STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2019-116
February 2019

TALLAHASSEE COMMUNITY COLLEGE

For the Fiscal Year Ended
June 30, 2018

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2017-18 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:

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 Cheryl B. Buchanan, CPA, and the audit was supervised by Edward A. Waller, CPA.

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

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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

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, 2018. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Audit Methodology

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

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of 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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2. to the financial statements, the College implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported for the 2017-18 fiscal year with amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tallahassee Community College's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
February 6, 2019

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, 2018, 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, 2018, and June 30, 2017.

FINANCIAL HIGHLIGHTS

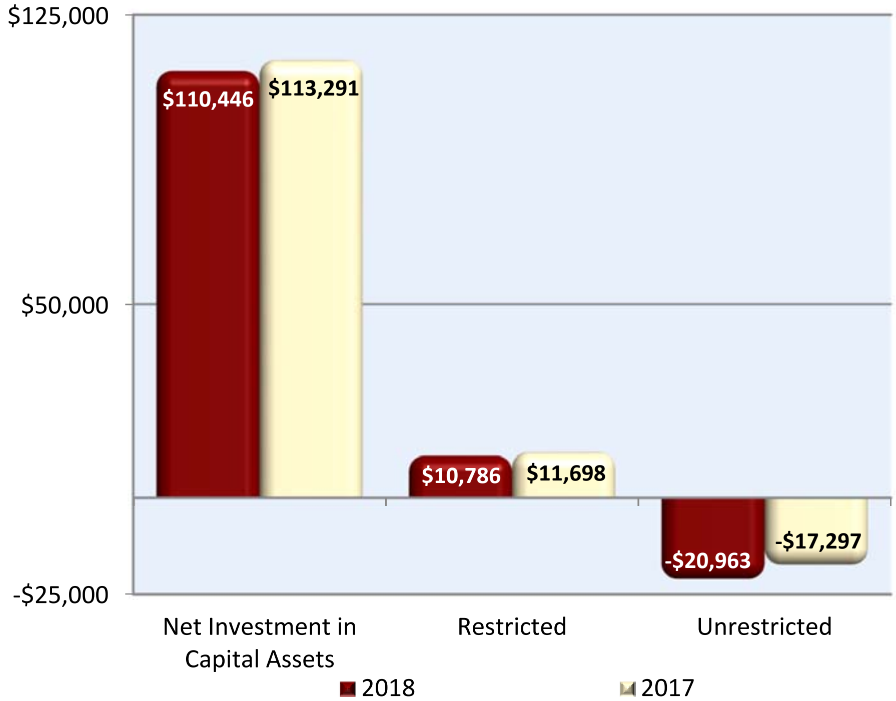
The College's assets and deferred outflows of resources totaled $177.2 million at June 30, 2018. This balance reflects a $2.6 million, or 1.5 percent, decrease as compared to the 2016-17 fiscal year, resulting from a $2 million increase in deferred outflows of resources due to changes in actual assumptions related to pension liability and other postemployment benefits, and a net decrease in current and noncurrent assets of $4.7 million. While assets decreased, liabilities increased by $3 million, or 4.4 percent, totaling $71.4 million at June 30, 2018, resulting from an increase of $1.5 million in salary and payroll taxes payable, a decrease of $2.2 million in bonds payable due to a bond refunding action, an increase of $1.9 million in other postemployment benefits liability resulting from the adoption of Governmental Accounting Standards Boards (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and an increase of $2.1 million for net pension liability. As a result, the College's net position decreased by $7.4 million, resulting in a year-end balance of $100.3 million.

The College's operating revenues totaled $39.3 million for the 2017-18 fiscal year, representing a 5.3 percent increase compared to the 2016-17 fiscal year due mainly to an increase of $2.7 million in State and local grants and contracts and a decrease of $1.4 million in Federal grants and contracts. Operating expenses totaled $109 million for the 2017-18 fiscal year, representing an increase of 7.1 percent as compared to the 2016-17 fiscal year due mainly to an increase of $1.7 million in scholarships and waivers, an increase of $2.7 million in contractual services, and an increase of $1.3 million in other services and expenses.

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, 2018, and June 30, 2017, is shown in the following graph:

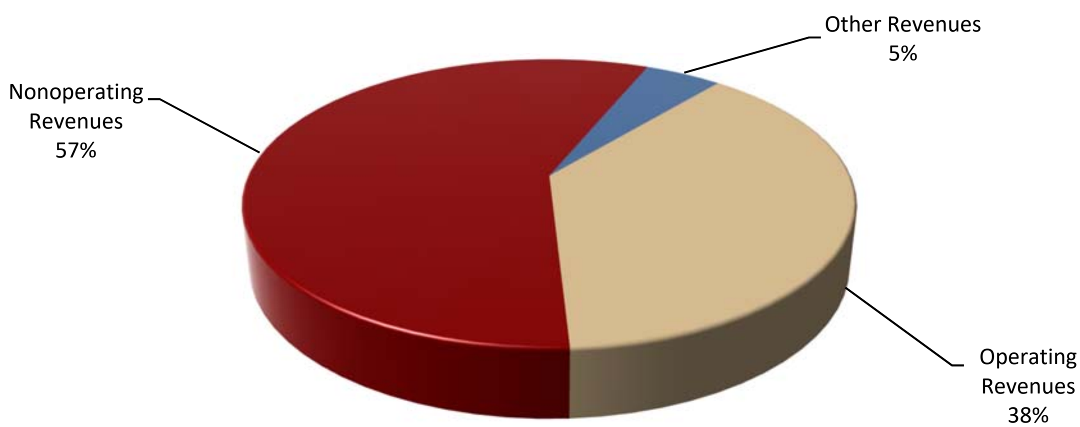
Net Position

(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2017-18 fiscal year:

