STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2019-128
February 2019

HILLSBOROUGH 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. Kenneth H. Atwater served as President of Hillsborough 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 Saleemah R. Reshamwala, and the audit was supervised by Mark A. Arroyo, 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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HILLSBOROUGH COMMUNITY COLLEGE

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SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements of Hillsborough 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 Hillsborough 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

Claude Denson Pepper Building, Suite G74
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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 Hillsborough Community College, a component unit of the State of Florida, and its discretely presented component unit 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 discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report 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 report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Hillsborough Community College and of its discretely presented component unit 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 and other auditors 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 14, 2019, on our consideration of the Hillsborough 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 Hillsborough Community College's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
February 14, 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 and its component unit, The Hillsborough Community College Foundation, Inc. for the fiscal years ended June 30, 2018, and June 30, 2017.

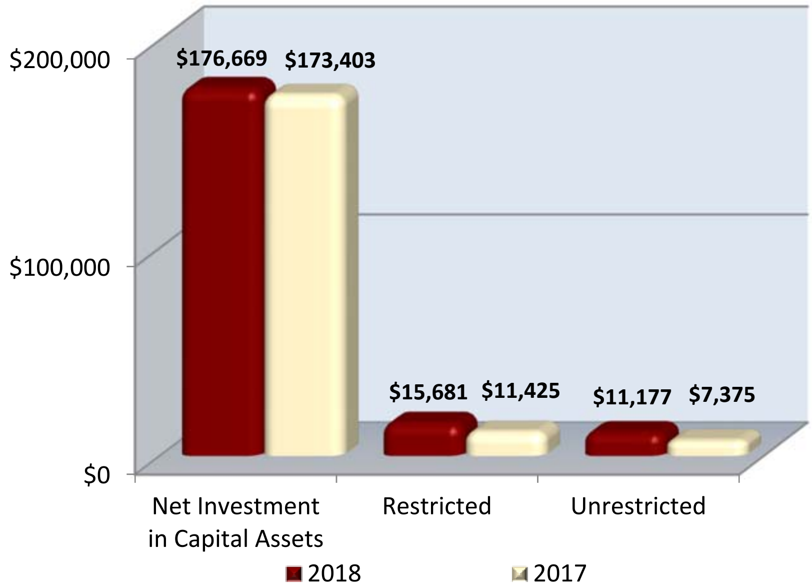
FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled $295.6 million at June 30, 2018. This balance reflects a $28.5 million, or 10.7 percent, increase as compared to the 2016-17 fiscal year, resulting from $2.9 million increase in deferred outflows of resources due to changes in actuarial assumptions related to pension liability and other postemployment benefits (OPEB) payable and net changes in current and noncurrent assets of $25.6 million. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources increased by $17.2 million, or 22.9 percent, totaling $92 million at June 30, 2018, primarily resulting from an increase of $10 million for the loan acquired for new construction at the Dale Mabry campus, and an increase of $5.9 million due to actuarial assumptions to the College's pension and OPEB activities. As a result, the College's net position increased by $11.3 million, resulting in a year-end balance of $203.5 million.

The College's operating revenues totaled $57.6 million for the 2017-18 fiscal year. Operating revenues remained unchanged compared to the 2016-17 fiscal year. Operating expenses totaled $190.8 million for the 2017-18 fiscal year, representing an increase of 4.3 percent as compared to the 2016-17 fiscal year due mainly to an increase in scholarships and waivers.

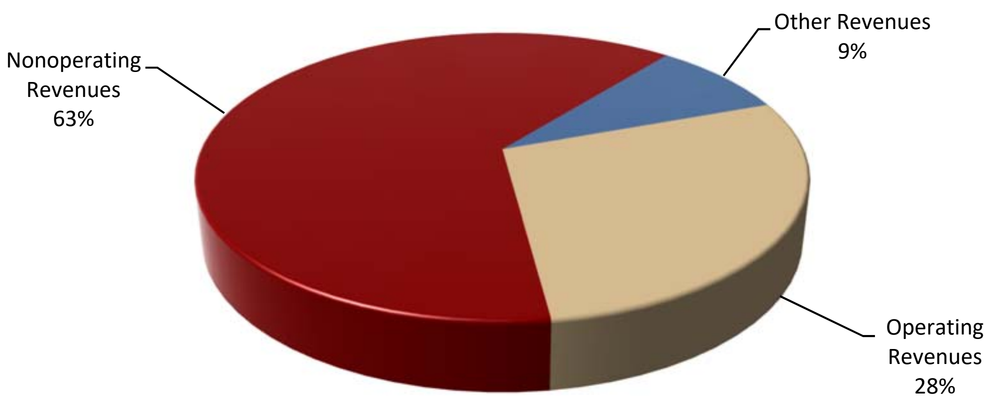
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2018, and June 30, 2017, is shown in the 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, provide information on the College as a whole, present a long-term view of the College's finances, and include activities for the following entities:

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

The Statement of Net Position

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

A condensed statement of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College and its component unit as of June 30, 2018, and June 30, 2017, is shown in the following table:

Condensed Statement of Net Position at June 30

(In Thousands)

	College		Component Unit	
	2018	**2017**	**2018**	**2017**
Assets				
Current Assets	$ 74,943	$ 53,895	$ 1,944	$ 1,835
Capital Assets, Net	183,174	180,670	10,704	11,298
Other Noncurrent Assets	11,230	9,180	11,984	11,352
Total Assets	269,347	243,745	24,632	24,485
Deferred Outflows of Resources	26,224	23,337	-	-
Liabilities				
Current Liabilities	15,562	11,141	1,257	1,141
Noncurrent Liabilities	72,287	62,713	12,694	13,575
Total Liabilities	87,849	73,854	13,951	14,716
Deferred Inflows of Resources	4,195	1,025	-	-
Net Position				
Net Investment in Capital Assets	176,669	173,403	(2,205)	(3,058)
Restricted	15,681	11,425	9,327	8,859
Unrestricted	11,177	7,375	3,559	3,968
Total Net Position	$ 203,527	$ 192,203	$ 10,681	$ 9,769

The net increase in current assets is primarily due to the receipt of proceeds from the loan acquired for new construction at the Dale Mabry campus and the purchase of corporate bonds.

