STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2017-169
March 2017

TALLAHASSEE COMMUNITY COLLEGE

For the Fiscal Year Ended
June 30, 2016

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2015-16 fiscal year, Dr. James T. Murdaugh served as President of Tallahassee Community College and the following individuals served as Members of the Board of Trustees:

	County
Donna G. Callaway, Chair from 8-24-15, Vice Chair to 8-23-15	Leon
Randolph M. Pople, Vice Chair from 8-24-15	Gadsden
Frank S. Messersmith, Chair to 8-23-15	Wakulla
Jonathan A. Kilpatrick	Wakulla
Eugene Lamb	Gadsden
Karen B. Moore	Leon
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

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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

We noted a certain matter involving the College's internal control over financial reporting and its operation that we consider to be a significant deficiency, as summarized below. However, this significant deficiency is not considered to be a material weakness.

Significant Deficiency

Finding 2016-001: College procedures did not effectively provide for:

- Appropriate separation of the bank account reconciliation and journal entry responsibilities.
- Proper reconciliations of bank statement cash account balances to the general ledger cash account balances with reconciling items thoroughly investigated and adequately identified and documented.
- Timely required adjustments to the general ledger cash account balances as a result of the bank account reconciliations.
- Appropriate supervisory review and approval of the bank account reconciliations and journal entries to ensure that the reconciliations were properly performed and the entries were accurately made.

Additionally, before acceptance of audit adjustments to properly report the cash and cash equivalents account on the College financial statements at June 30, 2016, the College had overstated that account by $2,477,733. As of February 3, 2017, College records lacked explanation(s) for the $28,972 difference between the bank statement and general ledger cash account balances at June 30, 2016.

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, 2016. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

AUDIT METHODOLOGY

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

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of 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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

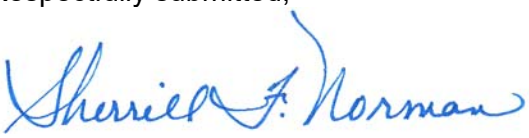
Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement 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 dated March 20, 2017, 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 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

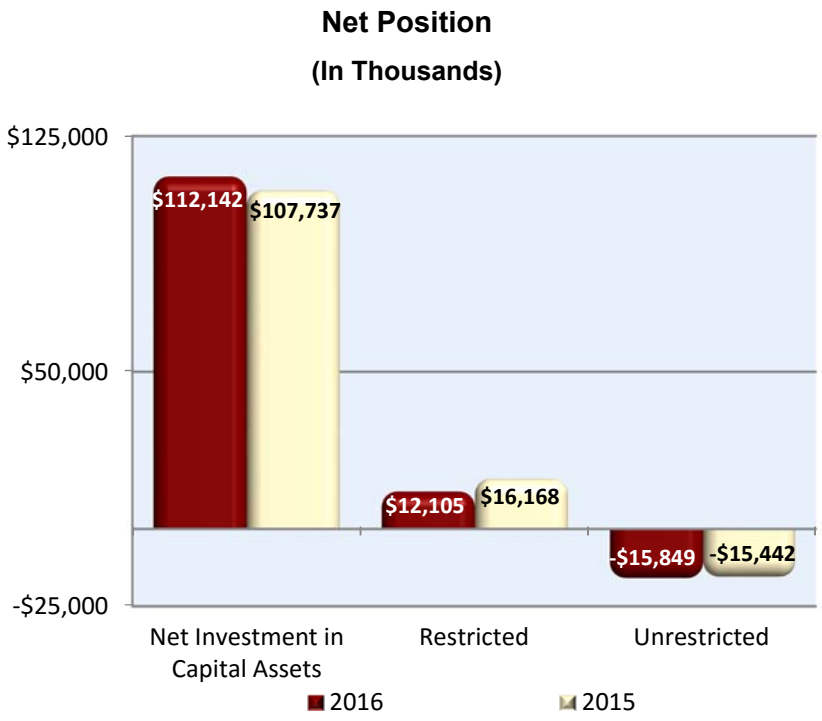
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2016, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are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

FINANCIAL HIGHLIGHTS

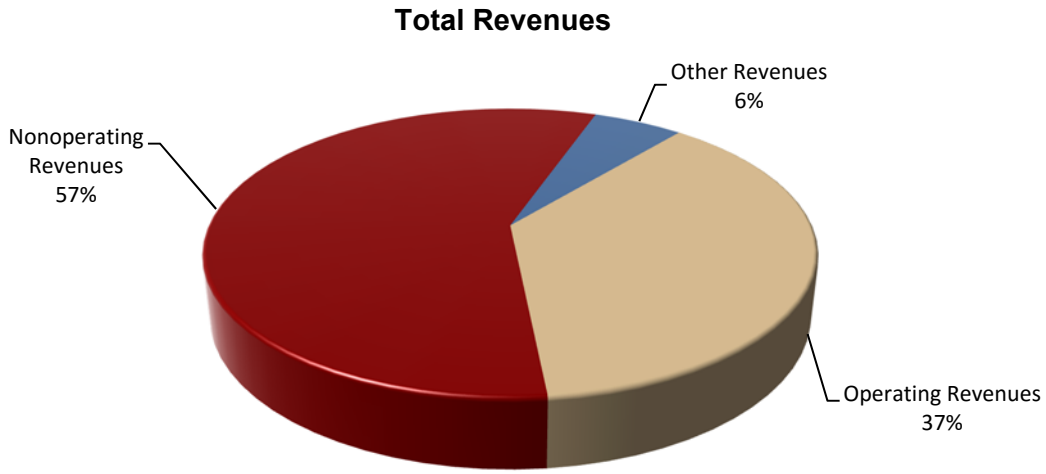
The College's assets totaled $159.6 million at June 30, 2016. This balance reflects a $3.9 million, or 2.4 percent, decrease as compared to the 2014-15 fiscal year, resulting primarily from a decrease of $2.8 million in cash and cash equivalents, a decrease of $5.2 million due from other governmental agencies as a result of a continuous decline in Public Education Capital Outlay funding, and an increase in capital assets, net of $4.2 million due primarily to the capitalization of completed construction projects. While assets declined, liabilities increased by $4.2 million, or 8.9 percent, totaling $51.3 million at June 30, 2016, compared to $47.1 million at June 30, 2015, resulting mainly from a new note payable issued in May and the effects of the addition of pension liabilities due to the second year of adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Account and Financial Reporting for Pensions*. As a result, the College's net position totaled $108.4 million which was a minimal increase of 0.1 percent as compared to the 2014-15 fiscal year.

The College's operating revenues totaled $38.3 million for the 2015-16 fiscal year, representing an 18.1 percent decrease compared to the 2014-15 fiscal year due mainly to a decrease in auxiliary enterprise revenues and Federal grants and contracts. Operating expenses totaled $103.3 million for the 2015-16 fiscal year, representing a decrease of 5.9 percent as compared to the 2014-15 fiscal year due mainly to changes related to personnel services and scholarships and waivers.

Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2016, and June 30, 2015, is shown in the following graph:



The following chart provides a graphical presentation of College revenues by category for the 2015-16 fiscal year:



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the College and its component units. These component units include: Tallahassee Community College Foundation, Inc. (Foundation) and the Public Safety Academy Housing, Inc. (PSAH). Based on the

application of the criteria for determining component units, the Foundation and PSAH are included within the College reporting entity as discretely presented component units.

Information regarding these component units, including summaries of the discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the College, excluding the discretely presented component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	2016	2015
Assets		
Current Assets	$ 26,666	$ 34,783
Capital Assets, Net	125,365	121,155
Other Noncurrent Assets	7,597	7,607
Total Assets	159,628	163,545
Deferred Outflows of Resources	6,194	4,647
Liabilities		
Current Liabilities	6,572	7,590
Noncurrent Liabilities	44,777	39,549
Total Liabilities	51,349	47,139
Deferred Inflows of Resources	6,075	12,590
Net Position		
Net Investment in Capital Assets	112,142	107,737
Restricted	12,105	16,168
Unrestricted	(15,849)	(15,442)
Total Net Position	$ 108,398	$ 108,463

Total assets decreased primarily from decreases in current assets related to amounts due from other governmental agencies of $5.2 million to fund construction. Deferred outflows of resources increased by

$1.5 million and deferred inflows of resources decreased by $6.5 million due to changes in actuarial valuation of pension liability from the prior year.

Total liabilities increased primarily from increases in noncurrent liabilities related to a new note payable of $1 million issued in May 2016 and an increase of $6.6 million related to the net pension liability.

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

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

The following summarizes the College's activity for the 2015-16 and 2014-15 fiscal years:

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

(In Thousands)

	2015-16	2014-15
Operating Revenues	$ 38,263	$ 46,699
Less, Operating Expenses	103,322	109,788
Operating Loss	(65,059)	(63,089)
Net Nonoperating Revenues	59,169	58,541
Loss Before Other Revenues	(5,890)	(4,548)
Other Revenues	5,825	5,752
Net Increase (Decrease) In Net Position	(65)	1,204
Net Position, Beginning of Year	108,463	135,497
Adjustment to Beginning Net Position (1)	-	(28,238)
Net Position, Beginning of Year, as Restated	108,463	107,259
Net Position, End of Year	$ 108,398	$ 108,463

Note: (1) Adjustment to beginning net position is 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 employer's proportionate share of the net pension liability of the defined benefit pension plans.

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities for the 2015-16 and 2014-15 fiscal years:

Operating Revenues
For the Fiscal Years

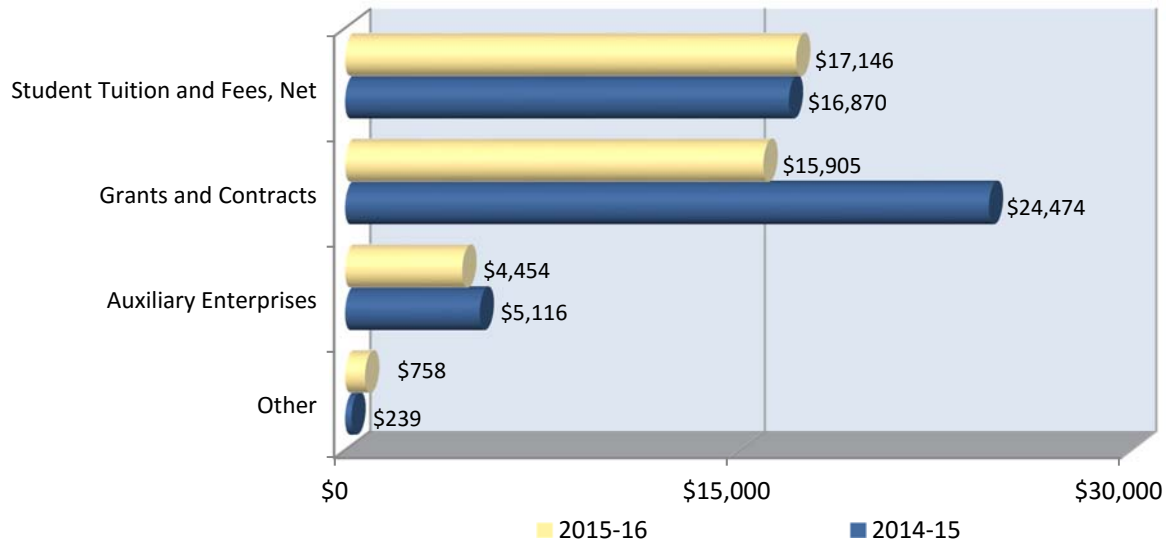
(In Thousands)

	2015-16	2014-15
Student Tuition and Fees, Net	$ 17,146	$ 16,870
Grants and Contracts	15,905	24,474
Auxiliary Enterprises	4,454	5,116
Other	758	239
Total Operating Revenues	$ 38,263	$ 46,699

The following chart presents the College's operating revenues for the 2015-16 and 2014-15 fiscal years:

Operating Revenues

(In Thousands)



College operating revenue changes were the result of the Federal portion of grants and contracts decrease of $6.6 million, or 40 percent due primarily to a decrease in grants and contracts received from the Departments of Transportation and Education of approximately $4 million. Revenues from auxiliary enterprises decreased by $0.7 million, or 12.9 percent.

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.

