:			
Series 2009A	\$ 2,365,000	4.0 - 5.0	2029
Series 2010A	510,000	3.5 - 5.0	2030
Series 2014B	301,000	5.0	2020
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2006A	9,660,000	3.5 - 5.0	2027
Total	\$ 12,836,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2016	\$ 876,000	\$ 563,013	\$ 1,439,013
2017	770,000	527,788	1,297,788
2018	725,000	493,688	1,218,688
2019	765,000	456,687	1,221,687
2020	815,000	417,812	1,232,812
2021-2025	4,850,000	1,438,935	6,288,935
2026-2030	4,035,000	294,712	4,329,712
Total	\$ 12,836,000	\$ 4,192,635	\$ 17,028,635

On December 2, 2014, the SBE issued \$129,880,000 of the SBE Capital Outlay Bonds, Series 2014B. The College's portion of the bonds, \$301,000, was used to refund \$315,000 of outstanding SBE Capital Outlay Bonds, Series 2005B. The SBE Capital Outlay Bonds, Series 2005B were called on January 1, 2015. As a result of the refunding, the College had a debt service savings of \$25,975 and obtained an economic gain of \$19,073.

Mortgage Note Payable – Component Unit. The PSAH executed a mortgage payable on May 21, 2004, to construct a housing facility to provide short-term lodging for students of the College's Florida Public Safety Institute. The amount of the note is \$9 million and bears interest at a variable rate, currently 5.45 percent. The note is collateralized by a leasehold mortgage in real estate, a first priority security interest in all personal property located at the facility, and the assignment of rents derived from the operation of the housing facility. Annual requirements to amortize the outstanding note as of March 31, 2015, are as follows:

Fiscal Year Ending March 31	Principal	Interest	Total
2016	\$ 449,664	\$ 228,129	\$ 677,793
2017	533,110	163,581	696,691
2018	589,686	143,723	733,409
2019	604,006	129,362	733,368
2020	621,286	111,998	733,284
2021-2025	3,106,221	224,006	3,330,227
Total	\$ 5,903,973	\$ 1,000,799	\$ 6,904,772

Capital Leases Payable. Energy savings equipment in the amount of \$2,701,069 and computer equipment in the amount of \$191,351 are being acquired under capital lease agreements. The stated interest rate is 3.5 and 3 percent, respectively. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2015, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 403,571
2017	410,476
2018	<u>341,129</u>
Total Minimum Payments	1,155,176
Less, Amount Representing Interest	<u>69,096</u>
Present Value of Minimum Payments	<u>\$ 1,086,080</u>

Special Termination Benefits Payable. Under a Board-established Retirement Incentive Program, employees who were hired prior to July 1, 1995, and elect to retire within 36 months from the achievement of normal retirement, as defined in Sections 121.091 and 238.07, Florida Statutes, receive an incentive payment of 10 percent based on their salary at retirement. In addition, the employee receives payment for a maximum of 1,440 hours of sick leave. The College reported a special termination benefits payable of \$958,769 as of June 30, 2015, for 29 employees who gave notice to retire under the Retirement Incentive Program, of which \$381,542 represents the current portion.

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, 2015, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$6,022,807. The current portion of the compensated absences liability, \$767,839, is the amount expected to be paid in the coming fiscal year, and is calculated as a percentage of total liability, based on the average ratio of employees who terminated services to the total number of authorized positions for each of the preceding five years.

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 administered 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 and life insurance 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 2014-15 fiscal year, 182 retirees received postemployment healthcare benefits and 109 retirees received postemployment life insurance benefits. The College provided required contributions of \$179,707 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 \$924,425, which represents 2.4 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:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 220,582
Amortization of Unfunded Actuarial Accrued Liability	<u>179,017</u>
Annual Required Contribution	399,599
Interest on Net OPEB Obligation	100,933
Adjustment to Annual Required Contribution	<u>(84,111)</u>
Annual OPEB Cost (Expense)	416,421
Contribution Toward the OPEB Cost	<u>(179,707)</u>
Increase in Net OPEB Obligation	236,714
Net OPEB Obligation, Beginning of Year	<u>2,523,313</u>
Net OPEB Obligation, End of Year	<u><u>\$ 2,760,027</u></u>

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2015, and for the 2 preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012-13	\$ 555,186	24.0%	\$ 2,291,572
2013-14	398,311	41.8%	2,523,313
2014-15	416,421	43.2%	2,760,027

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$5,128,091 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$5,128,091 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$37,791,704 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.6 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, 2013, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2015, and the College's 2014-15 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is based upon the likely return of the assets if placed in trust to pay benefits. The actuarial assumptions also included a payroll growth rate of 4 percent per year, an inflation rate of 3 percent per year, and an annual healthcare cost trend rate of 7.5 percent pre-Medicare and 6 percent Medicare for the 2014-15 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 3 years for pre-Medicare and 2 years 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, 2015, was 22 years.

13. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program 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 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).

The College's pension expense for FRS and HIS totaled \$1,307,310 for the 2014-15 fiscal year.

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* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of 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>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Special Risk Regular	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00
Senior Management Service Class	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 2014-15 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.37
FRS, Senior Management Service	3.00	21.14
FRS, Special Risk	3.00	19.82
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The College's contributions to the Plan totaled \$2,465,505 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the College reported a liability of \$6,622,032 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the College's proportionate share was 0.108531737 percent, which was an increase of 0.000986239 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of \$652,758. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 409,791
Change of assumptions	1,146,827	-
Net difference between projected and actual earnings on FRS pension plan investments	-	11,046,649
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	142,827	-
College FRS contributions subsequent to the measurement date	2,465,505	-
Total	\$ 3,755,159	\$ 11,456,440

The deferred outflows of resources related to pensions totaling \$2,465,505 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (2,595,651)
2017	(2,595,651)
2018	(2,595,651)
2019	(2,595,651)
2020	166,012
Thereafter	49,806
Total	\$ (10,166,786)

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment rate of return	7.65 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, 2014, 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:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.65 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 7.65 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 (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	<u>1% Decrease (6.65%)</u>	<u>Current Discount Rate (7.65%)</u>	<u>1% Increase (8.65%)</u>
College's proportionate share of the net pension liability	\$ 28,323,310	\$ 6,622,032	\$ (11,429,291)

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2015, 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, 2015, 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 \$457,343 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the College reported a liability of \$12,058,430 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 HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the College's proportionate share was 0.128963797 percent, which was a decrease of 0.015116912 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of \$654,552. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 429,087	\$ -
Net difference between projected and actual earnings on HIS pension plan investments	5,788	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	-	1,133,331
College contributions subsequent to the measurement date	457,343	-
Total	<u>\$ 892,218</u>	<u>\$ 1,133,331</u>

The deferred outflows of resources totaling \$457,343 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (112,141)
2017	(112,141)
2018	(112,141)
2019	(112,141)
2020	(113,588)
Thereafter	(136,304)
Total	<u>\$ (698,456)</u>

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	4.29 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 4.29 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 4.29 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 (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
College's proportionate share of the net pension liability	\$ 13,715,487	\$ 12,058,430	\$ 10,675,261

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

14. 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 contribution 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 Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of

0.04 percent of payroll and by forfeited benefits of Plan members. Allocations to the Investment Plan member accounts during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

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, 2015, 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 \$660,012 for the fiscal year ended June 30, 2015.

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 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the College to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The College's contributions to the Program totaled \$173,553 and employee contributions totaled \$74,999 for the 2014-15 fiscal year.

15. Construction Commitments

The College's major construction commitments at June 30, 2015, are as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Capitalized			
Enterprise Resource Planning System:			
Architect/Other	\$ 5,126,457	\$ 4,411,618	\$ 714,839
Wakulla Environmental Center:			
Contractor	4,278,511	418,149	3,860,362
Architect/Other	838,085	776,975	61,110
Total Capitalized Projects	<u>10,243,053</u>	<u>5,606,742</u>	<u>4,636,311</u>
Noncapitalized:			
Enterprise Resource Planning System:			
Architect/Other	1,642,177	1,642,177	-
Wakulla Environmental Center:			
Architect/Other	3,950	3,950	-
Total Noncapitalized Projects	<u>1,646,127</u>	<u>1,646,127</u>	<u>-</u>
Total Construction Contract Commitments	<u>\$ 11,889,180</u>	<u>\$ 7,252,869</u>	<u>\$ 4,636,311</u>

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 \$150 million to February 28, 2015, and up to \$200 million from March 1, 2015, for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

17. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program

elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 32,226,745
Public Services	3,783,023
Academic Support	5,148,009
Student Services	11,468,106
Institutional Support	23,791,793
Operation and Maintenance of Plant	7,061,051
Scholarships and Waivers	17,625,781
Depreciation	5,033,227
Auxiliary Enterprises	3,650,187
Total Operating Expenses	\$ 109,787,922

18. Discretely Presented Component Units

The College has two discretely presented component units as discussed in Note 1. These component units represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

