Report No. 2023-120
February 2023

State of Florida Auditor General

Financial Audit

HILLSBOROUGH COMMUNITY COLLEGE

For the Fiscal Year Ended
June 30, 2022

Sherrill F. Norman, CPA
Auditor General

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 Sehrish Ladhani, CPA, 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 the Audit of the 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 obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinion. In doing so we:

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks.
- Obtained an understanding of internal control relevant to the audit 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 College's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements.
- Concluded whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.
- 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.
- Determined whether corrective action was taken for the finding included in our report No. 2022-145.

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
111 West Madison Street
Tallahassee, Florida 32399-1450

Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying 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, 2022, 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.

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 column. 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2. to the financial statements, the College adopted new accounting guidance Governmental Accounting Standards Board Statement No. 87, *Leases*, which is a change in accounting principle that addresses accounting and financial reporting for leases. This affects the comparability of amounts reported for the 2021-22 fiscal year with amounts reported for the 2020-21 fiscal year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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**, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 17, 2023, 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 College's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
February 17, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

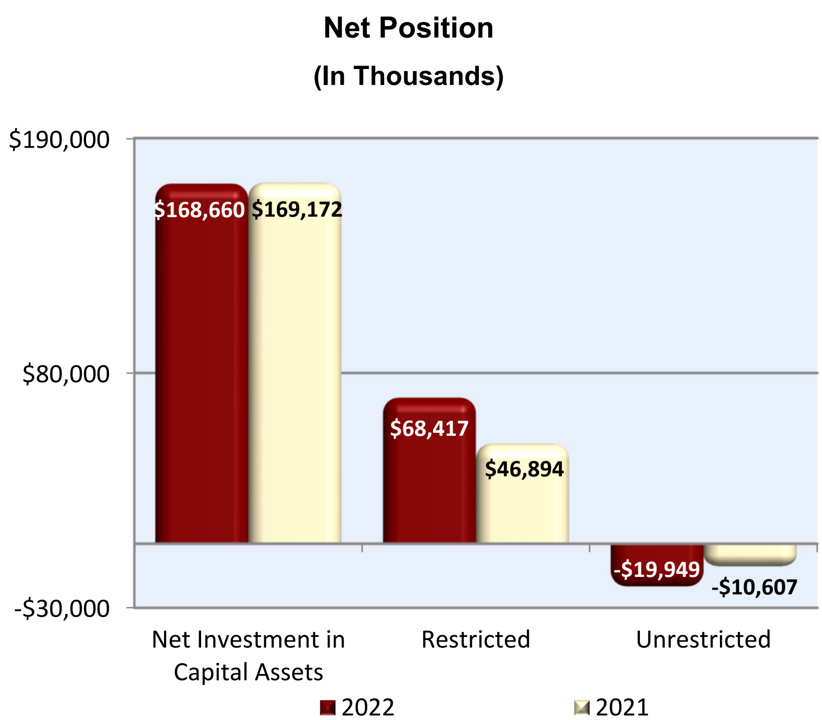
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2022, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are 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, 2022, and June 30, 2021.