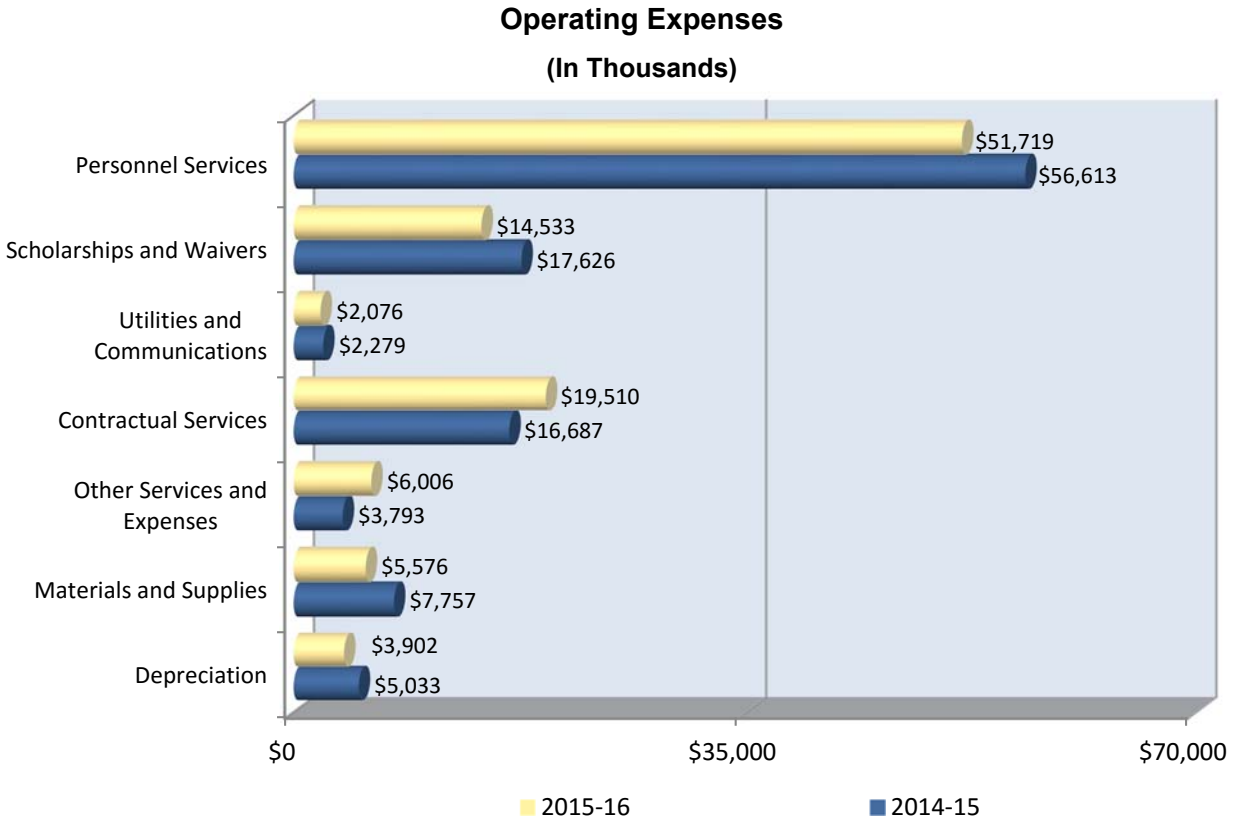
The following summarizes operating expenses by natural classification for the 2015-16 and 2014-15 fiscal years:

Operating Expenses
For the Fiscal Years

(In Thousands)

	2015-16	2014-15
Personnel Services	$ 51,719	$ 56,613
Scholarships and Waivers	14,533	17,626
Utilities and Communications	2,076	2,279
Contractual Services	19,510	16,687
Other Services and Expenses	6,006	3,793
Materials and Supplies	5,576	7,757
Depreciation	3,902	5,033
Total Operating Expenses	$ 103,322	$ 109,788

The following chart presents the College's operating expenses for the 2015-16 and 2014-15 fiscal years:



College operating expense changes were the result of a decrease of $4.9 million in salary payments. As indicated in the following table, the recording of net pension liability adjustments decreased current expenses by $1.5 million for salary and benefits. Scholarships and waivers decreased by $3.1 million, due to decreased student enrollment.

Pension Plan	Pension Expense	Expenditures Reclassified to Deferred Outflows	Effects of Recording Net Pension on Salary and and Benefits Payments
FRS	$ 777,357	$ (2,281,477)	$ (1,504,120)
HIS	609,517	(583,918)	25,599
Total	$ 1,386,874	$ (2,865,395)	$ (1,478,521)

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 2015-16 and 2014-15 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2015-16	2014-15
State Noncapital Appropriations	$ 33,953	$ 31,817
Federal and State Student Financial Aid	25,509	29,216
Gifts and Grants	242	182
Investment Income	45	5
Other Nonoperating Revenues	26	19
Interest on Capital Asset-Related Debt	(606)	(644)
Other Nonoperating Expenses	-	(2,054)
Net Nonoperating Revenues	$ 59,169	$ 58,541

While net nonoperating revenues increased only slightly, by $0.6 million, or 1.1 percent, this increase includes a $2.1 million increase in State noncapital appropriations and a $3.7 million decrease in Federal and State student financial aid due to declining student enrollment. This was offset by a $2 million decrease in other nonoperating expenses due to a one-time investment expense that occurred in the 2014-15 fiscal year.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2015-16 and 2014-15 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2015-16	2014-15
State Capital Appropriations	$ 1,113	$ 940
Capital Grants, Contracts, Gifts, and Fees	4,712	4,812
Total	$ 5,825	$ 5,752

The increase in other revenue is primarily the result of an increase in State capital appropriations received.

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 2015-16 and 2014-15 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2015-16	2014-15
Cash Provided (Used) by:		
Operating Activities	$ (63,090)	$ (55,563)
Noncapital Financing Activities	59,714	59,560
Capital and Related Financing Activities	14	(1,206)
Investing Activities	54	46
Net Increase (Decrease) in Cash and Cash Equivalents	(3,308)	2,837
Cash and Cash Equivalents, Beginning of Year	32,917	30,080
Cash and Cash Equivalents, End of Year	$ 29,609	$ 32,917

Major sources of funds came from State noncapital appropriations ($34 million), Federal and State student financial aid ($25.5 million), grants and contracts ($17.5 million), net student tuition and fees ($17 million), and auxiliary enterprises ($4.6 million). Major uses of funds were for payments to employees and for employee benefits ($54.4 million), payments to suppliers ($32 million), payments for scholarships ($14.5 million), and purchases of capital assets ($8.2 million).

Changes in cash and cash equivalents were the result of the following factors: cash flows used by operating activities increased by $7.5 million, primarily due to an increase of $6.4 million in payments to

suppliers. Also, cash provided by capital and related financing activities increased by $1.2 million, mainly due to a $1 million increase in proceeds from capital debt.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the College had $204.6 million in capital assets, less accumulated depreciation of $79.2 million, for net capital assets of $125.4 million. Depreciation charges for the current fiscal year totaled $3.9 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2016	2015
Land	$ 9,556	$ 9,556
Construction in Progress	5,451	5,716
Buildings	107,891	103,361
Other Structures and Improvements	544	858
Furniture, Machinery, and Equipment	1,306	1,009
Assets Under Capital Leases	617	655
Capital Assets, Net	$125,365	$121,155

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2016, were incurred on the renovation of the Wakulla Environmental Center, the development of the Gadsden Center, and costs of development of the ongoing new Enterprise Resource Planning student system projects. The College's major construction commitments at June 30, 2016, are as follows:

	Amount (In Thousands)
Total Committed	$ 10,167
Completed to Date	(7,255)
Balance Committed	$ 2,912

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

Debt Administration

As of June 30, 2016, the College had $13.7 million in outstanding long-term debt that included capital improvement revenue bonds payable, State Board of Education (SBE) capital outlay bonds payable, note

payable, and capital leases payable, representing a decrease of $0.2 million, or 1.5 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2016, and June 30, 2015:

Long-Term Debt, at June 30

(In Thousands)

	2016	2015
Florida Department of Education		
Capital Improvement Revenue Bonds	$ 9,105	$ 9,660
SBE Capital Outlay Bonds	2,855	3,176
Note Payable	1,032	-
Capital Leases Payable	721	1,086
Total	$ 13,713	$ 13,922

The SBE issues capital outlay bonds on behalf of the College. During the 2015-16 fiscal year, there were no bond sales and debt repayments totaled $1.2 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 2016-17 fiscal year. In response, the Board of Trustees did not increase the tuition rate for the Fall 2016 term. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates 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.