The net increase in capital assets is primarily due to additions to construction in progress which is partially offset by the depreciation of capital assets.

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 for the loan acquired for new construction at the Dale Mabry campus. As a result of the changes in assets and liabilities, the College's ending net position increased $11.3 million or 5.9 percent.

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

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

The following summarizes the activities of the College and its component unit 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)

	College		Component Unit	
	2017-18	**2016-17**	**2017-18**	**2016-17**
Operating Revenues	$ 57,566	$ 57,566	$ 5,563	$ 5,134
Less, Operating Expenses	190,751	182,805	6,069	5,771
Operating Loss	(133,185)	(125,239)	(506)	(637)
Net Nonoperating Revenues	127,212	118,646	1,418	1,801
Income (Loss) Before Other Revenues	(5,973)	(6,593)	912	1,164
Other Revenues	17,510	10,455	-	-
Net Increase In Net Position	11,537	3,862	912	1,164
Net Position, Beginning of Year	192,203	188,341	9,769	8,605
Adjustment to Beginning Net Position (1)	(213)	-	-	-
Net Position, Beginning of Year, as Restated	191,990	188,341	9,769	8,605
Net Position, End of Year	$ 203,527	$ 192,203	$ 10,681	$ 9,769

(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

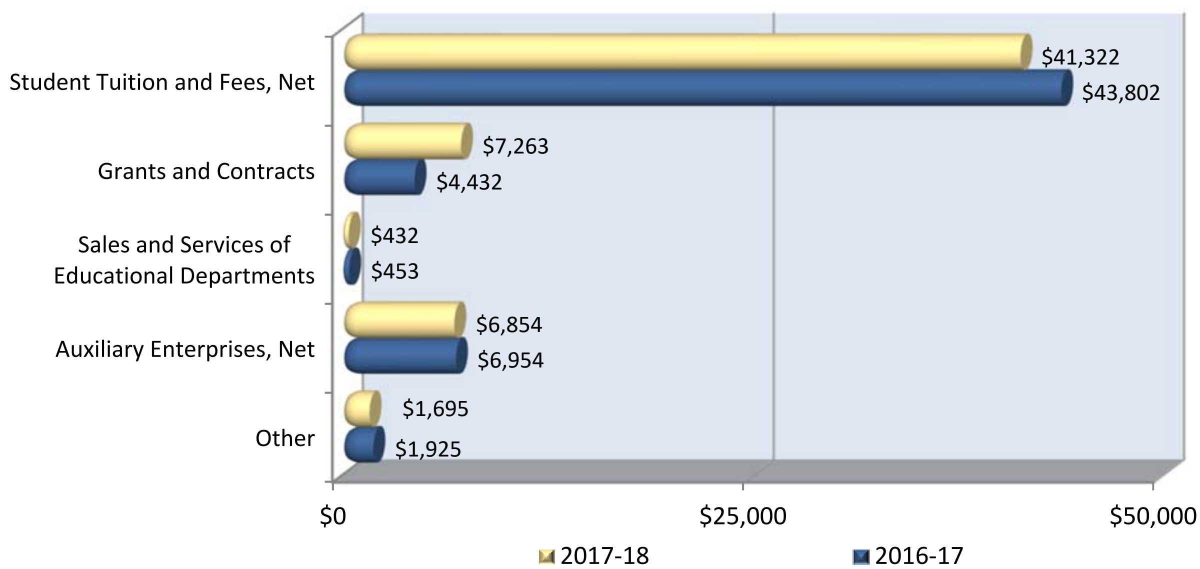
(In Thousands)

	College		Component Unit	
	2017-18	**2016-17**	**2017-18**	**2016-17**
Student Tuition and Fees, Net	$ 41,322	$ 43,802	$ -	$ -
Grants and Contracts	7,263	4,432	4,108	1,012
Sales and Services of Educational Departments	432	453	-	-
Auxiliary Enterprises, Net	6,854	6,954	-	-
Other	1,695	1,925	1,455	4,122
Total Operating Revenues	$ 57,566	$ 57,566	$ 5,563	$ 5,134

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

Operating Revenues

(In Thousands)



There was no net change in the College's total operating revenue.

