

TALLAHASSEE COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2014



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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Frank S. Messersmith, Vice Chair from 8-19-13	Wakulla
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Dr. James T. Murdaugh, President

Note: (1) Position was vacant from July 1, 2013, through
March 27, 2014.

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 audit team leader was Stacy P. Boyd, and the audit was supervised by Karen L. Revell, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**TALLAHASSEE COMMUNITY COLLEGE
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the College's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

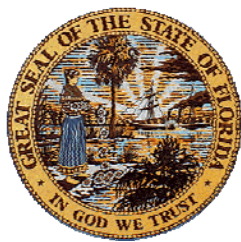
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2014. 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

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of 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, 2014, 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 financial 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 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 the 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, 2014, 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 Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** and **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of 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 THE 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 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 Tallahassee Community College's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 26, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2014, 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, 2014, and June 30, 2013, and its component units Tallahassee Community College Foundation, Inc., and Public Safety Academy Housing, Inc., for the fiscal years ended March 31, 2014, and March 31, 2013.

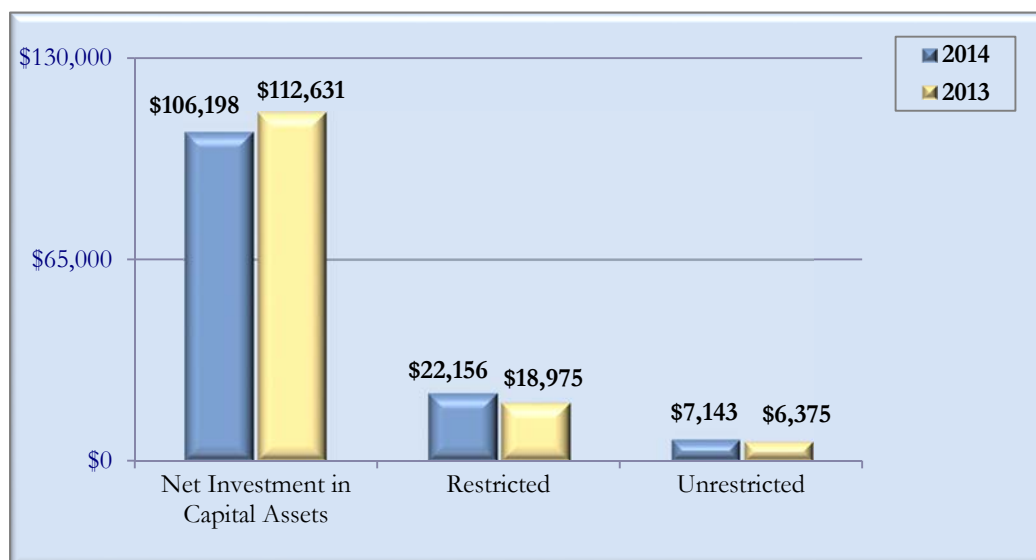
FINANCIAL HIGHLIGHTS

The College's assets totaled \$161.1 million at June 30, 2014. This balance reflects a \$5.6 million, or 3.4 percent, decrease as compared to the 2012-13 fiscal year, primarily as the result of a \$5 million decrease in net depreciable capital assets. The decrease in net depreciable capital assets was the result of current year depreciation expense exceeding the acquisition of depreciable capital assets. Liabilities decreased by \$3.2 million, or 11 percent, totaling \$25.6 million at June 30, 2014, as compared to \$28.8 million at June 30, 2013. As a result, the College's net position decreased by \$2.5 million, resulting in a year-end balance of \$135.5 million.

The College's operating revenues totaled \$46.9 million for the 2013-14 fiscal year, representing a 0.7 percent decrease as compared to the 2012-13 fiscal year due mainly to a decrease in net student tuition and fees and Federal grants and contracts, partially offset by an increase in State and local grants and contracts. Operating expenses totaled \$116.8 million for the 2013-14 fiscal year, representing an increase of 2.2 percent as compared to the 2012-13 fiscal year due mainly to increases in other services and expenses and depreciation expense.

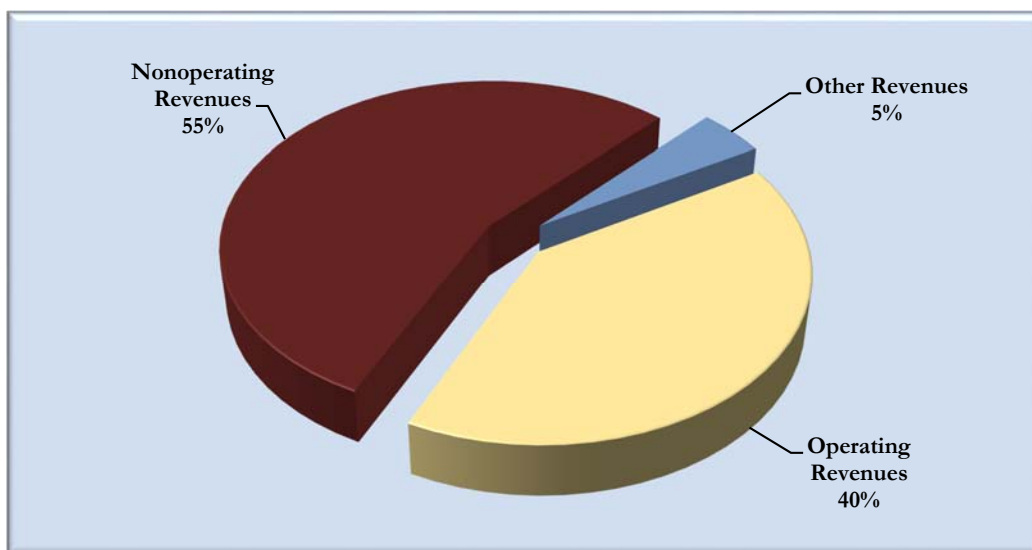
Net position represents the residual interest in the College's assets after deducting liabilities. The College's comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