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

June 30, 2016

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 19,970,398	$ 542,589
Restricted Cash and Cash Equivalents	2,102,402	-
Investments	564,208	2,633,111
Accounts Receivable, Net	2,414,193	826,463
Notes Receivable, Net	14,863	-
Due from Other Governmental Agencies	1,574,719	-
Due from Component Units	150	-
Inventories	23,679	-
Prepaid Expenses	1,000	17,031
Total Current Assets	26,665,612	4,019,194
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	7,536,668	-
Restricted Investments	60,409	9,347,369
Depreciable Capital Assets, Net	110,357,806	6,386,506
Nondepreciable Capital Assets	15,007,438	-
Other Assets	-	849,860
Total Noncurrent Assets	132,962,321	$ 16,583,735
TOTAL ASSETS	159,627,933	$ 20,602,929
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	6,193,682	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,142,710	27,154
Salary and Payroll Taxes Payable	354,541	-
Retainage Payable	27,477	-
Due to Other Governmental Agencies	-	400,250
Unearned Revenue	178,332	350
Deposits Held for Others	1,029,291	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	770,000	-
Notes Payable	137,000	476,506
Capital Leases Payable	387,299	-
Special Termination Benefits Payable	375,614	-
Compensated Absences Payable	722,351	-
Net Pension Liability	447,831	-
Total Current Liabilities	6,572,446	904,260

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

June 30, 2016

	College	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	11,190,000	-
Notes Payable	895,000	5,316,052
Capital Leases Payable	333,988	-
Special Termination Benefits Payable	541,614	-
Compensated Absences Payable	3,998,894	-
Other Postemployment Benefits Payable	3,001,912	-
Net Pension Liability	24,815,302	-
Total Noncurrent Liabilities	44,776,710	5,316,052
TOTAL LIABILITIES	51,349,156	6,220,312
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	6,074,882	-
NET POSITION		
Net Investment in Capital Assets	112,141,957	593,948
Restricted:		
Nonexpendable:		
Endowment	-	5,217,354
Expendable:		
Grants and Loans	693,611	-
Scholarships	112,663	7,432,468
Capital Projects	10,446,959	-
Debt Service	851,310	-
Unrestricted	(15,848,923)	1,138,847
TOTAL NET POSITION	$ 108,397,577	$ 14,382,617

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, 2016

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $12,890,939	$ 17,146,097	$ -
Federal Grants and Contracts	9,855,986	-
State and Local Grants and Contracts	5,116,159	-
Nongovernmental Grants and Contracts	932,445	-
Auxiliary Enterprises	4,454,396	-
Other Operating Revenues	757,867	2,909,541
Total Operating Revenues	38,262,950	2,909,541
EXPENSES		
Operating Expenses:		
Personnel Services	51,718,650	468,489
Scholarships and Waivers	14,532,833	309,850
Utilities and Communications	2,076,166	2,552
Contractual Services	19,510,484	320,342
Other Services and Expenses	6,006,050	902,818
Materials and Supplies	5,576,413	53,469
Depreciation	3,901,842	221,613
Total Operating Expenses	103,322,438	2,279,133
Operating Income (Loss)	(65,059,488)	630,408
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	33,952,679	-
Federal and State Student Financial Aid	25,509,267	-
Gifts and Grants	241,925	-
Investment Income (Loss)	45,179	(582,342)
Other Nonoperating Revenues	26,223	-
Interest on Capital Asset-Related Debt	(606,629)	(165,485)
Net Nonoperating Revenues (Expenses)	59,168,644	(747,827)
Loss Before Other Revenues	(5,890,844)	(117,419)
State Capital Appropriations	1,112,639	-
Capital Grants, Contracts, Gifts, and Fees	4,712,412	-
Total Other Revenues	5,825,051	-
Decrease in Net Position	(65,793)	(117,419)
Net Position, Beginning of Year	108,463,370	14,500,036
Net Position, End of Year	$ 108,397,577	$ 14,382,617

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, 2016

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 17,042,001
Grants and Contracts	17,481,624
Payments to Suppliers	(32,024,121)
Payments for Utilities and Communications	(2,076,166)
Payments to Employees	(45,540,351)
Payments for Employee Benefits	(8,827,929)
Payments for Scholarships	(14,532,833)
Loans Issued to Students	(15,423)
Collection on Loans to Students	13,422
Auxiliary Enterprises	4,632,082
Other Receipts	757,867
Net Cash Used by Operating Activities	(63,089,827)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	33,952,679
Federal and State Student Financial Aid	25,509,267
Federal Direct Loan Program Receipts	22,362,373
Federal Direct Loan Program Disbursements	(22,362,373)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	241,925
Other Nonoperating Receipts	9,919
Net Cash Provided by Noncapital Financing Activities	59,713,790
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	5,701,222
Capital Grants and Gifts	3,320,919
Proceeds from Capital Debt	1,032,000
Proceeds from Sale of Capital Assets	16,304
Purchases of Capital Assets	(8,208,457)
Principal Paid on Capital Debt and Leases	(1,240,793)
Interest Paid on Capital Debt and Leases	(606,629)
Net Cash Provided by Capital and Related Financing Activities	14,566
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	8,661
Investment Income	45,179
Net Cash Provided by Investing Activities	53,840
Net Decrease in Cash and Cash Equivalents	(3,307,631)
Cash and Cash Equivalents, Beginning of Year	32,917,099
Cash and Cash Equivalents, End of Year	$ 29,609,468

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

For the Fiscal Year Ended June 30, 2016

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (65,059,488)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,901,842
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	1,615,526
Inventories	(13,193)
Accounts Payable	(1,188,720)
Unearned Revenue	46,290
Deposits Held for Others	187,657
Special Termination Benefits Payable	(41,541)
Compensated Absences Payable	(1,301,562)
Other Postemployment Benefits Payable	241,885
Net Pension Liability	6,582,671
Deferred Outflows of Resources Related to Pensions	(1,546,305)
Deferred Inflows of Resources Related to Pensions	(6,514,889)
NET CASH USED BY OPERATING ACTIVITIES	$ (63,089,827)

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 College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of seven members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education (SBE) rules. However, the Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and SBE rules. Geographic boundaries of the College 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, PSAH executed an agreement with the College whereby the College leases the housing facility from PSAH and is responsible for operating and maintaining the facility. In exchange, PSAH receives a monthly lease payment in the amount of its mortgage payment and operating expenses. During the 2015-16 fiscal year, these lease and note transactions accounted for substantially all of the PSAH financial activity.