Operating Expenses

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

The following summarizes operating expenses by natural classification for the College and its component unit for the 2017-18 and 2016-17 fiscal years:

Operating Expenses
For the Fiscal Years

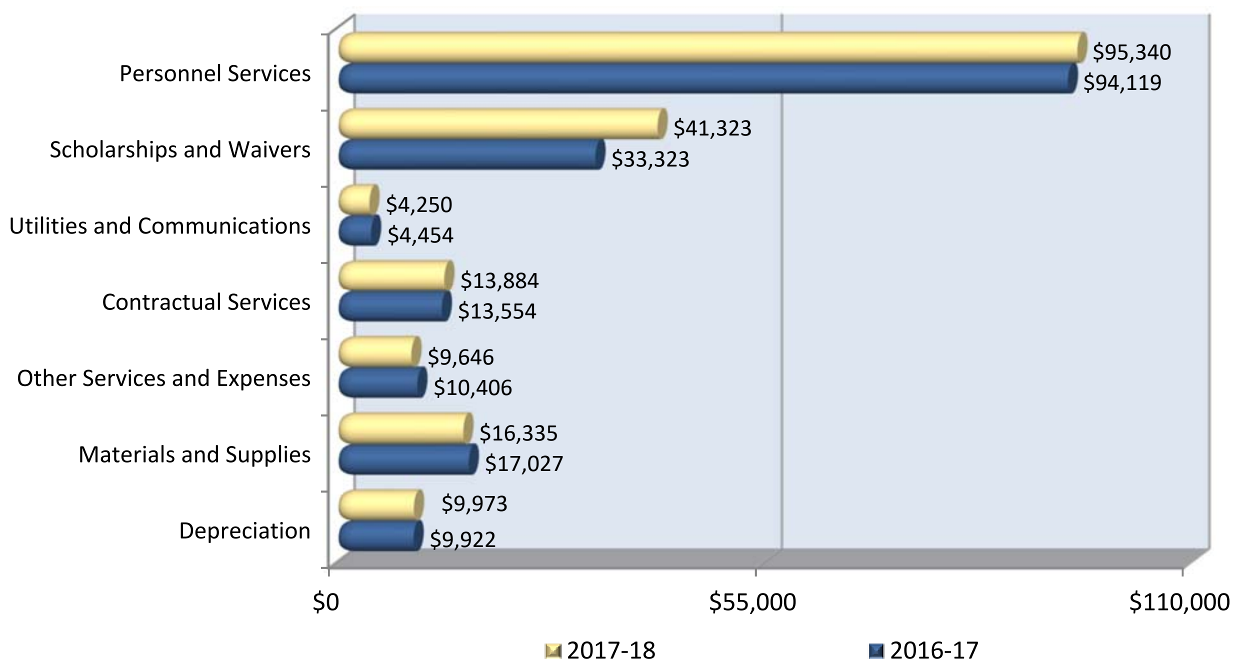
(In Thousands)

	College		Component Unit	
	2017-18	**2016-17**	**2017-18**	**2016-17**
Personnel Services	$ 95,340	$ 94,119	$ 611	$ 580
Scholarships and Waivers	41,323	33,323	2,613	1,936
Utilities and Communications	4,250	4,454	-	-
Contractual Services	13,884	13,554	-	-
Other Services and Expenses	9,646	10,406	1,976	2,429
Materials and Supplies	16,335	17,027	-	-
Depreciation	9,973	9,922	870	826
Total Operating Expenses	$ 190,751	$ 182,805	$ 6,070	$ 5,771

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 an increase of Scholarships and Waivers totaling $8 million primarily due to the increase in institutional student financial aid awarded during the 2017-18 fiscal year.

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	$ 66,819	$ 70,431
Federal and State Student Financial Aid	59,332	48,063
Gifts and Grants	753	101
Investment Income	534	284
Unrealized Loss on Investments	(63)	(18)
Interest on Capital Asset-Related Debt	(163)	(212)
Other Nonoperating Expenses	-	(3)
Net Nonoperating Revenues	$ 127,212	$ 118,646

Nonoperating revenues increased by $8.6 million. The increase of $11.3 million in Federal and State student financial aid was offset by a decrease of $3.6 million in State noncapital appropriations primarily due to decreases in the Florida College System Program Fund and Lottery Fund 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	$ 12,474	$ 5,410
Capital Grants, Contracts, Gifts, and Fees	5,036	5,045
Total	$ 17,510	$ 10,455

Other revenues increased by $7.1 million. This is primarily due to an increase in the Public Education Capital Outlay appropriation.

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	$ (119,626)	$ (111,569)
Noncapital Financing Activities	126,904	118,542
Capital and Related Financing Activities	13,530	2,604
Investing Activities	(3,998)	192
Net Increase in Cash and Cash Equivalents	16,810	9,769
Cash and Cash Equivalents, Beginning of Year	46,455	36,686
Cash and Cash Equivalents, End of Year	$ 63,265	$ 46,455

Major sources of funds came from State noncapital appropriations ($66.8 million), Federal and State Student Financial Aid ($59.3 million), State capital appropriations ($12.5 million), Federal Direct Student Loan program receipts ($43.8 million), net student tuition and fees ($39.1 million), and proceeds from capital debt ($10 million). Major uses of funds were for payments to employees and for employee benefits ($92.5 million), disbursements to students for Federal Direct Student Loans ($43.8 million), payments for scholarships ($41.3 million), payments to providers of goods and services ($36.8 million), and purchases of capital assets ($11.7 million).