**Net Position: College
(In Thousands)**



The following chart provides a graphical presentation of College revenues by category for the 2013-14 fiscal year:

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College's finances, and include activities for the following entities:

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

THE STATEMENT OF NET POSITION

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

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

**Condensed Statement of Net Position at
(In Thousands)**

	College		Component Units	
	6-30-14	6-30-13	3-31-14	3-31-13
Assets				
Current Assets	\$ 30,560	\$ 31,779	\$ 4,837	\$ 6,043
Capital Assets, Net	120,704	124,544	6,386	6,593
Other Noncurrent Assets	9,833	10,412	11,263	9,990
Total Assets	<u>161,097</u>	<u>166,735</u>	<u>22,486</u>	<u>22,626</u>
Liabilities				
Current Liabilities	4,082	6,620	497	763
Noncurrent Liabilities	21,518	22,134	5,868	6,283
Total Liabilities	<u>25,600</u>	<u>28,754</u>	<u>6,365</u>	<u>7,046</u>
Net Position				
Net Investment in Capital Assets	106,198	112,631	251	73
Restricted	22,156	18,975	14,685	14,352
Unrestricted	7,143	6,375	1,185	1,155
Total Net Position	<u>\$ 135,497</u>	<u>\$ 137,981</u>	<u>\$ 16,121</u>	<u>\$ 15,580</u>

THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

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

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

	College		Component Units	
	6-30-14	6-30-13	3-31-14	3-31-13
Operating Revenues	\$ 46,932	\$ 47,279	\$ 1,693	\$ 1,831
Less, Operating Expenses	116,751	114,193	2,071	1,678
Operating Income (Loss)	(69,819)	(66,914)	(378)	153
Net Nonoperating Revenues	62,102	60,150	919	272
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(7,717)	(6,764)	541	425
Other Revenues	5,233	8,146		
Net Increase (Decrease) In Net Position	(2,484)	1,382	541	425
Net Position, Beginning of Year	137,981	136,599	15,580	15,155
Net Position, End of Year	<u>\$ 135,497</u>	<u>\$ 137,981</u>	<u>\$ 16,121</u>	<u>\$ 15,580</u>

Operating Revenues

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

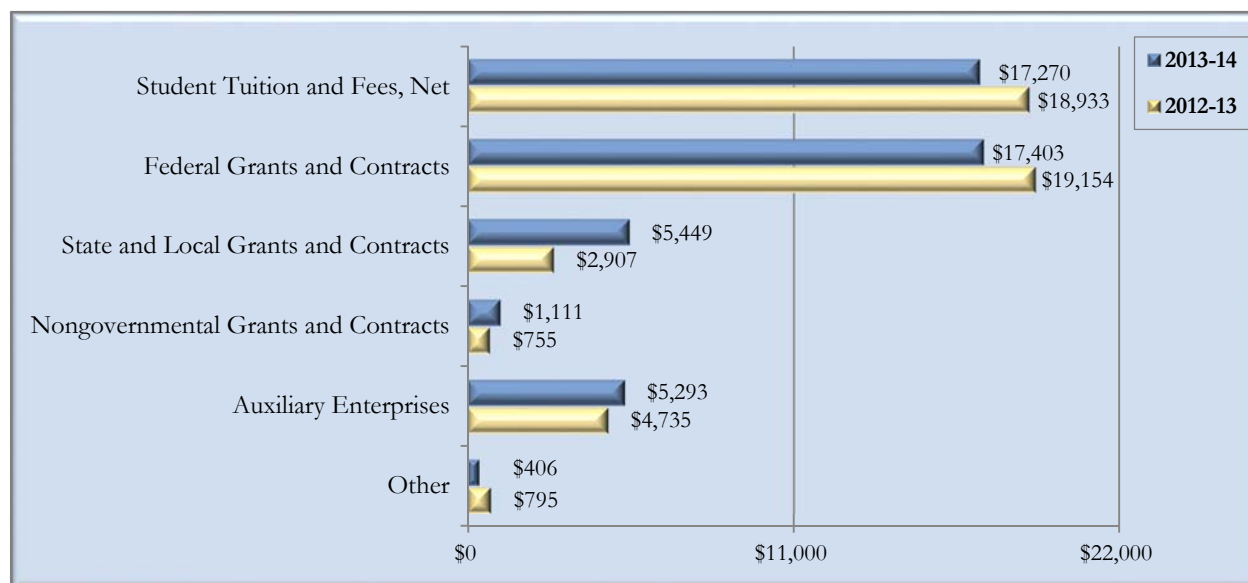
The following summarizes the operating revenues for the College and its component units by source that were used to fund operating activities for the respective fiscal years ended:

Operating Revenues For the Fiscal Years Ended (In Thousands)