Total Revenues
2017-18 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 Public Safety Academy Housing, Inc. (PSAH). Based on the application of the criteria for determining component units, the Foundation and the 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 the component unit 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)

	2018	2017
Assets		
Current Assets	$ 23,781	$ 22,773
Capital Assets, Net	127,386	132,498
Other Noncurrent Assets	9,485	10,046
Total Assets	160,652	165,317
Deferred Outflows of Resources	16,532	14,515
Liabilities		
Current Liabilities	7,819	6,019
Noncurrent Liabilities	63,584	62,345
Total Liabilities	71,403	68,364
Deferred Inflows of Resources	5,512	3,776
Net Position		
Net Investment in Capital Assets	110,446	113,291
Restricted	10,786	11,698
Unrestricted	(20,963)	(17,297)
Total Net Position	$ 100,269	$ 107,692

Total assets decreased primarily due to an increase in accumulated depreciation of $4.5 million. The net increase in the College's deferred outflows and deferred inflows of resources and the increase in noncurrent liabilities are primarily due to the effects of changes in actuarial assumptions related to economic and demographic factors of all active, inactive, and retired employees as applied to pensions and the adoption of GASB Statement No. 75.

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 2017-18 and 2016-17 fiscal years:

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

(In Thousands)

	2017-18	2016-17
Operating Revenues	$ 39,337	$ 37,369
Less, Operating Expenses	109,015	101,749
Operating Loss	(69,678)	(64,380)
Net Nonoperating Revenues	59,155	57,754
Loss Before Other Revenues,	(10,523)	(6,626)
Other Revenues	5,008	5,920
Net Decrease In Net Position	(5,515)	(706)
Net Position, Beginning of Year	107,692	108,398
Adjustment to Beginning Net Position (1)	(1,908)	-
Net Position, Beginning of Year, as Restated	105,784	108,398
Net Position, End of Year	$ 100,269	$ 107,692

(1) For the 2017-18 fiscal year, the College's beginning net position was decreased due to the implementation of GASB Statement No. 75.

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 2017-18 and 2016-17 fiscal years:

Operating Revenues
For the Fiscal Years

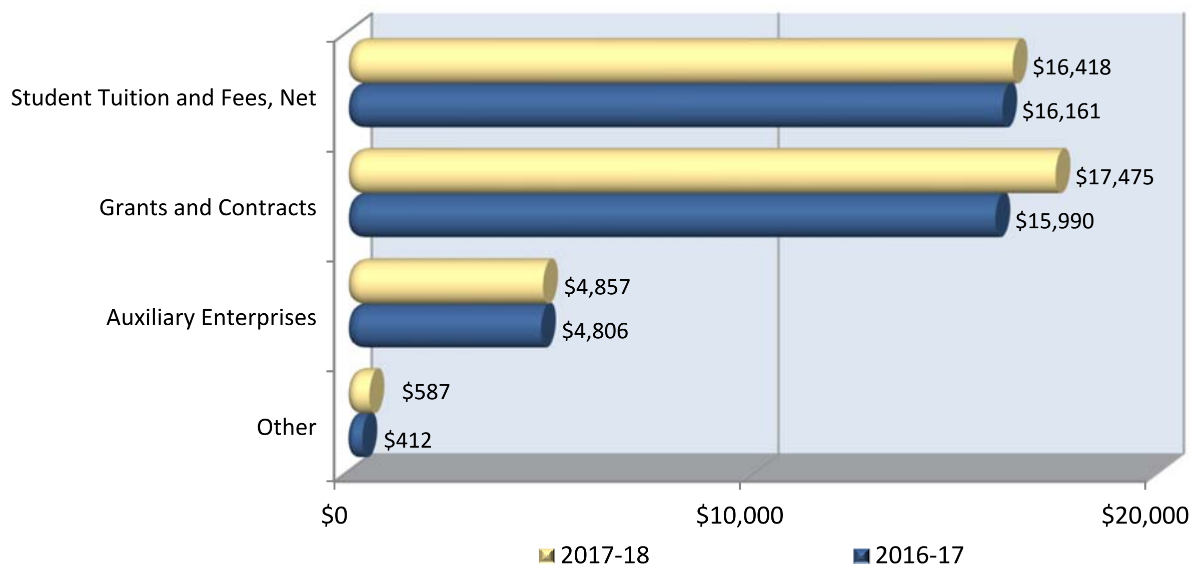
(In Thousands)

	2017-18	**2016-17**
Student Tuition and Fees, Net	$ 16,418	$ 16,161
Grants and Contracts	17,475	15,990
Auxiliary Enterprises	4,857	4,806
Other	587	412
Total Operating Revenues	$ 39,337	$ 37,369

The following chart presents the College's operating revenues for the 2017-18 and 2016-17 fiscal years:

Operating Revenues

(In Thousands)



College operating revenue increased by $2 million primarily due to an increase in the amount of contracts and grants received.