The Foundation and 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 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 PSAH receive, hold, invest, and administer property, and make expenditures to or for the benefit of the College.

The Foundation and 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. The financial data reported on the accompanying financial statements was derived from the

Foundation and PSAH audited financial statements for the fiscal year ended March 31, 2016. 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

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

The College's component units use the economic resources measurement focus and accrual basis of accounting 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, investment income

(net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College 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 cash 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 pools to be cash equivalents.

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

At June 30, 2016, the College reported as cash equivalents $53,275 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 39 days as of June 30, 2016. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost. Section 218.409(8)(a), Florida Statutes, states that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that

has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

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 acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of $5,000 for tangible personal property and $25,000 to $65,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
  - Computer Equipment – 3 years
  - Vehicles, Office Machines, and Educational Equipment – 5 years
  - Furniture – 7 years
- Assets Under Capital Lease – 5 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 $2,636,268. The College's component units depreciate buildings and equipment over an estimated useful 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, note 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 Changes

The College implemented GASB Statement No. 72, *Fair Value Measurement and Application,* which requires the College to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value.

The College implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes.

3. 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.

Fund	Net Position
Current Funds - Unrestricted	$ (20,806,999)
Auxiliary Funds	4,958,076
Total	$ (15,848,923)

4. Investments

The Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; and other investments approved by the Board of Trustees as authorized by law. 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 categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

The College's investments at June 30, 2016, are reported as follows:

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
SBA Debt Service Accounts	$ 60,409	$ 60,409	$ -	$ -
Certificates of Deposit	564,208	564,208	-	-
Total investments by fair value level	$ 624,617	$ 624,617	$ -	$ -

State Board of Administration Debt Service Accounts

The College reported investments totaling $60,409 at June 30, 2016, in the SBA Debt Service Accounts, at the fair value using quoted market prices (Level 1 inputs). 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. 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 Deposits

The College reported investments totaling $564,208 at June 30, 2016 in certificates of deposits (CDs) with two banks. The investments in CDs were fully insured by the Federal Deposit Insurance Corporation, except for $104,945 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 Unit Investments

Investments reported by the College's component units consisted of those held by the Tallahassee Community College Foundation, Inc. at March 31, 2016, and are reported at fair value as follows:

Investment Type	**Amount**
Mutual Funds	$ 11,894,598
Money Market Funds	85,879
State Board of Administration Fund	3
Total Investments	$ 11,980,480

5. 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 $1,131,345 allowance for doubtful accounts.

6. Notes Receivable

Notes receivable represent student loans made for veteran students' fees of $59,158, and short-term loan program of $400. Notes receivable are reported net of a $44,695 allowance for doubtful notes.

7. Due From Other Governmental Agencies

The amount due from other governmental agencies consists of $416,904 of Public Education Capital Outlay allocations due from the State for construction of College facilities, and $1,157,815 due from Federal and State agencies for contracts and grants and other services.

8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2016, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 9,556,301	$ -	$ -	$ 9,556,301
Construction in Progress	5,715,926	7,804,409	8,069,198	5,451,137
Total Nondepreciable Capital Assets	$ 15,272,227	$ 7,804,409	$ 8,069,198	$ 15,007,438
Depreciable Capital Assets:				
Buildings	$ 156,279,437	$ 8,069,198	$ -	$ 164,348,635
Other Structures and Improvements	11,446,483	-	-	11,446,483
Furniture, Machinery, and Equipment	11,247,472	307,737	669,823	10,885,386
Assets Under Capital Leases	2,892,420	-	-	2,892,420
Total Depreciable Capital Assets	181,865,812	8,376,935	669,823	189,572,924
Less, Accumulated Depreciation:				
Buildings	52,918,997	3,538,412	-	56,457,409
Other Structures and Improvements	10,588,378	313,942	-	10,902,320
Furniture, Machinery, and Equipment	10,238,328	11,218	669,823	9,579,723
Assets Under Capital Leases	2,237,396	38,270	-	2,275,666
Total Accumulated Depreciation	75,983,099	3,901,842	669,823	79,215,118
Total Depreciable Capital Assets, Net	$ 105,882,713	$ 4,475,093	$ -	$ 110,357,806

9. Unearned Revenue

Unearned revenue at June 30, 2016, includes advance funding for contracts and grants and student tuition and fees received prior to fiscal year-end related to subsequent periods. As of June 30, 2016, the College reported the following amounts as unearned revenue:

Description	Amount
Contracts and Grants	$ 160,653
Student Tuition and Fees	17,679
Total Unearned Revenue	$ 178,332

10. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2016, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 12,836,000	$ -	$ 876,000	$ 11,960,000	$ 770,000
Note Payable	-	1,032,000	-	1,032,000	137,000
Capital Leases Payable	1,086,080	-	364,793	721,287	387,299
Special Termination Benefits Payable	958,769	318,786	360,327	917,228	375,614
Compensated Absences Payable	6,022,807	327,478	1,629,040	4,721,245	722,351
Other Postemployment Benefits Payable	2,760,027	401,394	159,509	3,001,912	-
Net Pension Liability	18,680,462	17,162,102	10,579,431	25,263,133	447,831
Total Long-Term Liabilities	$ 42,344,145	$ 19,241,760	$ 13,969,100	$ 47,616,805	$ 2,840,095

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

- SBE Capital Outlay Bonds. The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.
- Capital Improvement Revenue Bonds, Series 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.

The College had the following bonds payable at June 30, 2016:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2009A	$ 2,285,000	4 - 5	2029
Series 2010A	490,000	3.5 - 5	2030
Series 2014B	80,000	5	2017
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2006A	9,105,000	3.5 - 5	2027
Total	$ 11,960,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2016, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2017	$ 770,000	$ 529,788	$ 1,299,788
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	860,000	377,563	1,237,563
2022-2026	5,140,000	1,201,063	6,341,063
2027-2030	2,885,000	155,021	3,040,021
Total	$ 11,960,000	$ 3,631,622	$ 15,591,622

Mortgage Notes Payable – Component Unit. On November 10, 2014, the PSAH refinanced the mortgage payable for $6,017,876 with an interest rate of 2.75 percent. The note is collateralized by a leasehold mortgage in real estate and first priority security interest in all personal property located at the facility. The note is also collateralized by assignment of rents and leases related to the housing facility.