	College		Component Units	
	6-30-14	6-30-13	3-31-14	3-31-13
Student Tuition and Fees, Net	\$ 17,270	\$ 18,933	\$	\$
Federal Grants and Contracts	17,403	19,154		
State and Local Grants and Contracts	5,449	2,907		
Nongovernmental Grants and Contracts	1,111	755		
Auxiliary Enterprises	5,293	4,735		
Other	406	795	1,693	1,831
Total Operating Revenues	\$ 46,932	\$ 47,279	\$ 1,693	\$ 1,831

The following chart presents the College's operating revenues for the 2013-14 and 2012-13 fiscal years:

Operating Revenues: College (In Thousands)



College operating revenue changes were the result of the following factors: Net student tuition and fees decreased by \$1.7 million, or 8.8 percent, due to a decline in student enrollment in the 2013-14 fiscal year. Federal grants and contracts decreased by \$1.8 million, or 9.1 percent, as a result of a decline in Federal grants during the 2013-14 fiscal year. These decreases were partially offset by an increase in State and local contracts and grants of \$2.5 million, or 87.4 percent, as a result of an increase in funding for grants and contracts from the Florida Departments of Corrections and Education.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

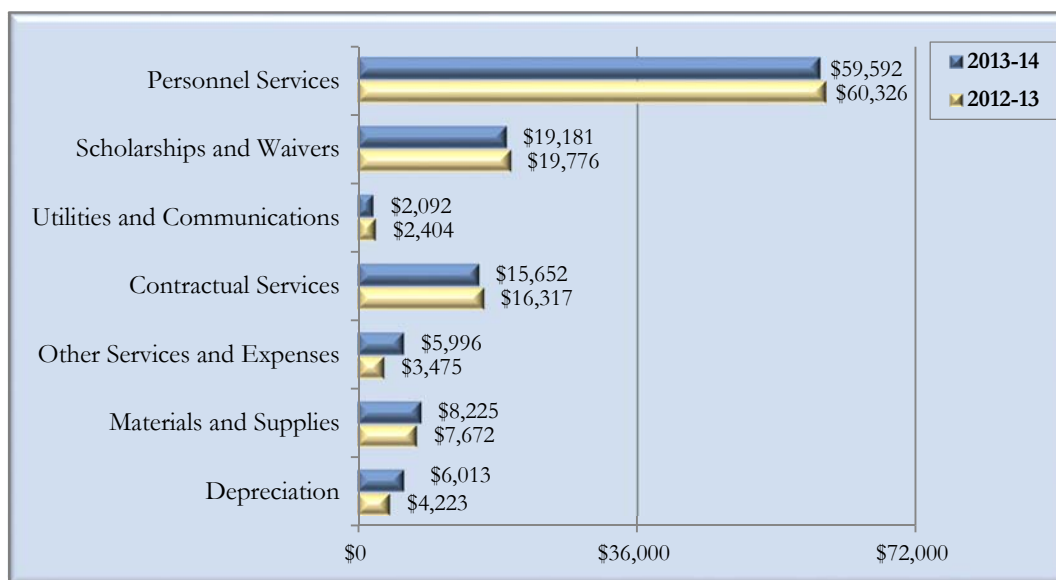
The following summarizes operating expenses by natural classification for the College and its component units for the respective fiscal years ended:

Operating Expenses For the Fiscal Years Ended (In Thousands)

	College		Component Units	
	6-30-14	6-30-13	3-31-14	3-31-13
Personnel Services	\$ 59,592	\$ 60,326	\$ 423	\$ 390
Scholarships and Waivers	19,181	19,776	248	271
Utilities and Communications	2,092	2,404	6	12
Contractual Services	15,652	16,317	205	185
Other Services and Expenses	5,996	3,475	952	592
Materials and Supplies	8,225	7,672	29	20
Depreciation	6,013	4,223	208	208
Total Operating Expenses	\$ 116,751	\$ 114,193	\$ 2,071	\$ 1,678

The following chart presents the College's operating expenses for the 2013-14 and 2012-13 fiscal years:

Operating Expenses: College (In Thousands)



College operating expense changes were the result of the following factors: Other services and expenses increased by \$2.5 million due primarily to an increase in insurance costs and an increase in expenses for other services. Further, the increase in other expenses was the result of leasing the new Enterprise Resource Planning system for human capital

management and finance. Depreciation increased by \$1.8 million due primarily to depreciation of newly acquired capital assets and changes in the estimated useful live for certain other capital assets.

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 2013-14 and 2012-13 fiscal years:

Nonoperating Revenues (Expenses): College (In Thousands)

	2013-14	2012-13
State Noncapital Appropriations	\$ 29,771	\$ 26,596
Federal and State Student Financial Aid	31,021	31,768
Gifts and Grants	2,874	3,476
Investment Income	8	7
Interest on Capital Asset-Related Debt	(700)	(813)
Other Nonoperating Expenses	(872)	(884)
Net Nonoperating Revenues	\$ 62,102	\$ 60,150

College net nonoperating revenues increased by \$2 million, or 3.2 percent. The increase was primarily due to an increase in State noncapital appropriations of \$3.2 million, or 11.9 percent, as a result of an increase in Florida College System Program Fund appropriations.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2013-14 and 2012-13 fiscal years:

Other Revenues, Expenses, Gains, or Losses: College (In Thousands)

	2013-14	2012-13
State Capital Appropriations	\$ 1,772	\$ 5,141
Capital Grants, Contracts, Gifts, and Fees	3,461	3,005
Total	\$ 5,233	\$ 8,146

State capital appropriations decreased \$3.4 million as compared to the prior fiscal year as a result of a decrease in Public Education Capital Outlay appropriations.