FINANCIAL HIGHLIGHTS

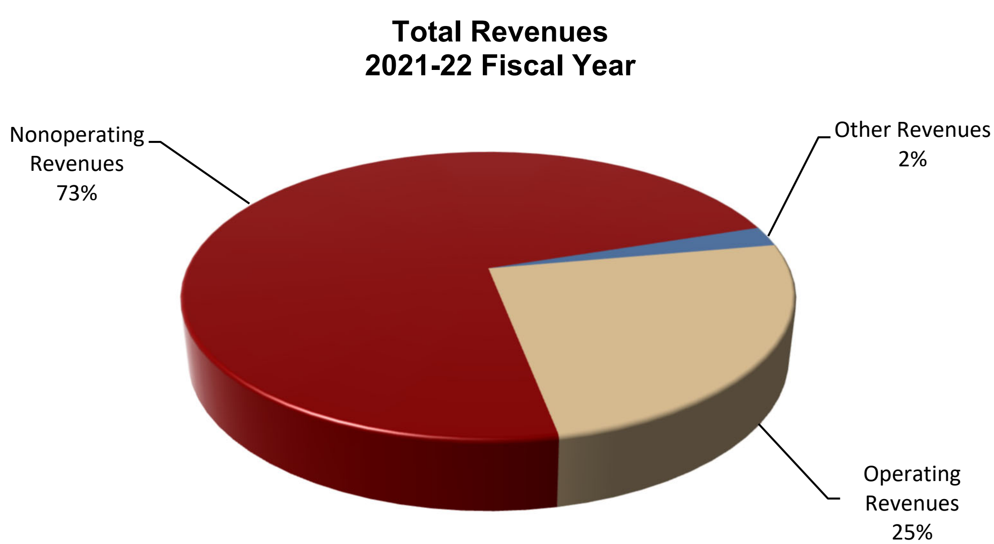
The College's assets and deferred outflows of resources totaled $304.9 million at June 30, 2022. This balance reflects a $2.4 million, or 0.8 percent, increase as compared to the 2020-21 fiscal year, resulting from the $6.4 million increase in total assets, offset by the $4 million decrease in deferred outflows of resources related to the Florida Retirement System (FRS) Pension plan. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources decreased by $9.2 million, or 9.5 percent, totaling $87.8 million at June 30, 2022, resulting from the $45.2 million decrease in total liabilities, offset by a $36 million increase in deferred inflows of resources related to the FRS Pension plan. As a result, the College's net position increased by $11.7 million, resulting in a year-end balance of $217.1 million.

The College's operating revenues totaled $58.1 million for the 2021-22 fiscal year, representing a 10.5 percent increase compared to the 2020-21 fiscal year due mainly to a $3 million increase in net student tuition and fees, a $0.8 million increase in State and local grants and contracts, a $0.6 million increase in net auxiliary enterprises, and a $1 million increase in other operating revenues. Operating expenses totaled $222.7 million for the 2021-22 fiscal year, representing an increase of 5.6 percent as compared to the 2020-21 fiscal year due mainly to a $10.6 million increase in scholarships and waivers, a $5 million increase in contractual services, a $4.2 million increase in materials and supplies, a $0.5 million increase in depreciation, offset by a $6.9 million decrease in personnel services and a $1.8 million decrease in other services and expenses.

Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2022, and June 30, 2021, is shown in the following graph:



The following chart provides a graphical presentation of College revenues by category for the 2021-22 fiscal year:



Overview of Financial Statements

Pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the College 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 separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

The Statement of Net Position

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

A condensed statement of assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position of the College and its component unit as of June 30, 2022, and June 30, 2021, is shown in the following:

Condensed Statement of Net Position at June 30

(In Thousands)

	College		Component Unit	
	2022	**2021**	**2022**	**2021**
Assets				
Current Assets	$ 42,728	$ 56,182	$ 3,217	$ 2,268
Capital Assets, Net	170,401	169,172	8,380	9,118
Other Noncurrent Assets	70,258	51,630	16,200	17,652
Total Assets	283,387	276,984	27,797	29,038
Deferred Outflows of Resources	21,557	25,539	-	-
Liabilities				
Current Liabilities	13,553	15,067	1,645	1,644
Noncurrent Liabilities	35,242	78,986	9,293	10,170
Total Liabilities	48,795	94,053	10,938	11,814
Deferred Inflows of Resources	39,021	3,011	-	-
Net Position				
Net Investment in Capital Assets	168,660	169,172	(1,796)	(1,916)
Restricted	68,417	46,894	13,507	13,631
Unrestricted	(19,949)	(10,607)	5,148	5,509
Total Net Position	$ 217,128	$ 205,459	$ 16,859	$ 17,224

The increase in current assets and noncurrent assets is primarily due to an increase of $9.5 million in cash and cash equivalents (restricted and unrestricted), $8.1 million increase in nondepreciable capital assets for ongoing construction in process of the new district building, offset by a $6.8 million decrease in net depreciable capital assets for depreciation expense.

The net increase in the College's deferred outflows and deferred inflows of resources and the decrease in noncurrent liabilities are primarily due to the of effects of changes in actuarial assumptions related to pensions.

As a result, the College's net position increased by $11.7 million, resulting in a year-end balance of $217.1 million.