Also on November 10, 2014, the PSAH executed another mortgage note payable for improvements to the property. The amount of the note is $575,000 with an interest rate of 3.99 percent. The note is collateralized by a leasehold mortgage in real estate and first priority security interest in all personal property located at the facility. The note is also collateralized by assignment of rents and leases related to the housing facility. Annual requirements to amortize the outstanding notes as of March 31, 2016, are as follows:

Fiscal Year Ending March 31	Principal	Interest	Total
2017	$ 476,506	$ 160,098	$ 636,604
2018	589,686	140,270	729,956
2019	604,006	126,650	730,656
2020	621,286	110,057	731,343
2021	640,215	91,930	732,145
2022-2025	2,860,859	179,016	3,039,875
Total	$ 5,792,558	$ 808,021	$ 6,600,579

Note Payable. On May 18, 2016, the College borrowed $1,032,000, at a stated interest rate of 2.31 percent, to finance the cost of the advanced manufacturing training facility. The note matures on October 1, 2023, and principal and interest payments are made biannually in April and October of each year. Annual requirements to amortize the outstanding note as of June 30, 2016, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2017	$ 137,000	$ 19,941	$ 156,941
2018	141,000	19,866	160,866
2019	144,000	16,586	160,586
2020	147,000	13,248	160,248
2021	151,000	9,829	160,829
2022-2023	312,000	9,044	321,044
Total	$ 1,032,000	$ 88,514	$ 1,120,514

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, 2016, are as follows:

Fiscal Year Ending June 30	Amount
2017	$ 410,476
2018	341,129
Total Minimum Payments	751,605
Less, Amount Representing Interest	30,318
Present Value of Minimum Payments	$ 721,287

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 $917,228 as of June 30, 2016, for 26 employees who gave notice to retire under the Retirement Incentive Program, of which $375,614 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, 2016, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $4,721,245. The current portion of the compensated absences liability, $722,351, 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 positons 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 provided by the Florida College System Risk Management Consortium (Consortium).

Plan Description. The College contributes to an agent multiple-employer defined benefit 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 Other Postemployment Benefits Plan (OPEB Plan) at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the OPEB Plan and the OPEB Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. OPEB Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend OPEB 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 OPEB Plan is financed on a pay-as-you-go basis. For the 2015-16 fiscal year, 201 retirees received postemployment healthcare benefits, and 118 retirees received postemployment life insurance benefits. The College provided required contributions of $159,509 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 $1,001,929, which represents 2.8 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities

over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the College's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 216,733
Amortization of Unfunded Actuarial Accrued Liability	176,241
Annual Required Contribution	392,974
Interest on Net OPEB Obligation	110,401
Adjustment to Annual Required Contribution	(101,981)
Annual OPEB Cost (Expense)	401,394
Contribution Toward the OPEB Cost	(159,509)
Increase in Net OPEB Obligation	241,885
Net OPEB Obligation, Beginning of Year	2,760,027
Net OPEB Obligation, End of Year	$ 3,001,912

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation as of June 30, 2016, and for the 2 preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013-14	$ 398,311	41.8%	$ 2,523,313
2014-15	416,421	43.2%	2,760,027
2015-16	401,394	39.7%	3,001,912

Funded Status and Funding Progress. As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was $4,769,842 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $4,769,842, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $35,876,423 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 13.3 percent.

Actuarial valuations for an OPEB 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. Actuarially determined amounts regarding the funded status of the OPEB 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 OPEB 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 OPEB 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 calculations of the OPEB Plan reflect a long-term perspective. Consistent with this perspective, the actuarial valuations used actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The College's OPEB actuarial valuation as of July 1, 2015, used the entry age normal cost actuarial method to estimate the actuarial accrued liability as of June 30, 2016, and the College's 2015-16 fiscal year ARC. The actuarial cost method was changed from projected unit credit to entry age normal in anticipation of new disclosure requirements developed by the Governmental Accounting Standards Board. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year, an inflation rate of 2.6 percent per year, and an annual healthcare cost trend rate of 7.5 percent pre-Medicare and 5.5 percent Medicare for the 2015-16 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 4 years for pre-Medicare and 1 year for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2016, was 21 years.

11. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the HIS Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance. 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 FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and

other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The College's FRS and HIS pension expense totaled $1,386,874 for the fiscal year ended June 30, 2016.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class* (SMSC) – Members in senior management level positions.
- *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:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Special Risk Regular	
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 2015-16 fiscal year were:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	7.26
FRS, Senior Management Service	3.00	21.43
FRS, Special Risk	3.00	22.04
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 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 $2,281,477 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the College reported a liability of $13,061,604 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The College's proportionate share of the net pension liability was based on the College's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year

contributions of all participating members. At June 30, 2015, the College's proportionate share was 0.101124645 percent, which was a decrease of 0.007407092 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of $777,357. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,378,919	$ 309,781
Change of assumptions	866,942	-
Net difference between projected and actual earnings on FRS Plan investments	-	3,118,892
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	115,879	972,133
College FRS contributions subsequent to the measurement date	2,281,477	-
Total	$ 4,643,217	$ 4,400,806

The deferred outflows of resources related to pensions totaling $2,281,477, resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2017	$ (1,189,746)
2018	(1,189,746)
2019	(1,189,746)
2020	1,383,438
2021	123,708
Thereafter	23,026
Total	$ (2,039,066)

Actuarial Assumptions. The total pension liability in the July 1, 2015, 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, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global Equity	53%	8.5%	7.2%	17.7%
Real Estate (Property)	10%	6.8%	6.2%	12.0%
Private Equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
Total	100%			
Assumed inflation - Mean		2.6%		1.9%

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:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
College's proportionate share of the net pension liability	$ 33,845,570	$ 13,061,604	$ (4,234,070)

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

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered

retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled $583,918 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the College reported a net pension liability of $12,201,529 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, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to the HIS Plan actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the College's proportionate share was 0.119641288 percent, which was a decrease of 0.009322509 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of $609,517. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ 959,942	$ -
Net difference between projected and actual earnings on HIS Plan investments	6,605	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	-	1,674,076
College contributions subsequent to the measurement date	583,918	-
Total	$ 1,550,465	$ 1,674,076

The deferred outflows of resources totaling $583,918, resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2017	$ (67,688)
2018	(67,688)
2019	(67,687)
2020	(69,029)
2021	(69,675)
Thereafter	(365,762)
Total	$ (707,529)

Actuarial Assumptions. The total pension liability at July 1, 2015, determined by applying update procedures to the actuarial valuation at July 1, 2014, used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.80 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 actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.8 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was

adopted as the applicable municipal bond index. The discount rate used to determine the total pension liability decreased from 4.29 percent from the prior measurement date.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 3.8 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.8 percent) or 1 percentage point higher (4.8 percent) than the current rate:

	1% Decrease (2.8%)	Current Discount Rate (3.8%)	1% Increase (4.8%)
College's proportionate share of the net pension liability	$ 13,903,075	$ 12,201,529	$ 10,782,696

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

12. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2015-16 fiscal year were as follows:

Class	Percent of Gross Compensation
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, 2016, 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 $456,303 for the fiscal year ended June 30, 2016.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes 5.15 percent of the participant's salary to the participant's account, 2.65 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 7.8 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 $65,829 and employee contributions totaled $129 for the 2015-16 fiscal year.