Changes in cash and cash equivalents were the result of the following factors:

- The increase in operating activities is due to an increase of $8 million in payments for scholarships.
- The increase in noncapital financing activities is due to an increase of $11.3 million in Federal State Student Financial Aid less a $3.6 million reduction in State noncapital appropriations.
- The increase of $10.9 million in capital and related financing activities is primarily due to the proceeds of capital debt.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the College had $339.4 million in capital assets, less accumulated depreciation of $156.2 million, for net capital assets of $183.2 million. Depreciation charges for the current fiscal year totaled $10 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	$ 29,756	$ 29,756
Construction in Progress	11,954	4,640
Buildings	133,933	138,006
Other Structures and Improvements	1,396	1,894
Furniture, Machinery, and Equipment	2,331	2,419
Leasehold Improvements	3,804	3,955
Capital Assets, Net	$183,174	$180,670

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

Capital Expenses and Commitments

The College had $10.1 million in construction commitments at June 30, 2018. The major commitment, totaling $10 million, is for the new Dale Mabry Allied Health Building. The College's construction commitments at June 30, 2018, are as follows:

	Amount (In Thousands)
Total Committed	$ 22,067
Completed to Date	(11,953)
Balance Committed	$ 10,114

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 $15.1 million in outstanding State Board of Education (SBE) capital outlay bonds payable and notes payable, representing an increase of $7.9 million, or 108.4 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

	2018	2017
SBE Capital Outlay Bonds	$ 350	$ 680
Notes Payable	14,793	6,587
Total	$ 15,143	$ 7,267

The SBE issues capital outlay bonds on behalf of the College. During the 2017-18 fiscal year, there were no bond sales and debt repayments totaled $2.1 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

Economic Factors That Will Affect the Future

The College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a slight increase in State funding is anticipated in the 2018-19 fiscal year. The College will adjust its spending to ensure that a balanced budget is produced with the least possible impact on students.

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 Al Erdman, Vice President for Administration/Chief Financial Officer, Hillsborough Community College, 39 Columbia Drive, Tampa, Florida 33606.

HILLSBOROUGH COMMUNITY COLLEGE
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2018

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 41,937,384	$ 1,609,676
Restricted Cash and Cash Equivalents	10,527,551	-
Investments	7,882,680	-
Accounts Receivable, Net	8,181,460	312,346
Note Receivable	12,401	-
Due from Other Governmental Agencies	4,089,583	-
Due from Component Unit	222,389	-
Inventories	1,522,761	-
Prepaid Expenses	566,363	21,448
Total Current Assets	74,942,572	1,943,470
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	10,799,751	2,828,489
Investments	249,440	9,089,948
Restricted Investments	10,762	-
Note Receivable	32,799	-
Depreciable Capital Assets, Net	141,463,824	10,704,284
Nondepreciable Capital Assets	41,710,014	-
Other Assets	137,500	65,241
Total Noncurrent Assets	194,404,090	22,687,962
TOTAL ASSETS	269,346,662	24,631,432
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	905,149	-
Pensions	25,319,122	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	26,224,271	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	4,684,108	147,045
Accrued Interest Payable	-	24,110
Salary and Payroll Taxes Payable	3,418,893	-
Retainage Payable	747,270	-
Due to Other Governmental Agencies	666,115	-
Due to College	-	222,389
Unearned Revenue	50,309	51,516
Estimated Insurance Claims Payable	1,468,610	-
Deposits Held for Others	501,432	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	350,000	-
Notes Payable	1,627,000	812,000
Compensated Absences Payable	400,000	-
Other Postemployment Benefits Payable	568,284	-
Net Pension Liability	1,080,479	-
Total Current Liabilities	15,562,500	1,257,060

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

June 30, 2018

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Notes Payable	13,166,000	12,693,843
Compensated Absences Payable	3,080,508	-
Other Postemployment Benefits Payable	867,298	-
Net Pension Liability	55,172,788	-
Total Noncurrent Liabilities	72,286,594	12,693,843
TOTAL LIABILITIES	87,849,094	13,950,903
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	60,657	-
Pensions	4,134,528	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,195,185	-
NET POSITION		
Net Investment in Capital Assets	176,668,993	(2,205,177)
Restricted:		
Nonexpendable:		
Endowment	-	3,466,645
Expendable:		
Grants and Loans	2,535,525	2,727,079
Scholarships	362,796	3,132,911
Capital Projects	12,771,424	-
Debt Service	10,762	-
Unrestricted	11,177,154	3,559,071
TOTAL NET POSITION	$ 203,526,654	$ 10,680,529

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

HILLSBOROUGH 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 Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $20,431,993	$ 41,322,373	$ -
Federal Grants and Contracts	5,168,696	-
State and Local Grants and Contracts	1,531,032	-
Nongovernmental Grants and Contracts	563,655	4,107,697
Sales and Services of Educational Departments	431,865	-
Auxiliary Enterprises, Net of Scholarship Allowances of $1,768,344	6,854,340	-
Other Operating Revenues	1,694,536	1,455,428
Total Operating Revenues	57,566,497	5,563,125
EXPENSES		
Operating Expenses:		
Personnel Services	95,340,501	611,159
Scholarships and Waivers	41,322,549	2,613,090
Utilities and Communications	4,250,345	-
Contractual Services	13,883,880	-
Other Services and Expenses	9,646,510	1,975,791
Materials and Supplies	16,334,977	-
Depreciation	9,972,780	869,867
Total Operating Expenses	190,751,542	6,069,907
Operating Loss	(133,185,045)	(506,782)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	66,819,219	-
Federal and State Student Financial Aid	59,332,332	-
Gifts and Grants	752,813	804,231
Investment Income	533,506	336,486
Unrealized Gain (Loss) on Investments	(62,556)	254,482
Realized Gain on Investments	-	22,706
Interest on Capital Asset-Related Debt	(163,340)	-
Net Nonoperating Revenues	127,211,974	1,417,905
Income (Loss) Before Other Revenues	(5,973,071)	911,123
State Capital Appropriations	12,473,620	-
Capital Grants, Contracts, Gifts, and Fees	5,036,511	-
Total Other Revenues	17,510,131	-
Increase in Net Position	11,537,060	911,123
Net Position, Beginning of Year	192,202,543	9,769,406
Adjustment to Beginning Net Position	(212,949)	-
Net Position, Beginning of Year, as Restated	191,989,594	9,769,406
Net Position, End of Year	$ 203,526,654	$ 10,680,529