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. 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 statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows.
- Its ability to meet its obligations as they come due.
- Its need for external financing.

The following summarizes the College's cash flows for the 2013-14 and 2012-13 fiscal years:

Condensed Statement of Cash Flows: College
(In Thousands)

	<u>2013-14</u>	<u>2012-13</u>
Cash Provided (Used) by:		
Operating Activities	\$ (66,276)	\$ (65,572)
Noncapital Financing Activities	63,666	61,840
Capital and Related Financing Activities	425	653
Investing Activities	<u>(554)</u>	<u>52</u>
Net Decrease in Cash and Cash Equivalents	(2,739)	(3,027)
Cash and Cash Equivalents, Beginning of Year	<u>32,819</u>	<u>35,846</u>
Cash and Cash Equivalents, End of Year	<u>\$ 30,080</u>	<u>\$ 32,819</u>

Major sources of cash inflows came from receipt of Federal direct student loan program receipts (\$32 million), Federal and State student financial aid (\$31 million), State noncapital appropriations (\$29.8 million), grants and contracts (\$23.4 million), net student tuition and fees (\$17.3 million), and auxiliary enterprises (\$5.4 million). Major uses of cash were for payments to employees and for employee benefits (\$59.1 million), payments to suppliers (\$32.5 million), and Federal direct student loan program disbursements (\$32 million), and payments for scholarships (\$19.2 million).

Cash and cash equivalents decreased by \$2.7 million from the prior fiscal year, and the change was the result of the following factors: cash flows used by operating activities increased by \$0.7 million, primarily due to a \$4.4 million decrease in payments to employees offset by a \$5 million increase in payments to suppliers; cash provided by noncapital financing activities increased by \$1.8 million primarily due to a \$3.2 million increase in State noncapital appropriations that was partially offset by a \$0.7 million decrease in Federal and State student financial aid and a \$0.6 million decrease in gifts and grants received for other than capital or endowment purposes; and cash provided by capital and related financing activities decreased by \$0.2 million, mainly due to increases of \$0.8 million in State capital appropriations and \$0.5 million in capital grants and gifts, partially offset by a \$1.5 million increase in cash used for purchases of capital assets.

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

CAPITAL ASSETS

At June 30, 2014, the College had \$191.9 million in capital assets, less accumulated depreciation of \$71.2 million, for net capital assets of \$120.7 million. Depreciation charges for the current fiscal year totaled \$6 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30: College
(In Thousands)

<u>Capital Assets</u>	<u>2014</u>	<u>2013</u>
Land	\$ 9,556	\$ 10,065
Construction in Progress	1,700	21
Buildings	105,452	108,426
Other Structures and Improvements	1,172	1,494
Furniture, Machinery, and Equipment	1,861	3,458
Assets Under Capital Leases	963	1,080
Capital Assets, Net	<u>\$ 120,704</u>	<u>\$ 124,544</u>

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, 2014, were incurred on the renovation of the Dental Hygiene project and costs of implementation of the new Enterprise Resource Planning system. The College's major construction commitments at June 30, 2014, are as follows:

	<u>Amount</u> <u>(In Thousands)</u>
Total Committed	\$ 3,886
Completed to Date	<u>2,424</u>
Balance Committed	<u>\$ 1,462</u>

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

DEBT ADMINISTRATION

As of June 30, 2014, the College had \$15 million in outstanding long-term debt that included capital improvement revenue bonds payable, State Board of Education (SBE) capital outlay bonds payable, and capital leases. Long-term debt decreased by \$0.9 million, or 5.6 percent, as compared to the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2014, and June 30, 2013:

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

	<u>2014</u>	<u>2013</u>
Capital Improvement Revenue Bonds	\$ 10,195	\$ 10,710
SBE Capital Outlay Bonds	3,435	3,665
Capital Leases	1,401	1,558
Total	<u>\$ 15,031</u>	<u>\$ 15,933</u>

SBE issues capital outlay bonds on behalf of the College. During the 2013-14 fiscal year, the College entered in a new capital lease for \$0.2 million and debt repayments totaled \$1.1 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 2014-15 fiscal year. In response, the Board of Trustees did not increase the tuition rate for the Fall 2014 term. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates may be necessary at a future date 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 Bobby Jones, Interim Vice President for Administrative Services/Chief Financial Officer, Tallahassee Community College, 444 Appleyard Drive, Tallahassee, Florida 32304.

BASIC FINANCIAL STATEMENTS

TALLAHASSEE COMMUNITY COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET POSITION June 30, 2014

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 15,866,173	\$ 69,093
Restricted Cash and Cash Equivalents	4,493,686	
Investments	562,664	4,366,079
Accounts Receivable, Net	1,854,656	384,667
Notes Receivable, Net	47,200	
Due from Other Governmental Agencies	7,682,994	
Inventories	49,412	
Prepaid Expenses	3,166	17,068
Total Current Assets	30,559,951	4,836,907
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	9,720,203	
Restricted Investments	112,217	10,326,797
Depreciable Capital Assets, Net	109,447,771	6,385,559
Nondepreciable Capital Assets	11,256,557	
Other Assets		936,318
Total Noncurrent Assets	130,536,748	17,648,674
TOTAL ASSETS	161,096,699	22,485,581
LIABILITIES		
Current Liabilities:		
Accounts Payable	65,687	126,070
Salary and Payroll Taxes Payable	480,845	
Retainage Payable	36,140	
Unearned Revenue	87,280	
Deposits Held for Others	1,415,564	
Long-Term Liabilities - Current Portion:		
Bonds Payable	780,000	
Notes Payable		370,543
Capital Leases Payable	315,234	
Special Termination Benefits Payable	263,150	
Compensated Absences Payable	638,091	
Total Current Liabilities	4,081,991	496,613
Noncurrent Liabilities:		
Bonds Payable	12,850,000	
Notes Payable		5,868,466
Capital Leases Payable	1,086,080	
Special Termination Benefits Payable	630,109	
Compensated Absences Payable	4,427,988	
Other Postemployment Benefits Payable	2,523,313	
Total Noncurrent Liabilities	21,517,490	5,868,466
TOTAL LIABILITIES	25,599,481	6,365,079