Condensed Statement of Net Position

	<u>Direct-Support Organizations</u>		<u>Total</u>
	<u>Tallahassee Community College Foundation, Inc. 3-31-15</u>	<u>Public Safety Academy Housing, Inc. 3-31-15</u>	
Assets:			
Current Assets	\$ 3,445,667	\$ 66,149	\$ 3,511,816
Capital Assets, Net	-	6,177,899	6,177,899
Other Noncurrent Assets	10,768,349	-	10,768,349
Total Assets	14,214,016	6,244,048	20,458,064
Liabilities:			
Current Liabilities	39,328	464,391	503,719
Noncurrent Liabilities	-	5,454,309	5,454,309
Total Liabilities	39,328	5,918,700	5,958,028
Net Position:			
Net Investment in Capital Assets	-	273,926	273,926
Restricted Nonexpendable	4,919,475	-	4,919,475
Restricted Expendable	7,955,608	-	7,955,608
Unrestricted	1,299,605	51,422	1,351,027
Total Net Position	\$ 14,174,688	\$ 325,348	\$ 14,500,036

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

	<u>Direct-Support Organizations</u>		<u>Total</u>
	<u>Tallahassee Community College Foundation, Inc. 3-31-15</u>	<u>Public Safety Academy Housing, Inc. 3-31-15</u>	
Operating Revenues	\$ 1,125,307	\$ 714,573	\$ 1,839,880
Depreciation Expense	-	(207,661)	(207,661)
Operating Expenses	<u>(2,979,403)</u>	<u>(13,061)</u>	<u>(2,992,464)</u>
Operating Income (Loss)	<u>(1,854,096)</u>	<u>493,851</u>	<u>(1,360,245)</u>
Net Nonoperating Revenues (Expenses)			
Nonoperating Revenues	169,456	-	169,456
Interest Expense	-	(283,958)	(283,958)
Other Nonoperating Expenses	<u>-</u>	<u>(145,719)</u>	<u>(145,719)</u>
Net Nonoperating Revenues (Expenses)	<u>169,456</u>	<u>(429,677)</u>	<u>(260,221)</u>
Increase (Decrease) in Net Position	<u>(1,684,640)</u>	<u>64,174</u>	<u>(1,620,466)</u>
Net Position, Beginning of Year	<u>15,859,328</u>	<u>261,174</u>	<u>16,120,502</u>
Net Position, End of Year	<u><u>\$ 14,174,688</u></u>	<u><u>\$ 325,348</u></u>	<u><u>\$ 14,500,036</u></u>

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 8,025,892	\$ 8,025,892	0%	\$39,111,832	20.5%
7/1/2011	-	5,386,710	5,386,710	0%	37,835,863	14.2%
7/1/2013	-	5,128,091	5,128,091	0%	32,210,525	15.9%

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

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

	2014 (1)	2013 (1)
College's proportion of the FRS net pension liability	0.108531737%	0.107545498%
College's proportionate share of the FRS net pension liability	\$ 6,622,032	\$ 18,513,367
College's covered-employee payroll (2)	\$ 41,223,425	\$ 45,155,227
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	16.06%	41.00%
FRS Plan fiduciary net position as a percentage of the total pension liability	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, 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**

	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required FRS contribution	\$ 2,465,505	\$ 2,377,306
FRS contributions in relation to the contractually required contribution	<u>(2,465,505)</u>	<u>(2,377,306)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 39,130,532	\$ 41,223,425
FRS contributions as a percentage of covered-employee payroll	6.30%	5.77%

- 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 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**

	<u>2014 (1)</u>	<u>2013 (1)</u>
College's proportion of the HIS net pension liability	0.128963797%	0.144080709%
College's proportionate share of the HIS net pension liability	\$ 12,058,430	\$ 12,544,120
College's covered-employee payroll (2)	\$ 41,223,425	\$ 45,155,227
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	29.25%	27.78%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

- 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**

	2015 (1)	2014 (1)
Contractually required HIS contribution	\$ 457,343	\$ 441,787
HIS contributions in relation to the contractually required HIS contribution	(457,343)	(441,787)
HIS contribution deficiency (excess)	\$ -	\$ -
College's covered-employee payroll (2)	\$ 39,130,532	\$ 41,223,425
HIS contributions as a percentage of covered-employee payroll	1.17%	1.07%

- 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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
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**1. Schedule of Net Pension Liability and Schedule of Contributions –
Florida Retirement System Pension Plan**

Changes of Assumptions. As of June 30, 2014, the inflation rate assumption was decreased from 3 percent to 2.6 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

**2. 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 4.63 percent to 4.29 percent.



Sherrill F. Norman, CPA
Auditor General

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Tallahassee Community College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 24, 2016, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

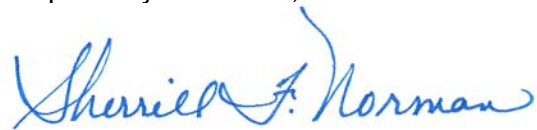
As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

We noted certain matters that we reported to College management in our operational audit report No. 2016-135.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS** is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 24, 2016