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

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HILLSBOROUGH 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	$ 39,116,269
Grants and Contracts	6,774,612
Payments to Suppliers	(36,782,089)
Payments for Utilities and Communications	(4,250,345)
Payments to Employees	(72,033,309)
Payments for Employee Benefits	(20,468,928)
Payments for Scholarships	(41,322,549)
Auxiliary Enterprises, Net	6,706,686
Sales and Services of Educational Departments	431,865
Other Receipts	2,200,952
Net Cash Used by Operating Activities	(119,626,836)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	66,819,219
Federal and State Student Financial Aid	59,332,332
Federal Direct Loan Program Receipts	43,836,962
Federal Direct Loan Program Disbursements	(43,836,962)
Other Nonoperating Receipts	752,813
Net Cash Provided by Noncapital Financing Activities	126,904,364
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	10,000,000
State Capital Appropriations	12,473,620
Capital Grants and Gifts	5,036,511
Purchases of Capital Assets	(11,692,478)
Principal Paid on Capital Debt and Leases	(2,124,000)
Interest Paid on Capital Debt and Leases	(163,340)
Net Cash Provided by Capital and Related Financing Activities	13,530,313
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	1,000,000
Purchases of Investments	(5,531,258)
Investment Income	533,506
Net Cash Used by Investing Activities	(3,997,752)
Net Increase in Cash and Cash Equivalents	16,810,089
Cash and Cash Equivalents, Beginning of Year	46,454,597
Cash and Cash Equivalents, End of Year	$ 63,264,686

HILLSBOROUGH 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	$ (133,185,045)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	9,972,780
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(2,386,239)
Due From Other Governmental Agencies	(398,648)
Due From Component Unit	(115,625)
Due To Other Governmental Agencies	63,041
Inventories	(166,678)
Prepaid Expenses	387,481
Accounts Payable	2,892,611
Salaries and Payroll Taxes Payable	(74,043)
Unearned Revenue	29,255
Estimated Insurance Claims Payable	37,025
Deposits Held for Others	443,766
Compensated Absences Payable	64,511
Other Postemployment Benefits Payable	26,354
Net Pension Liability	2,500,521
Deferred Outflows of Resources Related to Other Postemployment Benefits	(905,149)
Deferred Inflows of Resources Related to Other Postemployment Benefits	60,657
Deferred Outflows of Resources Related to Pensions	(1,982,611)
Deferred Inflows of Resources Related to Pensions	3,109,200
NET CASH USED BY OPERATING ACTIVITIES	$ (119,626,836)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES	
Unrealized losses on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (62,556)

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 Hillsborough 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 five members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by 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 Hillsborough County.

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, The Hillsborough Community College Foundation, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

The Foundation is also a direct-support organization, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, is financially accountable to the College. The Foundation is managed independently, outside the College's budgeting process, and its powers generally are vested in a governing board pursuant to various State statutes. The Foundation receives, holds, invests, and administers property, and makes expenditures to or for the benefit of the College.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the Vice President for Administration/Chief Financial Officer, Hillsborough Community College, 39 Columbia Drive, Tampa, Florida 33606. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2018.

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 unit uses the economic resources measurement focus and the accrual basis of accounting, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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. 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 applied the “Alternate Method” as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash payments to students, excluding payments for services, using a ratio of total aid to aid not considered third-party aid.

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, money market funds, 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 SBA Florida PRIME investment pool to be cash equivalents.

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

At June 30, 2018, the College reported as cash equivalents $22,980,189 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.

At June 30, 2018, the College had $592,791 in money market funds that carried a credit rating of AAAm by Standard & Poor's and had a WAM of 23 days.

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

Capital Assets. College capital assets consist of land, construction in progress, buildings, other structures and improvements, furniture, machinery, and equipment, and leasehold improvements. 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 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
  - Pianos – 10 years
- Leasehold Improvements – 40 years

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, notes 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 Change

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 $212,949 due to implementation of GASB Statement No. 75. The College's total OPEB liability reported at June 30, 2017, increased by $212,949 to $1,402,237 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75, the beginning balances for deferred outflows and inflows of resources were not restated.

4. Investments

The Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; and other investments approved by the Board of Trustees as authorized by law. 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.

All of the College's recurring fair value measurements as of June 30, 2018, are valued using quoted market prices (Level 1 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	$ 10,762	$ 10,762	$ -	$ -
United States Treasury Securities	295,325	295,325	-	-
Bonds and Notes	4,997,134	4,997,134	-	-
Certificates of Deposit	2,839,661	2,839,661	-	-
Total investments by fair value level	$ 8,142,882	$ 8,142,882	$ -	$ -

State Board of Administration Debt Service Accounts. The College reported investments totaling $10,762 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 $2,839,661 at June 30, 2018, in certificates of deposits (CDs) with 12 banks. The investments in CDs were fully insured by the Federal Deposit Insurance Corporation. The CDs carry original maturity dates ranging from 1.5 to 3 years, and at June 30, 2018, have a WAM of 207 days. The College's investments in CDs are held in the name of a third-party custodial bank, not in the name of the College.

U.S. Treasury Securities. The College reported investments totaling $295,325 at June 30, 2018, in United States (U.S.) treasury bills. The U.S. treasury bills have a WAM of 47 days. The U.S. treasury bills are backed by the Treasury Department of the U.S. government and are rated A-1+ by Standard & Poor's. The College's investment in U.S. treasury bills are held in the name of a third-party custodial bank, not in the name of the College.