13. Construction Commitments

The College's major construction commitments at June 30, 2016, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Capitalized:			
Enterprise Resource Planning System:			
Architect/Other	$ 8,362,805	$ 5,451,137	$ 2,911,668
Total Capitalized Projects	8,362,805	5,451,137	2,911,668
NonCapitalized:			
Enterprise Resource Planning System:			
Architect/Other	1,803,950	1,803,950	-
Total Noncapitalized Projects	1,803,950	1,803,950	-
Total	$ 10,166,755	$ 7,255,087	$ 2,911,668

14. Risk Management Programs

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

15. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 31,280,831
Public Services	3,599,919
Academic Support	5,745,031
Student Services	11,368,198
Institutional Support	21,904,356
Operation and Maintenance of Plant	7,028,507
Scholarships and Waivers	13,863,400
Depreciation	3,901,842
Auxiliary Enterprises	4,630,354
Total Operating Expenses	$ 103,322,438

16. 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

	Direct-Support Organizations		
	Tallahassee Community College Foundation, Inc. 3/31/2016	Public Safety Academy Housing, Inc. 3/31/2016	Total
Assets:			
Current Assets	$ 4,011,559	$ 7,635	$ 4,019,194
Capital Assets, Net	-	6,386,506	6,386,506
Other Noncurrent Assets	10,197,229	-	10,197,229
Total Assets	14,208,788	6,394,141	20,602,929
Liabilities:			
Current Liabilities	427,754	476,506	904,260
Noncurrent Liabilities	-	5,316,052	5,316,052
Total Liabilities	427,754	5,792,558	6,220,312
Net Position:			
Net Investment in Capital Assets	-	593,948	593,948
Restricted Nonexpendable	5,217,354	-	5,217,354
Restricted Expendable	7,432,468	-	7,432,468
Unrestricted	1,131,212	7,635	1,138,847
Total Net Position	$ 13,781,034	$ 601,583	$ 14,382,617

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

	Direct-Support Organizations		
	Tallahassee Community College Foundation, Inc. 3/31/2016	Public Safety Academy Housing, Inc. 3/31/2016	Total
Operating Revenues	$ 2,238,838	$ 670,703	$ 2,909,541
Depreciation Expense	-	(221,613)	(221,613)
Operating Expenses	(2,050,150)	(7,370)	(2,057,520)
Operating Income	188,688	441,720	630,408
Net Nonoperating Expenses:			
Interest Expense	-	(165,485)	(165,485)
Other Nonoperating Expenses	(582,342)	-	(582,342)
Net Nonoperating Expenses	(582,342)	(165,485)	(747,827)
Increase (Decrease) in Net Position	(393,654)	276,235	(117,419)
Net Position, Beginning of Year	14,174,688	325,348	14,500,036
Net Position, End of Year	$ 13,781,034	$ 601,583	$ 14,382,617

17. Subsequent Events

On August 15, 2016, the Board approved a resolution authorizing a 16.5 year lease purchase agreement with Bank of America, not to exceed $7,100,000, at a 2.21 percent rate of interest. The purpose of the lease purchase agreement is to finance an energy performance contract with Siemens Industry, Inc.

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]
7/1/2011	$ -	$ 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%
7/1/2015	-	4,769,842	4,769,842	0%	35,876,423	13.3%

Note: (1) The OPEB actuarial valuation used the projected unit credit actuarial method in the 7/1/2011 and 7/1/2013 valuations and the entry age normal actuarial method in the 7/1/2015 valuation to estimate the actuarial accrued liability.

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

	2015 (1)	**2014** (1)	**2013** (1)
College's proportion of the FRS net pension liability	0.101124645%	0.108531737%	0.107545498%
College's proportionate share of the FRS net pension liability	$ 13,061,604	$ 6,622,032	$ 18,513,367
College's covered-employee payroll (2)	$ 39,130,532	$ 41,223,425	$ 45,155,227
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	33.38%	16.06%	41.00%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%	88.54%

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

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, 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

	2016 (1)	**2015** (1)	**2014** (1)
Contractually required FRS contribution	$ 2,281,477	$ 2,465,505	$ 2,377,306
FRS contributions in relation to the contractually required contribution	(2,281,477)	(2,465,505)	(2,377,306)
FRS contribution deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll (2)	$ 37,908,655	$ 39,130,532	$ 41,223,425
FRS contributions as a percentage of covered-employee payroll	6.02%	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

	2015 (1)	**2014** (1)	**2013** (1)
College's proportion of the HIS net pension liability	0.119641288%	0.128963797%	0.144080709%
College's proportionate share of the HIS net pension liability	$ 12,201,529	$ 12,058,430	$ 12,544,120
College's covered-employee payroll (2)	$ 39,130,532	$ 41,223,425	$ 45,155,227
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	31.18%	29.25%	27.78%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	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

	2016 (1)	**2015** (1)	**2014** (1)
Contractually required HIS contribution	$ 583,918	$ 457,343	$ 441,787
HIS contributions in relation to the contractually required HIS contribution	(583,918)	(457,343)	(441,787)
HIS contribution deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll (2)	$ 37,908,655	$ 39,130,532	$ 41,223,425
HIS contributions as a percentage of covered-employee payroll	1.54%	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.

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

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

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT 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, 2016, 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 20, 2017, 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying ***FINANCIAL STATEMENT FINDING*** No. 2016-001, that we consider to be a significant deficiency.

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*.

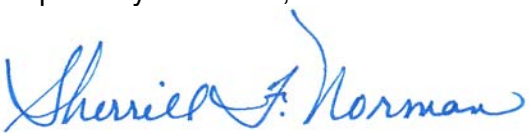
College's Response to Finding

The College's response to the finding identified in our audit is included as College Response in Financial Statement Finding No. 2016-001. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 20, 2017

FINANCIAL STATEMENT FINDING

SIGNIFICANT DEFICIENCY

BANK ACCOUNT RECONCILIATIONS AND FINANCIAL REPORTING

Finding Number	**2016-001**
Opinion Unit	Tallahassee Community College
Financial Statements Account Titles	Cash and Cash Equivalents; Accounts Payable; State Noncapital Appropriations; and Other Operating Revenue
Adjustment Amounts	Overstatements of: Cash and Cash Equivalents - $2,477,733; Accounts Payable - $1,761,489; and State Noncapital Appropriations - $1,037,416 Understatement of: Other Operating Revenue - $321,172
Prior Year Finding	Not Applicable

Finding

College procedures did not effectively provide for:

- Appropriate separation of the bank account reconciliation and journal entry responsibilities.
- Proper reconciliations of bank account balances to the general ledger cash account balances with reconciling items thoroughly investigated and adequately identified and documented.
- Timely required adjustments to the general ledger cash account balances as a result of the bank account reconciliations.
- Appropriate supervisory review and approval of the bank account reconciliations and journal entries to ensure that the reconciliations were properly performed and the entries were accurately made.