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 2017-18 and 2016-17 fiscal years:

Operating Expenses
For the Fiscal Years

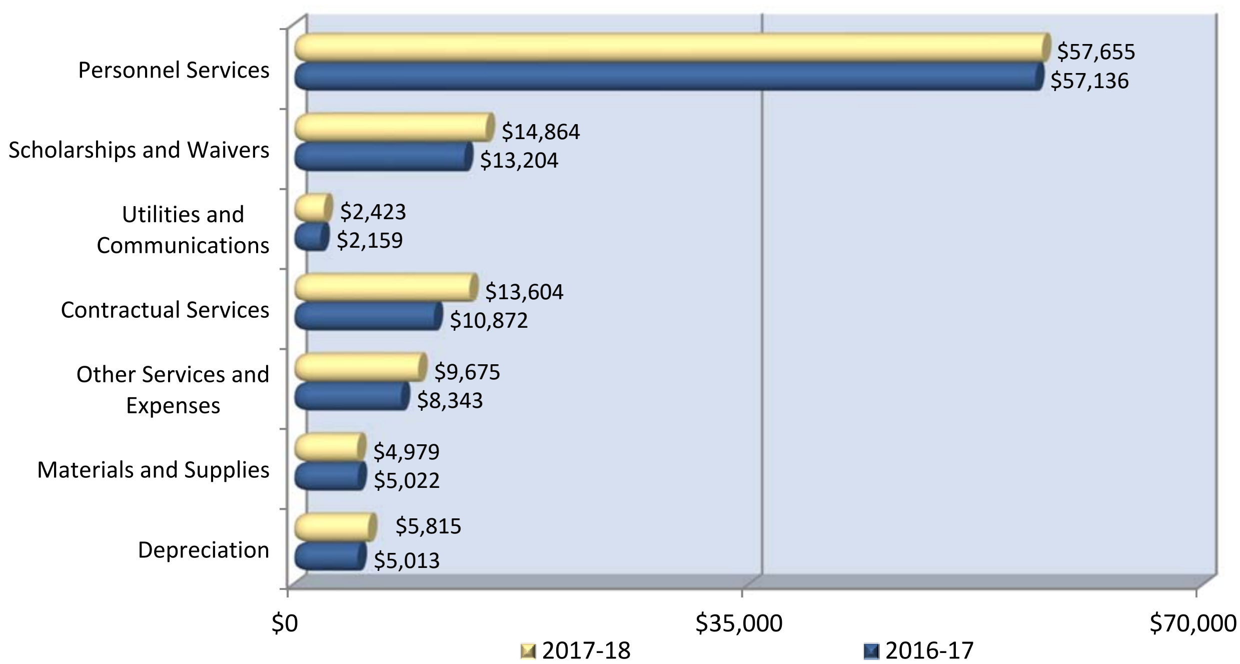
(In Thousands)

	2017-18	2016-17
Personnel Services	$ 57,655	$ 57,136
Scholarships and Waivers	14,864	13,204
Utilities and Communications	2,423	2,159
Contractual Services	13,604	10,872
Other Services and Expenses	9,675	8,343
Materials and Supplies	4,979	5,022
Depreciation	5,815	5,013
Total Operating Expenses	$ 109,015	$ 101,749

The following chart presents the College's operating expenses for the 2017-18 and 2016-17 fiscal years:

Operating Expenses

(In Thousands)



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

- Scholarship and Waivers increased by $1.7 million primarily due to the increase in institutional student financial aid awarded during the 2017-18 fiscal year.
- Contractual Services Expenses increased by $2.7 million primarily due to an increase in contracts and grants expenses.
- Other Services and Expenses increased by $1.3 million due to an increase in repairs and maintenance expenses.

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 2017-18 and 2016-17 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
State Noncapital Appropriations	$ 33,146	$ 34,462
Federal and State Student Financial Aid	25,744	23,577
Gifts and Grants	279	285
Investment Income	873	5
Other Nonoperating Revenues	77	-
Interest on Capital Asset-Related Debt	(964)	(575)
Net Nonoperating Revenues	$ 59,155	$ 57,754

Net nonoperating revenues increased by $1.4 million. This increase was primarily due to an increase of $2.2 million in Federal and State Student Financial Aid, offset by a decrease of $1.3 million in State noncapital appropriations.

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 2017-18 and 2016-17 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2017-18	2016-17
State Capital Appropriations	$ 1,731	$ 2,646
Capital Grants, Contracts, Gifts, and Fees	3,277	3,274
Total	$ 5,008	$ 5,920

Other revenues decreased by $0.9 million, or 15.4 percent, primarily due to a decrease in State Public Education Capital Outlay (PECO) 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. 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 2017-18 and 2016-17 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2017-18	**2016-17**
Cash Provided (Used) by:		
Operating Activities	$ (60,567)	$ (59,148)
Noncapital Financing Activities	59,170	58,324
Capital and Related Financing Activities	1,141	(1,753)
Investing Activities	872	9
Net Increase (Decrease) in Cash and Cash Equivalents	616	(2,568)
Cash and Cash Equivalents, Beginning of Year	27,041	29,609
Cash and Cash Equivalents, End of Year	$ 27,657	$ 27,041

Major sources of funds came from State noncapital appropriations ($33.1 million), Federal and State Student Financial Aid receipts ($25.7 million), grants and contracts ($19 million), net student tuition and fees ($16.4 million), and auxiliary enterprise receipts ($5 million). Major uses of funds were for payments to employees and for employee benefits ($56.1 million), payments to suppliers ($28.3 million), payments for scholarships ($14.9 million), and principal paid on capital debt and leases ($8.9 million).