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2014

	<u>College</u>	<u>Component Units</u>
NET POSITION		
Net Investment in Capital Assets	\$ 106,198,014	\$ 250,508
Restricted:		
Nonexpendable:		
Endowment		4,866,582
Expendable:		
Grants and Loans	4,383,852	
Scholarships	610,487	9,818,769
Capital Projects	16,317,241	
Debt Service	844,182	
Unrestricted	<u>7,143,442</u>	<u>1,184,643</u>
TOTAL NET POSITION	<u><u>\$ 135,497,218</u></u>	<u><u>\$ 16,120,502</u></u>

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, 2014

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$13,369,866	\$ 17,269,666	\$
Federal Grants and Contracts	17,403,590	
State and Local Grants and Contracts	5,448,850	
Nongovernmental Grants and Contracts	1,110,927	
Auxiliary Enterprises	5,293,250	
Other Operating Revenues	406,068	1,693,197
Total Operating Revenues	46,932,351	1,693,197
EXPENSES		
Operating Expenses:		
Personnel Services	59,591,996	423,104
Scholarships and Waivers	19,181,338	248,051
Utilities and Communications	2,091,795	5,811
Contractual Services	15,652,240	205,147
Other Services and Expenses	5,996,083	951,560
Materials and Supplies	8,224,679	29,268
Depreciation	6,013,303	207,661
Total Operating Expenses	116,751,434	2,070,602
Operating Loss	(69,819,083)	(377,405)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	29,771,375	
Federal and State Student Financial Aid	31,020,720	
Gifts and Grants	2,874,107	
Investment Income	8,434	1,263,514
Interest on Capital Asset-Related Debt	(700,432)	(345,205)
Other Nonoperating Expenses	(872,057)	
Net Nonoperating Revenues	62,102,147	918,309
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(7,716,936)	540,904
State Capital Appropriations	1,771,869	
Capital Grants, Contracts, Gifts, and Fees	3,461,029	
Total Other Revenues	5,232,898	
Increase (Decrease) in Net Position	(2,484,038)	540,904
Net Position, Beginning of Year	137,981,256	15,579,598
Net Position, End of Year	\$ 135,497,218	\$ 16,120,502

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 CASH FLOWS
For the Fiscal Year Ended June 30, 2014

	<u>College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 17,319,358
Grants and Contracts	23,402,189
Payments to Suppliers	(32,462,857)
Payments for Utilities and Communications	(2,091,795)
Payments to Employees	(48,902,269)
Payments for Employee Benefits	(10,210,002)
Payments for Scholarships	(19,181,338)
Loans Issued to Students	(17,939)
Collection on Loans to Students	59,875
Auxiliary Enterprises	5,402,408
Other Receipts	406,068
Net Cash Used by Operating Activities	<u>(66,276,302)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	29,771,375
Federal and State Student Financial Aid	31,020,720
Federal Direct Loan Program Receipts	31,996,985
Federal Direct Loan Program Disbursements	(31,996,985)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	2,874,107
Net Cash Provided by Noncapital Financing Activities	<u>63,666,202</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,572,235
Capital Grants and Gifts	3,461,029
Purchases of Capital Assets	(2,814,550)
Principal Paid on Capital Debt and Leases	(1,092,882)
Interest Paid on Capital Debt and Leases	(700,432)
Net Cash Provided by Capital and Related Financing Activities	<u>425,400</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	39
Purchase of Investments	(562,664)
Investment Income	8,434
Net Cash Used by Investing Activities	<u>(554,191)</u>
Net Decrease in Cash and Cash Equivalents	(2,738,891)
Cash and Cash Equivalents, Beginning of Year	<u>32,818,953</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 30,080,062</u></u>

**TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2014**

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (69,819,083)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,013,303
Changes in Assets and Liabilities:	
Receivables, Net	(196,776)
Inventories	20,984
Accounts Payable	(2,428,439)
Unearned Revenue	(184,600)
Deposits Held for Others	(207,595)
Special Termination Benefits Payable	256,055
Compensated Absences Payable	38,108
Other Postemployment Benefits Payable	231,741
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (66,276,302)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITIES	
The College entered into a new capital lease, which was recognized on the statement of net position, but is not a cash transaction for the statement of cash flows	\$ 191,351

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

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Tallahassee Community College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of seven members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by law and State Board of Education rules. However, the District Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and State Board of Education rules. Geographic boundaries of the District correspond with those of Gadsden, Leon, and Wakulla Counties.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the District Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the District Board of Trustees are such that exclusion would cause the College's financial statements to be misleading. Based upon 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 2013-2014 fiscal year, these lease and note transactions accounted for substantially all of the PSAH financial activity.