Additionally, before acceptance of audit adjustments to properly report the cash and cash equivalents account on the College financial statements at June 30, 2016, the College had overstated that account by $2,477,733. As of February 3, 2017, College records lacked explanation(s) for the $28,972 difference between the bank statement and general ledger cash account balances at June 30, 2016.

Criteria

Effective internal controls require that reconciliations of bank account balances to general ledger control accounts be performed on a timely, routine basis by an employee independent of journal entry responsibilities. Additionally, appropriate supervisory review and approval of the bank account reconciliations and journal entries should be made to verify that reconciliations are properly performed and entries are accurately made.

Properly prepared and approved bank account reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, promptly detect and correct unrecorded and improperly recorded cash transactions or bank errors, and provide for the efficient and economic management of cash resources.

Condition

College procedures had not been established to provide for an appropriate separation of duties as a Senior Accountant was responsible for preparing bank account reconciliations and making journal entries in the College's accounting

records. For example, the Senior Accountant prepared and recorded two of the journal entries ($880,744 and $321,172) discussed below.

Additionally, College procedures did not provide for appropriate supervisory review and approval of bank account reconciliations and journal entries to ensure that reconciliations were properly performed and journal entries were accurately made.

At June 30, 2016, the College's general ledger cash in bank balance totaled $23,702,983. During the 2015-16 fiscal year, the College maintained two demand deposit cash bank accounts (the General Account and the Investment Account) and Business Office personnel were responsible for preparing the monthly bank account reconciliations, which supervisory personnel were to review and approve. At June 30, 2016, the College's General Account had a bank balance of $7,168,360 and the Investment Account had a bank balance of $22,409,932.

In response to our inquiry in November 2016, College personnel provided bank account reconciliations for our review. The June 30, 2016, General Account bank reconciliation identified one reconciling item as "previous months wires cleared" totaling $2,311,369. However, although we requested, College personnel were initially unable to provide records to explain what the amount represented. Subsequently, in December 2016, College personnel re-performed the bank reconciliation between the bank statement balance of $7,168,360 and the General Account general ledger cash balance of $10,239,275 and attempted to provide explanations for the $3,070,915 difference. Specifically:

- According to College records, the College contracted with a third-party to process payments to the Internal Revenue Service (IRS) on behalf of the College. The third-party invoiced the College and the IRS electronically withdrew funds from the College bank account for payments. On a monthly basis, the College processed a journal entry to record the payment in the general ledger. However, College personnel inadvertently recorded a July 2015 payment of $880,744 in the general ledger as a cash deposit and an increase to accounts payable, instead of a cash payment and a reduction to accounts payable, as a result the general ledger cash balance was overstated by $1,761,489.

- According to College records, revenues received from the Florida Department of Education (FDOE) were electronically deposited into the College bank account. Upon notification of deposit, the College processed a journal entry to record the revenue in the general ledger. However, College personnel inadvertently double recorded in the general ledger funds received from the FDOE totaling $1,037,416, including an entry in July 2015 and again in August 2015.

- College personnel identified a June 30, 2016, journal entry for $321,172 to reduce cash and revenue in the general ledger. The notes documented on the journal entry form described the entry as an "adjustment to match bank balance" and "to correct account due to keying errors". In response to our inquiry, College personnel indicated that the journal entry was made in error and that the $321,172 entry needed to be reversed and corrected.

As of February 3, 2017, after consideration of the identified reconciling items, the College's June 30, 2016, bank statement balance was $28,972 less than the General Account general ledger cash balance. However, although we requested, College personnel could not provide documentation to explain why this difference existed.

Cause

In response to our inquiry, College personnel indicated that an appropriate separation of the bank account reconciliation and journal entry responsibilities was not possible due to the limited number of staff and, as a compensating

control, College procedures require an independent supervisory review and approval of bank account reconciliations and journal entries. Notwithstanding this response, effectively separating bank reconciliation and journal entry responsibilities would provide better assurance and preventative measures to safeguard against fraud.

Additionally, College procedures for preparing and reviewing bank reconciliations and journal entries were not effective for identifying and correcting cash account or bank errors. Although the bank reconciliations presented for audit included various reconciling items between the bank account balances and the general ledger balances, College records did not always adequately explain the reconciling items.

Effect

Before acceptance of audit adjustments to properly report account balances and transactions on the College financial statements for the 2015-16 fiscal year, the reported cash and cash equivalents balance was overstated by $2,477,733; accounts payable was overstated $1,761,489, State noncapital appropriations were overstated by $1,037,416, and other operating revenue was understated by $321,172.

We extended our audit procedures to determine the adjustments necessary to properly report the accounts and transactions, and College personnel accepted these adjustments. However, our procedures do not substitute for management's responsibility to timely and properly reconcile cash assets with the accounting record amounts. Absent effective procedures for the appropriate conduct and supervisory review of bank account reconciliations and timely resolution of differences noted during reconciliations, there is an increased risk that any cash transaction errors or fraud that may occur will not be timely detected.

Recommendation

The College should continue efforts to document explanation(s) for the $28,972 reconciling item(s) associated with the College June 30, 2016, General Account bank account reconciliation. The College should also enhance procedures to ensure that:

- The bank account reconciliation and journal entry responsibilities are appropriately separated.
- Bank statement cash account balances are properly reconciled to the general ledger cash account balances with documentation that reconciling items were identified, thoroughly investigated, and explained.
- Required adjustments to the general ledger cash account balances, as a result of the bank account reconciliations, are timely made.
- Supervisory review and approval of the bank account reconciliations and journal entries ensure that the reconciliations are properly performed and the entries are accurately made.

College Response

Currently, College procedures do not allow a single employee to initiate a payment or transfer; and every ad hoc action and journal entry requires an appropriate supervisory approval.

After audit inquiry concerning bank reconciliation differences, College personnel thoroughly reviewed ledger transactions processed for the fiscal year and, in December 2016, identified and corrected the errors made in the fiscal year 2015-16. Additionally, a template has been developed for each of these transaction types to reduce the risk for human error. College personnel have also modified the bank reconciliation procedures used to ensure the accuracy and timeliness of journals processed as a result of bank reconciliation differences.

Additionally, procedures have been enhanced to require an additional employee to review and verify that all wired funds are accurately receipted and deposited.

	Appropriate College personnel have been presented with the updated procedures and are scheduled to receive on-going refresher training. The College will continue to evaluate and modify, as appropriate, the bank reconciliation process and enhance procedures to minimize the occurrence of future errors and improve the accuracy of the bank reconciliation process.
Estimated Corrective Action Date	June 30, 2017
College Contact and Telephone Number	Patricia Manning (850) 201-6093