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the College had $215.9 million in capital assets, less accumulated depreciation of $88.6 million, for net capital assets of $127.3 million. Depreciation charges for the current fiscal year totaled $5.8 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)

	2018	**2017**
Land	$ 9,556	$ 9,556
Construction in Progress	6,506	6,257
Buildings	103,095	107,260
Other Structures and Improvements	1,005	1,005
Furniture, Machinery, and Equipment	433	1,299
Assets Under Capital Leases	6,791	7,121
Capital Assets, Net	$ 127,386	$132,498

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2018, were incurred on the costs of development of the ongoing new Enterprise Resource Planning student system project. The College's major construction commitments at June 30, 2018, are as follows:

	Amount (In Thousands)
Total Committed	$ 8,863
Completed to Date	(6,506)
Balance Committed	$ 2,357

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

Debt Administration

As of June 30, 2018, the College had $16.7 million in outstanding State Board of Education (SBE) capital outlay and capital improvement revenue bonds payable, notes payable, and capital leases payable, representing a decrease of $2.5 million, or 13.1 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

	2018	2017
Florida Department of Education		
Capital Improvement Revenue Bonds	$ 6,405	$ 8,525
SBE Capital Outlay Bonds	2,540	2,665
Notes Payable	754	895
Capital Leases	6,991	7,122
Total	$ 16,690	$ 19,207

The SBE issues capital outlay bonds on behalf of the College. During the 2017-18 fiscal year, SBE issued bonds totaling $6.4 million to refund other bonds totaling $7.9 million and reduced future debt repayments by $1.6 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 2018-19 fiscal year. In response, the Board of Trustees did not increase the tuition rate for the Fall of 2018 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 the 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, 2018

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 17,851,748	$ 76,860
Restricted Cash and Cash Equivalents	373,012	-
Investments	567,507	2,183,993
Accounts Receivable, Net	4,195,442	1,707,814
Notes Receivable, Net	24,088	-
Due from Other Governmental Agencies	689,218	-
Due from Component Units	119	-
Inventories	78,607	-
Prepaid Expenses	-	7,900
Deposits Receivable	1,000	-
Total Current Assets	23,780,741	3,976,567
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	9,432,124	-
Restricted Investments	53,661	12,519,296
Depreciable Capital Assets, Net	111,323,018	5,943,542
Nondepreciable Capital Assets	16,062,731	-
Other Assets	-	786,427
Total Noncurrent Assets	136,871,534	19,249,265
TOTAL ASSETS	160,652,275	23,225,832
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	153,728	-
Pensions	16,378,135	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	16,531,863	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,278,800	82,622
Salary and Payroll Taxes Payable	2,360,731	-
Retainage Payable	31,404	-
Unearned Revenue	454,487	1,710
Deposits Held for Others	897,479	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	665,000	-
Notes Payable	144,000	541,096
Capital Leases Payable	368,388	-
Special Termination Benefits Payable	377,088	-
Compensated Absences Payable	762,293	-
Other Postemployment Benefits Payable	153,728	-
Net Pension Liability	325,474	-
Total Current Liabilities	7,818,872	625,428

TALLAHASSEE COMMUNITY COLLEGE
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2018

	College	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	8,280,000	-
Notes Payable	610,000	4,205,527
Capital Leases Payable	6,622,718	-
Special Termination Benefits Payable	337,003	-
Compensated Absences Payable	4,052,126	-
Other Postemployment Benefits Payable	4,999,773	-
Net Pension Liability	38,682,884	-
Total Noncurrent Liabilities	63,584,504	4,205,527
TOTAL LIABILITIES	71,403,376	4,830,955
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	420,488	-
Pensions	5,091,661	-
TOTAL DEFERRED INFLOWS OF RESOURCES	5,512,149	-
NET POSITION		
Net Investment in Capital Assets	110,446,124	1,196,919
Restricted:		
Nonexpendable:		
Endowment	-	7,062,118
Expendable:		
Grants and Loans	861,039	-
Scholarships	-	9,151,250
Capital Projects	9,870,895	-
Debt Service	53,661	-
Unrestricted	(20,963,106)	984,590
TOTAL NET POSITION	$ 100,268,613	$ 18,394,877

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, 2018

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $12,464,148	$ 16,417,704	$ -
Federal Grants and Contracts	7,558,135	-
State and Local Grants and Contracts	8,951,561	-
Nongovernmental Grants and Contracts	965,298	-
Auxiliary Enterprises	4,857,212	-
Other Operating Revenues	586,844	2,572,772
Total Operating Revenues	39,336,754	2,572,772
EXPENSES		
Operating Expenses:		
Personnel Services	57,655,484	540,796
Scholarships and Waivers	14,864,119	549,696
Utilities and Communications	2,422,900	3,492
Contractual Services	13,603,554	321,210
Other Services and Expenses	9,674,891	796,141
Materials and Supplies	4,979,519	49,926
Depreciation	5,814,644	253,451
Total Operating Expenses	109,015,111	2,514,712
Operating Income (Loss)	(69,678,357)	58,060
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	33,146,580	-
Federal and State Student Financial Aid	25,743,807	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	279,426	-
Investment Income	872,682	1,083,846
Other Nonoperating Revenues	76,611	-
Interest on Capital Asset-Related Debt	(964,105)	(153,787)
Net Nonoperating Revenues	59,155,001	930,059
Income (Loss) Before Other Revenues	(10,523,356)	988,119
State Capital Appropriations	1,730,726	-
Capital Grants, Contracts, Gifts, and Fees	3,277,010	-
Total Other Revenues	5,007,736	-
Increase (Decrease) in Net Position	(5,515,620)	988,119
Net Position, Beginning of Year	107,691,973	17,406,758
Adjustment to Beginning Net Position	(1,907,740)	-
Net Position, Beginning of Year, as Restated	105,784,233	17,406,758
Net Position, End of Year	$ 100,268,613	$ 18,394,877