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 2021-22 and 2020-21 fiscal years:

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

(In Thousands)

	College		Component Unit	
	2021-22	**2020-21**	**2021-22**	**2020-21**
Operating Revenues	$ 58,073	$ 52,544	$ 6,708	$ 5,077
Less, Operating Expenses	222,704	210,963	7,666	7,207
Operating Loss	(164,631)	(158,419)	(958)	(2,130)
Net Nonoperating Revenues	171,017	171,674	593	5,395
Income (Loss) Before Other Revenues	6,386	13,255	(365)	3,265
Other Revenues	5,283	5,438	-	-
Net Increase (Decrease) In Net Position	11,669	18,693	(365)	3,265
Net Position, Beginning of Year	205,459	186,766	17,224	13,959
Net Position, End of Year	$ 217,128	$ 205,459	$ 16,859	$ 17,224

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 College and its component unit for the 2021-22 and 2020-21 fiscal years:

Operating Revenues
For the Fiscal Years

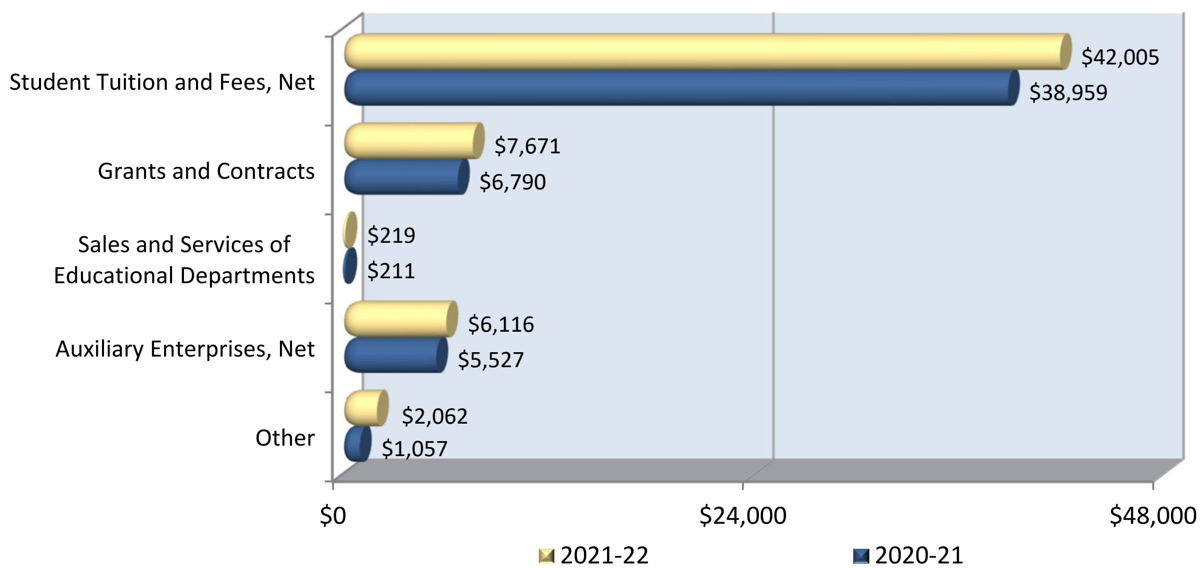
(In Thousands)

	College		Component Unit	
	2021-22	**2020-21**	**2021-22**	**2020-21**
Student Tuition and Fees, Net	$ 42,005	$ 38,959	$ -	$ -
Grants and Contracts	7,671	6,790	2,560	1,191
Sales and Services of Educational Departments	219	211	-	-
Auxiliary Enterprises, Net	6,116	5,527	-	-
Other	2,062	1,057	4,148	3,886
Total Operating Revenues	$ 58,073	$ 52,544	$ 6,708	$ 5,077

The following chart presents the College's operating revenues for the 2021-22 and 2020-21 fiscal years:

Operating Revenues

(In Thousands)



College operating revenues increased by $5.5 million, or 10.5 percent, primarily due to a $3 million increase in net student tuition and fees and a $1 million increase in other operating revenues.