Corporate Bonds. The College reported investments totaling $4,997,134 at June 30, 2018, in corporate bonds. The corporate bonds carry original maturity dates ranging from 0.29 to 0.54 years, and at June 30, 2018, have a WAM of 60 days. The College's investments in corporate bonds have ratings that range from AA- to A- by Standard & Poor's. The College's investments in corporate bonds are held in the name of a third-party custodial bank, not in the name of the College.

The following risks apply to these investments:

Interest Rate Risk: Interest rate is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy, as a means of mitigating this risk, suggests that the investment portfolio shall be constructed in such a manner as to provide sufficient liquidity to pay obligations as they cone due. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements. The intent of the investment policy is to buy and hold financial instruments until maturity whenever feasible. The corporate bonds carry an original maturity date of less than one year. At June 30, 2018, the corporate bonds have a WAM of 60 days.

Credit Risk: Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. Credit risk is evaluated by independent investment rating organizations such as Standard & Poor's and Moody's Investors Services. The lower the rating, the greater the risk that the bond issuer may default or fail to meet its payment obligations. The College's investment policy allows investments in certain fixed income securities including Corporate Debt. As of June 30, 2018, the College's investment in corporate bonds had ratings that ranged from AA- to A- by Standard & Poor's.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The College's investment policy addresses custodial credit risk in that all securities purchased by the College shall be properly designated as an asset of the Districted Board of Trustees of Hillsborough Community College and held in safe keeping by a third party custodial bank or other third party custodial institution. If a bank or trust company serves in the capacity of Investment Manager, said bank or trust company could also perform required custodial and reporting services. The College's $4,997,134 investment in corporate bonds was uninsured and held by the investment's counterparty, not in the name of the College.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The College's investment policy does not limit the amount the College may invest in any one issuer; however, investments held shall be diversified to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold.

Component Unit Investments. The College's component unit reported investments totaling $9,089,948 at June 30, 2018, of which $8,590,712 is invested in mutual funds and $499,236 is invested in other investments. The College's component unit recognizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The mutual funds and $470,189 of its other investments are valued using quoted market prices (Level 1 inputs) and $29,047 of its other investments are valued using significant unobservable inputs (Level 3 inputs).

5. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a $1,468,953 allowance for doubtful accounts.

6. Note Receivable

Note receivable represents a promissory note issued to the College by a Florida not-for-profit corporation dated September 30, 2011, for $116,803. The interest rate for the note is 3.21 percent per annum on the unpaid principal balance from the date of the note through and including December 1, 2021. Monthly fixed payments of $1,139 for principal and interest commenced on January 1, 2012, and are scheduled for 120 consecutive months. As of June 30, 2018, the outstanding balance is $45,200.

7. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of $1,971,673 of Public Education Capital Outlay allocations due from the State for construction, remodeling, and renovation of College facilities, and $1,272,756 for the Federal student loan program.

8. Due From Component Unit

The $222,389 reported as due from component unit consists of amounts owed to the College by the Foundation at June 30, 2018, for private grants awarded to the College, but not paid by the Foundation.

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	$ 29,756,180	$ -	$ -	$ 29,756,180
Construction in Progress	4,640,017	11,419,525	4,105,708	11,953,834
Total Nondepreciable Capital Assets	$ 34,396,197	$ 11,419,525	$ 4,105,708	$ 41,710,014
Depreciable Capital Assets:				
Buildings	$ 260,840,701	$ 4,105,708	$ -	$ 264,946,409
Other Structures and Improvements	10,225,228	-	-	10,225,228
Furniture, Machinery, and Equipment	15,224,310	1,056,914	112,831	16,168,393
Leasehold Improvements	6,376,319	-	-	6,376,319
Total Depreciable Capital Assets	292,666,558	5,162,622	112,831	297,716,349
Less, Accumulated Depreciation:				
Buildings	122,835,025	8,178,647	-	131,013,672
Other Structures and Improvements	8,331,135	497,973	-	8,829,108
Furniture, Machinery, and Equipment	12,805,425	1,144,637	112,831	13,837,231
Leasehold Improvements	2,420,991	151,523	-	2,572,514
Total Accumulated Depreciation	146,392,576	9,972,780	112,831	156,252,525
Total Depreciable Capital Assets, Net	$ 146,273,982	$ (4,810,158)	$ -	$ 141,463,824

10. Unearned Revenue

Unearned revenue at June 30, 2018, includes student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2018, the College reported $50,309 as unearned revenue.

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	$ 680,000	$ -	$ 330,000	$ 350,000	$ 350,000
Notes Payable	6,587,000	10,000,000	1,794,000	14,793,000	1,627,000
Compensated Absences Payable	3,415,998	291,327	226,817	3,480,508	400,000
Other Postemployment Benefits Payable (1)	1,402,237	515,603	482,258	1,435,582	568,284
Net Pension Liability	53,752,746	6,994,999	4,494,478	56,253,267	1,080,479
Total Long-Term Liabilities	$ 65,837,981	$ 17,801,929	$ 7,327,553	$ 76,312,357	$ 4,025,763

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

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

Bond Type	Amount Outstanding	Interest Rate (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2009A	$ 350,000	5	2019

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 Principal	Interest	Total
2019	$ 350,000	$ 17,500	$ 367,500

Notes Payable. On December 13, 2013, the College borrowed $12 million, at a stated interest rate of 2.09 percent, to construct a new science building at the SouthShore Campus and for renovations and remodeling of the Technology building at the Dale Mabry Campus. The note matures on December 1, 2020, and principal and interest payments are made semi-annually.