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, 2018

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 16,379,296
Grants and Contracts	19,009,536
Payments to Suppliers	(28,275,973)
Payments for Utilities and Communications	(2,422,900)
Payments to Employees	(47,861,556)
Payments for Employee Benefits	(8,232,410)
Payments for Scholarships	(14,863,779)
Loans Issued to Students	(18,824)
Auxiliary Enterprises	5,009,401
Other Receipts	710,570
Net Cash Used by Operating Activities	(60,566,639)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	33,146,580
Federal and State Student Financial Aid	25,743,807
Federal Direct Loan Program Receipts	14,196,126
Federal Direct Loan Program Disbursements	(14,196,126)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	279,426
Net Cash Provided by Noncapital Financing Activities	59,169,813
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	6,405,000
State Capital Appropriations	2,024,197
Capital Grants and Gifts	3,191,878
Purchases of Capital Assets	(594,369)
Principal Paid on Capital Debt and Leases	(8,921,976)
Interest Paid on Capital Debt and Leases	(964,105)
Net Cash Provided by Capital and Related Financing Activities	1,140,625
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(591)
Investment Income	872,682
Net Cash Provided by Investing Activities	872,091
Net Increase in Cash and Cash Equivalents	615,890
Cash and Cash Equivalents, Beginning of Year	27,040,994
Cash and Cash Equivalents, End of Year	$ 27,656,884

TALLAHASSEE COMMUNITY COLLEGE
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)

For the Fiscal Year Ended June 30, 2018

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (69,678,357)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,814,644
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(1,386,320)
Notes Receivables, Net	(18,825)
Due from Other Governmental Agencies	1,304,808
Due from Component Units	139
Inventories	(24,847)
Accounts Payable	240,658
Salaries and Payroll Taxes Payable	1,539,340
Unearned Revenue	(39,553)
Deposits Held for Others	123,726
Special Termination Benefits Payable	(189,614)
Compensated Absences Payable	(79,412)
Other Postemployment Benefits Payable	(1,645)
Net Pension Liability	2,108,736
Deferred Outflows of Resources Related to Other Postemployment Benefits	(153,728)
Deferred Inflows of Resources Related to Other Postemployment Benefits	420,488
Deferred Outflows of Resources Related to Pensions	(1,677,149)
Deferred Inflows of Resources Related to Pensions	1,130,272
NET CASH USED BY OPERATING ACTIVITIES	$ (60,566,639)

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. The College serves 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:

- 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 payments and operating expenses. During the 2017-18 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's audited financial statements are available to the public and can be obtained from the Vice President for Administrative Services, Tallahassee Community

College, 444 Appleyard Drive, Tallahassee, Florida 32304. 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, 2018. 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 the accrual basis of accounting, and 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, and investment income (net of unrealized gains or losses on investments). Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College 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 5 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, that are not held solely for income or profit, to be cash equivalents. Under this definition, the College considers amounts invested in the 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, 2018, the College reported as cash equivalents $54,646 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 30 days as of June 30, 2018. 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, provides 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 measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour 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, 2018, 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 Leases – 5 to 16 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 $3,140,898. The College's component units depreciated 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 liabilities that are not scheduled to be paid within the next fiscal year.

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

2. Reporting Changes

The College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability.

3. Adjustment to Beginning Net Position

The beginning net position of the College was decreased by $1,907,740 due to implementation of GASB Statement No. 75. The College's total OPEB liability reported at June 30, 2017, increased by $2,050,743 to $5,298,149 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75. The adjustment to beginning net position includes $143,003 for the establishment of beginning deferred outflows of resources.

4. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	$ (24,680,174)
Auxiliary Funds	3,717,068
Total	$ (20,963,106)

5. Investments

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

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

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

The College's investments at June 30, 2018, 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	$ 53,661	$ 53,661	$ -	$ -
Certificates of Deposits	567,507	567,507	-	-
Total investments by fair value level	$ 621,168	$ 621,168	$ -	$ -

State Board of Administration Debt Service Accounts. The College reported investments totaling $53,661 at June 30, 2018, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. 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 $567,507 at June 30, 2018, in certificates of deposits (CDs) with two banks. The investments in CDs were fully insured by the Federal Deposit Insurance Corporation except for $107,405 in investments not insured. The CDs carry original maturity dates of 12 months with annual percentage interest rates between 0.20 and 1.5 percent.

Component Units Investments. Investments reported by the College's component units consisted of those hold by the Tallahassee Community College Foundation, Inc. at March 31, 2018, and are reported at fair value as follows:

Investment Type	Amount
Mutual Funds	$ 14,468,200
Money Market Funds	235,086
State Board of Adminstration Fund	3
Total	$ 14,703,289

6. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a $382,302 allowance for doubtful accounts.

7. Notes Receivable

Notes receivable represent student loans of $49,054 made under the short-term loan program. Notes receivable are reported net of a $24,966 allowance for doubtful notes.

8. Due From Other Governmental Agencies

The amount due from other governmental agencies consists of $437,983 of Public Education Capital Outlay allocations due from the State for construction of College facilities and $251,235 due from Federal and State agencies for contracts and grants and other services.

9. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2018, 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	6,256,911	249,519	-	6,506,430
Total Nondepreciable Capital Assets	$ 15,813,212	$ 249,519	$ -	$ 16,062,731
Depreciable Capital Assets:				
Buildings	$ 167,675,837	$ -	$ -	$ 167,675,837
Other Structures and Improvements	14,147,553	-	-	14,147,553
Furniture, Machinery, and Equipment	11,599,745	227,326	1,275,115	10,551,956
Assets Under Capital Leases	7,273,826	225,537	-	7,499,363
Total Depreciable Capital Assets	200,696,961	452,863	1,275,115	199,874,709
Less, Accumulated Depreciation:				
Buildings	60,415,848	4,166,268	-	64,582,116
Other Structures and Improvements	13,142,309	-	-	13,142,309
Furniture, Machinery, and Equipment	10,300,924	1,092,833	1,275,115	10,118,642
Assets Under Capital Leases	153,081	555,543	-	708,624
Total Accumulated Depreciation	84,012,162	5,814,644	1,275,115	88,551,691
Total Depreciable Capital Assets, Net	$ 116,684,799	$ (5,361,781)	$ -	$ 111,323,018

10. Unearned Revenue

Unearned revenue at June 30, 2018, includes Public Education Capital Outlay appropriations, for which the College had not yet received from the Florida Department of Education approval to spend the funds, and student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2018, the College reported the following amounts as unearned revenue:

Description	Amount
State Capital Appropriations	$ 433,643
Student Tuition and Fees	20,844
Total Unearned Revenue	$ 454,487

11. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2018, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 11,190,000	$ 6,405,000	$ 8,650,000	$ 8,945,000	$ 665,000
Notes Payable	895,000	-	141,000	754,000	144,000
Capital Leases Payable	7,122,082	225,537	356,513	6,991,106	368,388
Special Termination Benefits Payable	903,705	296,754	486,368	714,091	377,088
Compensated Absences Payable	4,893,830	333,260	412,671	4,814,419	762,293
Other Postemployment Benefits Payable (1)	5,298,149	469,750	614,398	5,153,501	153,728
Net Pension Liability	36,899,622	8,810,293	6,701,557	39,008,358	325,474
Total Long-Term Liabilities	$ 67,202,388	$ 16,540,594	$ 17,362,507	$ 66,380,475	$ 2,795,971

(1) OPEB Payable beginning balance adjusted for adoption of GASB Statement No. 75, as described in Notes 2. and 3.

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

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

The College had the following bonds payable at June 30, 2018:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2009A	$ 2,095,000	4 - 5	2029
Series 2010A	445,000	3.5 - 5	2030
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2018A	6,405,000	4 - 5	2027
Total	$ 8,945,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2019	$ 665,000	$ 488,739	$ 1,153,739
2020	765,000	391,937	1,156,937
2021	810,000	354,937	1,164,937
2022	855,000	315,787	1,170,787
2023	905,000	274,537	1,179,537
2024-2028	4,560,000	664,561	5,224,561
2029-2030	385,000	18,300	403,300
Total	$ 8,945,000	$ 2,508,798	$ 11,453,798

Bond Refunding. On April 12, 2018, the FDOE issued $41,355,000 of the Capital Improvement Revenue Bonds, Series 2018A. The College's portion of the bonds, $6,405,000 which includes a premium of $858,019, along with $661,981 held for debt service was used to call the remaining outstanding SBE Capital Improvement Revenue Bonds, Series 2006A, totaling $7,925,000. As a result, of the refunding, the College had an economic gain of $76,211 and reduced future debt service payments by $1,619,348.

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 through December 31, 2017, then at 3.34 percent until August 31, 2019, and thereafter a floating rate equal to 70 percent of the prime rate of JPMorgan Chase Bank, with a floor in all cases of 2.45 percent; payable in monthly installments of principal and interest in the amount of $54,739, maturing June 1, 2025. 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 the 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 until August 31, 2019, and thereafter a floating rate equal to 70 percent of the prime rate of JPMorgan Chase Bank, with a floor in all cases of 3.25 percent, maturing June 1, 2025. The note is collateralized by the leasehold mortgage in real estate and first priority security interest in all personal property located at the facility. Annual requirements to amortize the outstanding notes as of March 31, 2018 are as follows:

Fiscal Year Ending March 31	Principal	Interest	Total
2019	$ 541,096	$ 142,333	$ 683,429
2020	614,048	135,952	750,000
2021	635,942	114,060	750,002
2022	658,260	91,742	750,002
2023	681,366	68,636	750,002
2024-2025	1,615,911	58,452	1,674,363
Total	$ 4,746,623	$ 611,175	$ 5,357,798

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 interest rate for this note was reduced to 1.8 percent beginning on April 1, 2017. 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, 2018, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	$ 144,000	$ 12,924	$ 156,924
2020	147,000	10,323	157,323
2021	151,000	7,659	158,659
2022	155,000	4,923	159,923
2023	157,000	2,124	159,124
Total	$ 754,000	$ 37,953	$ 791,953

Capital Leases Payable. Energy saving equipment in the amount of $7,082,476 and computer equipment in the amount of $416,887 are being acquired under capital lease agreements. The stated interest rates are 2.21 and 4.1 percent, respectively. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Amount
2019	$ 523,570
2020	521,727
2021	536,137
2022	550,980
2023	517,394
2024-2028	2,832,838
2029-2033	2,761,367
Total Minimum Payments	8,244,013
Less, Amount Representing Interest	1,252,907
Present Value of Minimum Payments	$ 6,991,106

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 $714,091 as of June 30, 2018, for 21 employees who gave notice to retire under the Retirement Incentive Program, of which $377,088 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, 2018, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $4,814,419. The current portion of the compensated absences liability, $762,293, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

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

General Information about the OPEB Plan

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

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

Employees Covered by Benefit Terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	192
Inactive Employees Entitled to But Not Yet Receiving Benefits	43
Active Employees	667
Total	902

Total OPEB Liability

The College's total OPEB liability of $5,153,501 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

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

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	
Pre-Medicare	7.50 percent for 2017, decreasing to an ultimate rate of 5.00 percent by 2023.
Medicare	5.50 percent for 2017 decreasing to an ultimate rate of 5.00 percent by 2020.