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 of the Foundation and PSAH reported on the accompanying financial statements was derived from the audited financial statements for the fiscal year ended March 31, 2014. Additional condensed financial statements for the College's component units are included in a subsequent note.

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

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

in their governing boards 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.

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

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

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and assets and liabilities 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, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities 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, and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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, and then applied the product as the current year scholarship allowance.

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

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

At June 30, 2014, the College reported as cash equivalents \$10,402 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, as of June 30, 2014, 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 40 days as of June 30, 2014. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

Capital Assets. College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and assets under capital leases. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and

**TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

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 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 – 3 to 10 years

Land, buildings, and equipment of the College's component units are stated at cost, except for donated property, which is stated at fair market value at the date of donation and is net of accumulated depreciation of \$2,083,490. The College's component units depreciate buildings and equipment over an estimated life of 39 years for buildings and improvements and from 5 to 7 years for furniture and equipment.

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

2. INVESTMENTS

The College's 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; 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; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's 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.

**TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

The College's investments at June 30, 2014, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Debt Service Accounts	\$ 112,217
Certificates of Deposit	562,664
Total College Investments	\$ 674,881

State Board of Administration Debt Service Accounts. The College reported investments totaling \$112,217 at June 30, 2014, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Certificates of Deposit. The College reported investments totaling \$562,664 at June 30, 2014, in certificates of deposits (CDs) with 2 banks. The investments in CDs were fully insured by the Federal Deposit Insurance Corporation. 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, 2014, and are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Mutual Funds	\$14,647,136
Money Market Funds	9,520
State Board of Administration Fund	36,220
Total Investments	\$ 14,692,876

3. 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 \$1,277,504 allowance for doubtful accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans for veteran students' fees of \$98,315, and short-term loan program of \$2,644. Notes receivable are reported net of a \$53,759 allowance for doubtful notes.

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount consists of \$5,595,006 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$2,087,988 due from Federal and State agencies for contracts and grants.

6. INVENTORIES

Inventories consist of items for resale by the Florida Public Safety Institute store, and are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 10,064,451	\$ (508,150)	\$	\$	\$ 9,556,301
Construction in Progress	21,393		2,670,427	991,564	1,700,256
Total Nondepreciable Capital Assets	\$ 10,085,844	\$ (508,150)	\$ 2,670,427	\$ 991,564	\$ 11,256,557
Depreciable Capital Assets:					
Buildings	\$ 153,840,491	\$	\$ 991,564	\$	\$ 154,832,055
Other Structures and Improvements	11,446,483				11,446,483
Furniture, Machinery, and Equipment	11,009,672	71,976	609,050	201,353	11,489,345
Assets Under Capital Leases	2,701,069		191,351		2,892,420
Total Depreciable Capital Assets	178,997,715	71,976	1,791,965	201,353	180,660,303
Less, Accumulated Depreciation:					
Buildings	45,414,403		3,966,180		49,380,583
Other Structures and Improvements	9,952,935		321,502		10,274,437
Furniture, Machinery, and Equipment	7,551,702	857,051	1,417,244	197,504	9,628,493
Assets Under Capital Leases	1,620,642		308,377		1,929,019
Total Accumulated Depreciation	64,539,682	857,051	6,013,303	197,504	71,212,532
Total Depreciable Capital Assets, Net	\$ 114,458,033	\$ (785,075)	\$ (4,221,338)	\$ 3,849	\$ 109,447,771

Notes: (1) An adjustment of \$508,150 to land and of \$785,075 to furniture, machinery and equipment and the related accumulated depreciation was made to correct the general ledger control accounts for a prior year error in recording capital assets to the property record system.

8. UNEARNED REVENUE

Unearned revenue includes advance funding for contracts and grants and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2014, the College reported the following amounts as unearned revenue:

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 25,503
Student Tuition and Fees	61,777
Total Unearned Revenue	\$ 87,280

9. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2014, include bonds payable, capital leases payable, special termination benefits payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2014, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable	\$ 14,375,000	\$	\$ 745,000	\$ 13,630,000	\$ 780,000
Capital Leases Payable	1,557,845	191,351	347,882	1,401,314	315,234
Special Termination Benefits Payable	637,204	399,430	143,375	893,259	263,150
Compensated Absences Payable	5,027,971	483,492	445,384	5,066,079	638,091
Other Postemployment Benefits Payable	2,291,572	398,311	166,570	2,523,313	
Total Long-Term Liabilities	\$ 23,889,592	\$ 1,472,584	\$ 1,848,211	\$ 23,513,965	\$ 1,996,475

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

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

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2005A	\$ 470,000	5.0	2017
Series 2009A	2,440,000	4.0 - 5.0	2029
Series 2010A	525,000	3.5 - 5.0	2030
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2006A	10,195,000	3.5 - 5.0	2027
Total	\$ 13,630,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2015	\$ 780,000	\$ 603,288	\$ 1,383,288
2016	815,000	569,238	1,384,238
2017	845,000	533,538	1,378,538
2018	725,000	493,688	1,218,688
2019	765,000	456,687	1,221,687
2020-2024	4,570,000	1,663,685	6,233,685
2025-2029	5,075,000	485,574	5,560,574
2030	55,000	2,200	57,200
Total	\$ 13,630,000	\$ 4,807,898	\$ 18,437,898