On May 25, 2018, the College borrowed $10 million at a stated interest rate of 2.5 percent, to complete the construction of the Allied Health building at the Dale Mabry Campus. The note matures on May 23, 2025, and principal and interest payments are made semi-annually. The first interest payment begins on December 1, 2018, and annual principal payments begins on December 1, 2021.

The College's capital improvement fees collected pursuant to Sections 1009.22 and 1009.23, Florida Statutes, are pledged as security for the notes. The College has pledged a total of $16,323,142 of capital improvement fees in connection with the notes payable. During the 2017-2018 fiscal year, the College recognized capital improvement fees totaling $5,036,511 and expensed $1,923,340 (38 percent) of these revenues for debt service directly collateralized by these revenues. The pledged capital improvement fee revenues are committed until final maturity of the debts on December 1, 2020, and

May 23, 2025, respectively. Annual requirements to amortize the outstanding notes as of June 30, 2018, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	$ 1,627,000	$ 345,845	$ 1,972,845
2020	1,661,000	307,496	1,968,496
2021	1,505,000	265,727	1,770,727
2022	1,895,000	226,313	2,121,313
2023	1,945,000	178,313	2,123,313
2024-2025	6,160,000	206,448	6,366,448
Total	$ 14,793,000	$ 1,530,142	$ 16,323,142

Revenue Notes Payable – Component Unit. On December 15, 2016, the Foundation refinanced the Student Housing Revenue Bonds, Series 2006, with a revenue note payable in the amount of $14,734,000 at a fixed interest rate equal to 2.07 percent. The proceeds raised from the issuance of the bonds were used to construct a 420-bed student housing facility. The note payable matures on December 1, 2032. The future scheduled maturities for the revenue note payable are as follows:

Fiscal Year Ending June 30	Amount
2019	$ 812,000
2020	828,000
2021	847,000
2022	864,000
2023	882,000
2024-2028	4,689,000
2029-2033	4,653,000
Subtotal	13,575,000
Less, Unamortized Loan Costs	(69,157)
Total Revenue Notes Payable	$ 13,505,843

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 $3,480,508. The current portion of the compensated absences liability, $400,000, is the amount expected to be paid in the coming fiscal year and represents a historical average of terminal leave payments over the last 10 years.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain other postemployment benefits administered by the College and life insurance benefits through purchased commercial insurance.

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 College. 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 health and hospitalization plan for medical, prescription drug, dental, vision, and life insurance coverage. 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. 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	15
DROP Members	55
Active Employees	918
Total	988

Total OPEB Liability

The College's total OPEB liability of $1,435,582 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
Real wage growth	0.65 percent
Wage inflation	3.25 percent
Salary increases	
Regular Employees	4.00 – 7.80 percent, including inflation
Senior Management	4.70 – 7.10 percent, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	
Pre-Medicare	7.5 percent for 2017, decreasing to an ultimate rate of 5.00 percent by 2023
Medicare	5.5 percent for 2017, decreasing to an ultimate rate of 5.00 percent by 2020

The discount rate was based on the June average of 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 improvements 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	$ 1,402,237
Changes for the year:	
Service Cost	105,088
Interest	36,011
Differences Between Expected and Actual Experience	374,504
Changes in Assumptions or Other Inputs	(67,434)
Benefit Payments	(414,824)
Net Changes	33,345
Balance at 6/30/18	$ 1,435,582

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	$1,561,482	$1,435,582	$1,323,262

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	$1,250,762	$1,435,582	$1,663,620

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 $171,961. 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
Differences between expected and actual experience	$ 336,865	$ -
Change of assumptions or other inputs	-	60,657
Transactions subsequent to the measurement date	568,284	-
Total	$ 905,149	$ 60,657

Of the total amount reported as deferred outflows of resources related to OPEB, $568,284 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	$ 30,862
2020	30,862
2021	30,862
2022	30,862
2023	30,862
Thereafter	121,898
Total	$ 276,208

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 $56,253,267. 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 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. 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.

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 $8,121,591 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.

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

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

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
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 $3,586,656 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 $37,947,996 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

0.128292281 percent, which was a decrease of 0.003815196 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $6,652,855. 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	$ 3,482,713	$ 210,212
Change of assumptions	12,753,206	-
Net difference between projected and actual earnings on FRS Plan investments	-	940,446
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	1,364,867	998,932
College FRS contributions subsequent to the measurement date	3,586,656	-
Total	$ 21,187,442	$ 2,149,590

The deferred outflows of resources totaling $3,586,656, 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	$ 2,301,389
2020	5,565,871
2021	3,703,321
2022	579,597
2023	2,390,947
Thereafter	910,071
Total	$ 15,451,196

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	$68,683,581	$37,947,996	$12,430,419

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

Payables to the Pension Plan. At June 30, 2018, the College reported a payable of $282,900 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2018.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 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 $907,822 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 $18,305,271 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 0.171197914 percent, which was a decrease of 0.003801909 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the College recognized pension expense of $1,468,736. 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
Difference between expected and actual experience	$ -	$ 38,115
Change of assumptions	2,573,092	1,582,876
Net difference between projected and actual earnings on HIS Plan investments	10,152	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	640,614	363,947
College contributions subsequent to the measurement date	907,822	-
Total	$ 4,131,680	$ 1,984,938

The deferred outflows of resources totaling $907,822, 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	$ 376,385
2020	374,464
2021	373,542
2022	309,572
2023	101,515
Thereafter	(296,558)
Total	$ 1,238,920

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	$20,888,738	$18,305,271	$16,153,385

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

Payables to the Pension Plan. At June 30, 2018, the College reported a payable of $4,775 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2018.