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

Mortality rates were based on the RP-2014 mortality tables, with adjustments for FRS experience and generational mortality improvement using Scale MP-2014.

The demographic actuarial assumptions for mortality, retirement, disability incidence, and withdrawal used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2008, through June 30, 2013, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017, valuation were based on a review of recent plan experience done concurrently with the June 30, 2017, valuation.

Changes in the Total OPEB Liability

	Amount
Balance at 6/30/17, as Restated	$ 5,298,149
Changes for the year:	
Service Cost	312,412
Interest	157,338
Changes in Assumptions or Other Inputs	(471,395)
Benefit Payments	(143,003)
Net Changes	(144,648)
Balance at 6/30/18	$ 5,153,501

Changes of assumptions and other inputs reflect a change in the discount rate from 3.01 percent in 2016 to 3.56 percent in 2017.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56 percent) or 1 percentage point higher (4.56 percent) than the current rate:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	$6,060,053	$5,153,501	$4,438,006

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$4,313,127	$5,153,501	$6,260,153

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

For the fiscal year ended June 30, 2018, the College recognized OPEB expense of $418,843. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions or other inputs	$ -	$ 420,488
Transactions subsequent to the measurement date	153,728	-
Total	$ 153,728	$ 420,488

Of the total amount reported as deferred outflows of resources related to OPEB, $153,728 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2019	$ (50,907)
2020	(50,907)
2021	(50,907)
2022	(50,907)
2023	(50,907)
Thereafter	(165,953)
Total	$ (420,488)

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the College recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2018, the College's proportionate share of the net pension liabilities totaled $39,008,358. Note 12. includes a complete discussion of defined benefit pension plans.

12. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (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 $4,632,081 for the fiscal year ended June 30, 2018.

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 creditable 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 creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, 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 creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00
Special Risk Class	3.00

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were:

	Percent of Gross Salary	
Class	**Employee**	**Employer (1)**
FRS, Regular	3.00	7.92
FRS, Senior Management Service	3.00	22.71
FRS, Special Risk	3.00	23.27
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	13.26
FRS, Reemployed Retiree	(2)	(2)

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

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

The College's contributions to the Plan totaled $2,491,795 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the College reported a liability of $26,910,717 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The College's proportionate share of the net pension liability was based on the College's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the College's proportionate share was 0.090978117 percent, which was a decrease of 0.002576439 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $4,096,676. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 2,469,756	$ 149,072
Change of assumptions	9,043,901	-
Net difference between projected and actual earnings on FRS Plan investments	-	666,915
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	61,982	1,675,281
College FRS contributions subsequent to the measurement date	2,491,795	-
Total	$ 14,067,434	$ 2,491,268

The deferred outflows of resources totaling $2,491,795, 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, 2019. 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**
2019	$ 1,010,847
2020	3,325,845
2021	2,190,621
2022	246,184
2023	1,664,252
Thereafter	646,622
Total	$ 9,084,371

Actuarial Assumptions. The total pension liability in the July 1, 2017, 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	7.10 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, 2017, 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%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (Property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.10 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2017 valuation was updated from 7.60 percent to 7.10 percent.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.10 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 (6.10 percent) or 1 percentage point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	**Current Discount Rate (7.10%)**	**1% Increase (8.10%)**
College's proportionate share of the net pension liability	$48,711,590	$26,910,717	$8,814,997

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.

<u>HIS Pension Plan</u>

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, 2018, 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, 2018, 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 $603,482 for the fiscal year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, the College reported a net pension liability of $12,097,641 for its proportionate share of the net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within 1 year, net of the College's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The College's proportionate share of the net pension liability was based on the College's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the College's proportionate share was 0.113141780 percent, which was a decrease of 0.000779244 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $535,405. 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	$ -	$ 25,189
Change of assumptions	1,700,512	1,046,096
Net difference between projected and actual earnings on HIS Plan investments	6,707	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	-	1,529,108
College contributions subsequent to the measurement date	603,482	-
Total	$ 2,310,701	$ 2,600,393

The deferred outflows of resources totaling $603,482, 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, 2019. 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**
2019	$ (186,511)
2020	(187,780)
2021	(188,390)
2022	(91,302)
2023	(50,546)
Thereafter	(188,645)
Total	$ (893,174)

Actuarial Assumptions. The total pension liability at July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal bond rate	3.58 percent

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

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.58 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2017 valuation was updated from 2.85 percent to 3.58 percent.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 3.58 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 (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

	1% Decrease (2.58%)	**Current Discount Rate (3.58%)**	**1% Increase (4.58%)**
College's proportionate share of the net pension liability	$13,805,011	$12,097,641	$10,675,497

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.

13. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2017-18 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, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

After termination and applying to receive benefits, the member may roll over vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The College's Investment Plan pension expense totaled $670,909 for the fiscal year ended June 30, 2018.

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, and 3.3 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 8.45 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 $62,786 for the 2017-18 fiscal year.

14. Construction Commitment

The College's construction commitment at June 30, 2018, was as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Enterprise Resource Planning System Architect/Other	$ 8,863,308	$ 6,506,430	$ 2,356,878

15. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to $200 million to February 28, 2018, and up to $100 million from March 1, 2018, 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.