Mortgage Note Payable – Component Unit. The PSAH executed a mortgage payable on May 21, 2004, to construct a housing facility to provide short-term lodging for students of the College's Florida Public Safety Institute. The amount of the note is \$9 million and bears interest at a variable rate, currently 5.45 percent. The note is collateralized by a leasehold mortgage in real estate, a first priority security interest in all personal property located at the facility, and the assignment of rents derived from the operation of the housing facility. Annual requirements to amortize the outstanding note as of March 31, 2014, are as follows:

Fiscal Year Ending March 31	Principal	Interest	Total
2015	\$ 370,543	\$ 307,711	\$ 678,254
2016	424,709	315,204	739,913
2017	449,612	290,301	739,913
2018	475,095	264,818	739,913
2019	502,023	237,890	739,913
2020-2024	2,308,584	840,529	3,149,113
2025-2026	1,708,443	45,300	1,753,743
Total	\$ 6,239,009	\$ 2,301,753	\$ 8,540,762

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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, 2014, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2015	\$ 364,083
2016	403,571
2017	410,476
2018	<u>341,129</u>
Total Minimum Payments	1,519,259
Less, Amount Representing Interest	<u>117,945</u>
Present Value of Minimum Payments	<u><u>\$ 1,401,314</u></u>

Special Termination Benefits Payable. Under a Board-established Retirement Incentive Program, employees who were hired prior to July 1, 1995, and elect to retire within 36 months from the achievement of normal retirement, as defined in Section 121.091, 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 \$893,259 as of June 30, 2014, for 22 employees who gave notice to retire under the Retirement Incentive Program, of which \$263,150 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, 2014, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$5,066,079. The current portion of the compensated absences liability, \$638,091, is the amount expected to be paid in the coming fiscal year, and is calculated as a percentage of total liability, based on the average ratio of employees who terminated services to the total number of authorized positions for each of the preceding five years.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for other postemployment benefits 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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 191 retirees received postemployment healthcare benefits, and 109 retirees received postemployment life insurance benefits. The College provided required contributions of \$166,570 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$916,629, 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 Plan, and changes in the College's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 212,098
Amortization of Unfunded Actuarial Accrued Liability	<u>170,936</u>
Annual Required Contribution	383,034
Interest on Net OPEB Obligation	91,663
Adjustment to Annual Required Contribution	<u>(76,386)</u>
Annual OPEB Cost (Expense)	398,311
Contribution Toward the OPEB Cost	<u>(166,570)</u>
Increase in Net OPEB Obligation	231,741
Net OPEB Obligation, Beginning of Year	<u>2,291,572</u>
Net OPEB Obligation, End of Year	<u><u>\$ 2,523,313</u></u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2014, and for the two preceding fiscal years, were as follows:

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Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<u> </u>	<u> </u>	<u> </u>	<u> </u>
2011-12	\$ 524,948	25.7%	\$ 1,869,758
2012-13	555,186	24.0%	2,291,572
2013-14	398,311	41.8%	2,523,313

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$5,128,091 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$5,128,091 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$32,210,525 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15.9 percent.

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

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

The College's OPEB actuarial valuation as of July 1, 2013, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the College's 2013-14 fiscal year ARC. This method was selected because it is the same method used in the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 8.5 percent pre-Medicare and 6.25 percent Medicare for the 2013-14 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 5 years for pre-Medicare and 4 years for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years. The remaining amortization period at June 30, 2014, was 23 years.

TALLAHASSEE COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

10. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight 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. Members of both Plans 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.

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 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.

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. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

TALLAHASSEE COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Florida Retirement System, Special Risk	3.00	19.06
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled \$2,674,548, \$2,626,948, and \$3,334,210, respectively, which were equal to the required contributions for each fiscal year.

There were 178 College participants in the Investment Plan during the 2013-14 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled \$598,744, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services' Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Division of Retirement's Web site (www.frs.myflorida.com).

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 eight 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, on behalf of the participant, 7.34 percent of the participant's salary, less a small amount used to cover administrative costs 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

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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.

There were 91 College participants during the 2013-14 fiscal year. The College's contributions to the Program totaled \$254,023 and employee contributions totaled \$82,160 for the 2013-14 fiscal year.

11. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2014, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Capitalized:			
Enterprise Resource Planning System:			
Architect/Other	\$ 1,571,407	\$ 724,053	\$ 847,354
Dental Hygiene:			
Contractor	834,807	361,399	473,408
Architect/Other	122,120	105,618	16,502
Total Capitalized Projects	2,528,334	1,191,070	1,337,264
NonCapitalized:			
Enterprise Resource Planning System:			
Architect/Other	825,943	825,943	
Dental Hygiene:			
Architect/Other	532,187	407,682	124,505
Total NonCapitalized Projects	1,358,130	1,233,625	124,505
Total Construction Contract Commitments	\$ 3,886,464	\$ 2,424,695	\$ 1,461,769

12. 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 is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided coverage of up to \$125 million to February 28, 2014, and up to \$150 million from March 1, 2014. 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 three fiscal years.