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

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 $1,201,915 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, 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 $328,012 and employee contributions totaled $191,075 for the 2017-18 fiscal year.

14. Construction Commitments

The College's construction commitments at June 30, 2018, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Dale Mabry Allied Health Building	$ 21,846,605	$ 11,845,921	$ 10,000,684
Other Projects (1)	220,761	107,913	112,848
Total	$ 22,067,366	$ 11,953,834	$ 10,113,532

(1) Individual projects with a current balance committed of less than $1 million at June 30, 2018.

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.

Life, dental, vision, and long-term disability coverage are provided through purchased commercial insurance.

Self-Insured Program. The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College's liability was limited by excess reinsurance to $165,000 per insured person to a maximum of $1 million aggregate per year for the 2017-18 fiscal year. For claims processing, the College contracted with a third-party administrator. The excess insurer and third-party administrator are both licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributes employee premiums as a fringe benefit. The remaining portion of the employee premium and dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The liability includes an amount for claims that have been incurred, but not reported, and an amount for claims administration expense. Because the actual claims liability depends on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. The

College reevaluates the claims liability periodically and the claims liability totaled $1,468,610 as of June 30, 2018. Amounts held by the College in excess of the estimated insurance claims liability at June 30, 2018, totaled $1,400,000 and are classified as insurance claim deposits. The College will use these amounts to pay claims incurred in future fiscal years.

The following schedule represents the changes in claims liability for the current and prior years for the College's self-insured program:

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claims Payments	End of Fiscal Year
2016-17	$ 1,288,415	$9,281,260	$ (9,138,090)	$ 1,431,585
2017-18	1,431,585	9,501,552	(9,464,527)	1,468,610

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	$ 59,911,562
Public Services	3,126,692
Academic Support	9,974,410
Student Services	19,102,105
Institutional Support	21,890,968
Operation and Maintenance of Plant	17,216,597
Scholarships and Waivers	41,322,549
Depreciation	9,972,780
Auxiliary Enterprises	8,233,879
Total Operating Expenses	$ 190,751,542

17. Related Party Transactions

In July 2001, the College entered into a 3-year agreement with a local chapter of a national trade association (association) to assist the College in providing certain construction related vocational apprenticeship training programs as defined in Section 446.021(6), Florida Statutes, and a similar contract was most recently renewed in August 2017. In February 2015, the President and CEO of the association was appointed to the College's Board of Trustees. During the 2017-2018 fiscal year, the College paid $556,260 to the association for continued assistance in administration of the apprenticeship programs.

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

	2017
Total OPEB Liability	
Service cost	$ 105,088
Interest	36,011
Difference between expected and actual experience	374,504
Changes of assumptions or other inputs	(67,434)
Benefit Payments	(414,824)
Net change in total OPEB liability	33,345
Total OPEB Liability - beginning, as Restated	1,402,237
Total OPEB Liability - ending	$ 1,435,582
Covered-Employee Payroll	$ 46,102,662
Total OPEB Liability as a percentage of covered-employee payroll	3.11%

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	0.128292281%	0.132107477%	0.137271167%	0.132161771%	0.117087899%
College's proportion share of the FRS net pension liability	$ 37,947,996	$ 33,357,242	$ 17,730,412	$ 8,063,812	$ 2,894,904
College's covered payroll (2)	$ 61,034,920	$ 61,118,190	$ 58,914,361	$ 55,137,419	$ 54,801,936
College's proportion share of the FRS net pension liability as a percentage of its covered payroll	62.17%	54.58%	30.10%	14.62%	5.28%
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	$ 3,586,656	$ 3,339,764	$ 3,235,617	$ 3,346,788	$ 2,894,902
FRS contributions in relation to the contractually required contribution	(3,586,656)	(3,339,764)	(3,235,617)	(3,346,788)	(2,894,902)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 61,045,347	$ 61,034,920	$ 61,118,190	$ 58,914,361	$ 55,137,419
FRS contributions as a percentage of covered payroll	5.88%	5.47%	5.29%	5.68%	5.25%

(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	0.171197914%	0.174999823%	0.171417391%	0.163854048%	0.164928903%
College's proportion share of the HIS net pension liability	$ 18,305,271	$ 20,395,504	$ 17,481,877	$ 15,320,753	$ 14,359,230
College's covered payroll (2)	$ 54,666,130	$ 54,225,234	$ 52,146,199	$ 48,694,269	$ 47,945,780
College's proportion share of the HIS net pension liability as a percentage of its covered payroll	33.49%	37.61%	33.52%	31.46%	29.95%
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	$ 907,822	$ 906,029	$ 900,139	$ 655,264	$ 561,309
HIS contributions in relation to the contractually required HIS contribution	(907,822)	(906,029)	(900,139)	(655,264)	(561,309)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 54,676,192	$ 54,666,130	$ 54,225,234	$ 52,146,199	$ 48,694,269
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.26%	1.15%

(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 significantly increased from the prior fiscal year as a result of changes to benefits and assumptions as discussed below:

Changes of Assumptions. The Municipal Bond Index Rate increased from 3.01 percent at the prior Measurement Date to 3.56 percent at the current Measurement Date.

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.

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.

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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 Hillsborough Community College, a component unit of the State of Florida, and its discretely presented component unit 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 14, 2019, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, 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 14, 2019