16. 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	$ 32,626,000
Public Services	20,312
Academic Support	6,241,518
Student Services	9,373,444
Institutional Support	27,581,918
Operation and Maintenance of Plant	8,249,154
Scholarships and Waivers	14,927,972
Depreciation	5,814,644
Auxiliary Enterprises	4,180,149
Total Operating Expenses	$ 109,015,111

17. 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. 3/31/2018	Public Safety Academy Housing, Inc. 3/31/2018	Total
Assets:			
Current Assets	$ 3,957,960	$ 18,607	$ 3,976,567
Capital Assets, Net	-	5,943,542	5,943,542
Other Noncurrent Assets	13,305,723	-	13,305,723
Total Assets	17,263,683	5,962,149	23,225,832
Liabilities:			
Current Liabilities	84,332	541,096	625,428
Noncurrent Liabilities	-	4,205,527	4,205,527
Total Liabilities	84,332	4,746,623	4,830,955
Net Position:			
Net Investment in Capital Assets	-	1,196,919	1,196,919
Restricted Nonexpendable	7,062,118	-	7,062,118
Restricted Expendable	9,151,250	-	9,151,250
Unrestricted	965,983	18,607	984,590
Total Net Position	$ 17,179,351	$ 1,215,526	$ 18,394,877

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

	Direct-Support Organizations		
	Tallahassee Community College Foundation, Inc. 3/31/2018	Public Safety Academy Housing, Inc. 3/31/2018	Total
Operating Revenues	$ 1,828,772	$ 744,000	$ 2,572,772
Depreciation Expense	-	(253,451)	(253,451)
Operating Expenses	(2,253,951)	(7,310)	(2,261,261)
Operating Income (Loss)	(425,179)	483,239	58,060
Net Nonoperating Revenues (Expenses):			
Nonoperating Revenues	1,083,846	-	1,083,846
Interest Expense	-	(153,787)	(153,787)
Net Nonoperating Revenues (Expenses)	1,083,846	(153,787)	930,059
Increase in Net Position	658,667	329,452	988,119
Net Position, Beginning of Year	16,520,684	886,074	17,406,758
Net Position, End of Year	$ 17,179,351	$ 1,215,526	$ 18,394,877

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

	2017
Total OPEB Liability	
Service cost	$ 312,412
Interest	157,338
Changes of assumptions or other inputs	(471,395)
Benefit Payments	(143,003)
Net change in total OPEB liability	(144,648)
Total OPEB Liability - beginning, as Restated	5,298,149
Total OPEB Liability - ending	$ 5,153,501
Covered-Employee Payroll	$ 34,128,848
Total OPEB Liability as a percentage of covered-employee payroll	15.10%

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

	2017 (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
College's proportion of the FRS net pension liability	0.090978117%	0.093554556%	0.101124645%	0.108531737%	0.107545498%
College's proportion share of the FRS net pension liability	$ 26,910,717	$ 23,622,599	$ 13,061,604	$ 6,622,032	$ 18,513,367
College's covered payroll (2)	$ 38,764,986	$ 37,908,655	$ 39,130,532	$ 41,223,425	$ 45,155,227
College's proportion share of the FRS net pension liability as a percentage of its covered payroll	69.42%	62.31%	33.38%	16.06%	41.00%
FRS Plan fiduciary net pension as a percentage of the FRS total pension liability	83.89%	84.88%	92.00%	96.09%	88.54%

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

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

Schedule of College Contributions – Florida Retirement System Pension Plan

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	$ 2,491,795	$ 2,392,006	$ 2,281,477	$ 2,465,505	$ 2,377,306
FRS contributions in relation to the contractually required contribution	(2,491,795)	(2,392,006)	(2,281,477)	(2,465,505)	(2,377,306)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 38,545,799	$ 38,764,986	$ 37,908,655	$ 39,130,532	$ 41,223,425
FRS contributions as a percentage of covered payroll	6.46%	6.17%	6.02%	6.30%	5.77%

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

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

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

	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
College's proportion of the HIS net pension liability	0.113141780%	0.113921024%	0.119641288%	0.128963797%	0.144080709%
College's proportion share of the HIS net pension liability	$ 12,097,641	$ 13,277,023	$ 12,201,529	$ 12,058,430	$ 12,544,120
College's covered payroll (2)	$ 36,600,741	$ 37,908,655	$ 39,130,532	$ 41,223,425	$ 45,155,227
College's proportion share of the HIS net pension liability as a percentage of its covered payroll	33.05%	35.02%	31.18%	29.25%	27.78%
HIS Plan fiduciary net pension as a percentage of the FRS total pension liability	1.64%	0.97%	0.50%	0.99%	1.78%

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

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

Schedule of College Contributions – Health Insurance Subsidy Pension Plan

	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Contractually required HIS contribution	$ 603,482	$ 600,208	$ 583,918	$ 457,343	$ 441,787
HIS contributions in relation to the contractually required HIS contribution	(603,482)	(600,208)	(583,918)	(457,343)	(444,787)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 36,354,316	$ 36,600,741	$ 37,908,655	$ 39,130,532	$ 41,223,425
HIS contributions as a percentage of covered payroll	1.66%	1.55%	1.54%	1.17%	1.07%

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

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

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The June 30, 2018, total OPEB liability decreased from the prior fiscal year as a result of changes to benefits and assumptions as discussed below:

Changes of Assumptions. The municipal rate used to determine total OPEB liability increased from 3.01 percent to 3.56 percent.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.60 percent to 7.10 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal rate used to determine total pension liability increased from 2.85 percent to 3.58 percent.

Sherrill F. Norman, CPA
Auditor General

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The President of the Senate, the Speaker of the
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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, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 6, 2019, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
February 6, 2019