13. 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

TALLAHASSEE COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 32,847,323
Public Services	8,744,302
Academic Support	5,738,610
Student Services	17,590,717
Institutional Support	15,304,596
Operation and Maintenance of Plant	7,896,979
Scholarships and Waivers	19,195,783
Depreciation	6,013,303
Auxiliary Enterprises	3,419,821
Total Operating Expenses	\$ 116,751,434

14. DISCRETELY PRESENTED COMPONENT UNITS

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

Condensed Statement of Net Position

	<u>Direct-Support Organizations</u>		<u>Total</u>
	<u>Tallahassee Community College Foundation, Inc. 3-31-14</u>	<u>Public Safety Academy Housing, Inc. 3-31-14</u>	
Assets:			
Current Assets	\$ 4,826,241	\$ 10,666	\$ 4,836,907
Capital Assets, Net		6,385,559	6,385,559
Other Noncurrent Assets	11,159,157	103,958	11,263,115
Total Assets	<u>15,985,398</u>	<u>6,500,183</u>	<u>22,485,581</u>
Liabilities:			
Current Liabilities	126,070	370,543	496,613
Noncurrent Liabilities		5,868,466	5,868,466
Total Liabilities	<u>126,070</u>	<u>6,239,009</u>	<u>6,365,079</u>
Net Position:			
Net Investment in Capital Assets		250,508	250,508
Restricted Nonexpendable	4,866,582		4,866,582
Restricted Expendable	9,818,769		9,818,769
Unrestricted	1,173,977	10,666	1,184,643
Total Net Position	<u>\$ 15,859,328</u>	<u>\$ 261,174</u>	<u>\$ 16,120,502</u>

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

	<u>Direct-Support Organizations</u>		<u>Total</u>
	<u>Tallahassee Community College Foundation, Inc. 3-31-14</u>	<u>Public Safety Academy Housing, Inc. 3-31-14</u>	
Operating Revenues	\$ 944,284	\$ 748,913	\$ 1,693,197
Depreciation Expense		(207,661)	(207,661)
Operating Expenses	<u>(1,846,269)</u>	<u>(16,672)</u>	<u>(1,862,941)</u>
Operating Income (Loss)	<u>(901,985)</u>	<u>524,580</u>	<u>(377,405)</u>
Nonoperating Revenues (Expenses)			
Nonoperating Revenue	1,263,514		1,263,514
Interest Expense		<u>(345,205)</u>	<u>(345,205)</u>
Net Nonoperating Revenues (Expenses)	<u>1,263,514</u>	<u>(345,205)</u>	<u>918,309</u>
Increase in Net Position	361,529	179,375	540,904
Net Position, Beginning of Year	<u>15,497,799</u>	<u>81,799</u>	<u>15,579,598</u>
Net Position, End of Year	<u>\$ 15,859,328</u>	<u>\$ 261,174</u>	<u>\$ 16,120,502</u>

15. CURRENT UNRESTRICTED FUNDS

The Southern Association of Colleges and Schools, Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net position, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net position. To meet this requirement, statements of net position and revenues, expenses, and changes in net position for the current unrestricted funds are presented, as follows:

**TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

Statement of Current Unrestricted Funds Net Position

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 14,375,272
Investments	562,664
Accounts Receivable, Net	1,436,120
Notes Receivable, Net	44,557
Inventories	49,412
Prepaid Expenses	950

TOTAL ASSETS	16,468,975
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LIABILITIES

Current Liabilities:

Accounts Payable	65,687
Salary and Payroll Taxes Payable	398,363
Unearned Revenue	52,472
Deposits Held for Others	351,429
Special Termination Benefits Payable	263,150
Compensated Absences Payable	634,933

Total Current Liabilities	1,766,034
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Noncurrent Liabilities:

Special Termination Benefits Payable	630,109
Compensated Absences Payable	4,406,077
Other Postemployment Benefits Payable	2,523,313

TOTAL LIABILITIES	9,325,533
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TOTAL NET POSITION	\$ 7,143,442
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**TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014**

**Statement of Current Unrestricted Funds Revenues,
Expenses, and Changes in Net Position**

REVENUES

Operating Revenues:

Student Tuition and Fees (1)	\$ 27,841,994
Grants and Contracts	1,333,793
Auxiliary Enterprises	5,293,250
Other Operating Revenues	<u>398,488</u>
Total Operating Revenues	<u>34,867,525</u>

EXPENSES

Operating Expenses:

Personnel Services	48,548,243
Utilities and Communications	2,052,621
Contractual Services	5,308,332
Other Services and Expenses	4,330,137
Materials and Supplies	<u>3,704,225</u>
Total Operating Expenses	<u>63,943,558</u>
Operating Loss	<u>(29,076,033)</u>

NONOPERATING REVENUES

State Noncapital Appropriations	29,771,375
Gifts and Grants	59,313
Investment Income	<u>6,102</u>
Net Nonoperating Revenues	<u>29,836,790</u>

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

Other Revenues	<u>760,757</u>
	<u>7,248</u>

Increase in Net Position

Net Position, Beginning of Year	<u>768,005</u>
	<u>6,375,437</u>

Net Position, End of Year

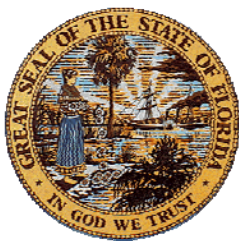
	<u>\$ 7,143,442</u>
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Note: (1) Student tuition and fees revenue is reported net of scholarship allowance on the statement of revenues, expenses, and changes in net position; however, scholarship allowances are not reflected in student tuition and fees revenues for the purpose of this disclosure.

**TALLAHASSEE COMMUNITY COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS -
OTHER POSTEMPLOYMENT BENEFITS PLAN**

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

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



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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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Report on the Financial Statements

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 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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 26, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the result 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,



David W. Martin, CPA
Tallahassee, Florida
March 26, 2015