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 2021-22 and 2020-21 fiscal years:

Operating Expenses
For the Fiscal Years

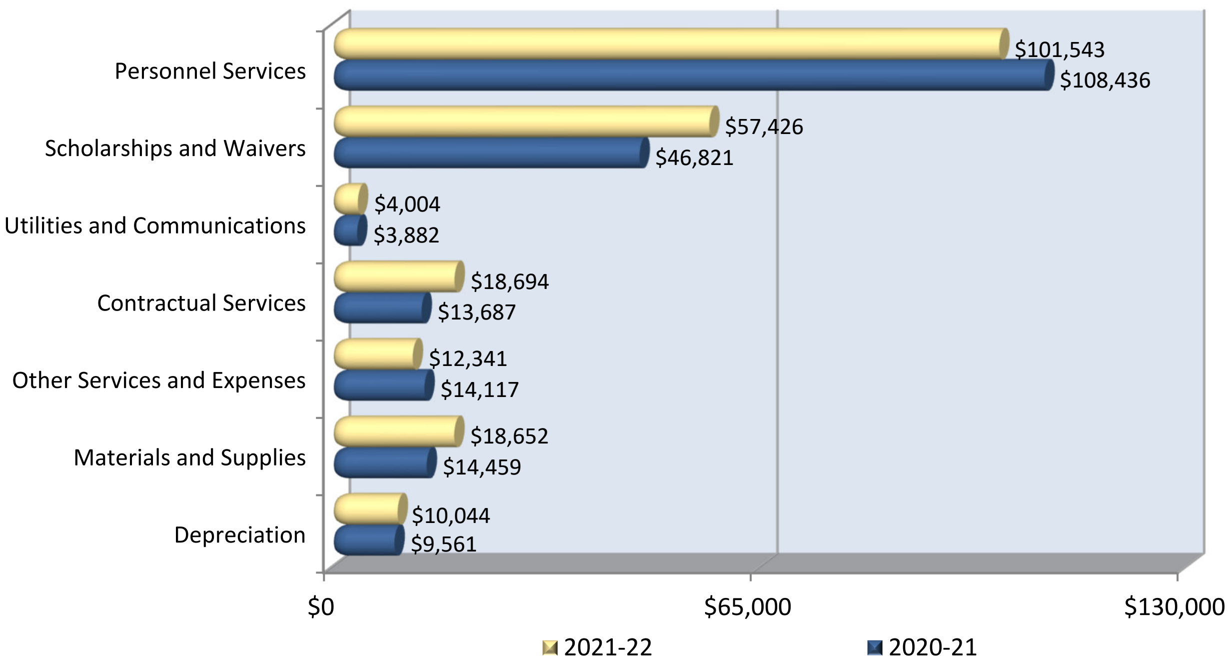
(In Thousands)

	College		Component Unit	
	2021-22	**2020-21**	**2021-22**	**2020-21**
Personnel Services	$ 101,543	$ 108,436	$ 608	$ 694
Scholarships and Waivers	57,426	46,821	3,835	3,537
Utilities and Communications	4,004	3,882	-	-
Contractual Services	18,694	13,687	-	-
Other Services and Expenses	12,341	14,117	2,090	1,902
Materials and Supplies	18,652	14,459	-	-
Depreciation	10,044	9,561	1,133	1,074
Total Operating Expenses	$ 222,704	$ 210,963	$ 7,666	$ 7,207

The following chart presents the College's operating expenses for the 2021-22 and 2020-21 fiscal years:

Operating Expenses

(In Thousands)



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

- $10.6 million increase in scholarships and waivers primarily due to scholarships provided to students using the Higher Education Emergency Relief Fund (HEERF) Federal funds in the 2021-22 fiscal year.
- $5 million increase in contractual services primarily due to an increase in expenses for a new Enterprise Resource Planning system.
- $6.9 million decrease in personnel services primarily due to a decrease in pension expense.

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 2021-22 and 2020-21 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	College	
	2021-22	**2020-21**
State Noncapital Appropriations	$ 74,635	$ 71,190
Federal and State Student Financial Aid	75,385	66,362
Gifts and Grants	21,226	16,566
Investment Income	268	270
Net Loss on Investments	(393)	(149)
Gain on Disposal of Capital Assets	-	17,677
Interest on Capital Asset-Related Debt	(104)	(242)
Net Nonoperating Revenues	$ 171,017	$ 171,674

College net nonoperating revenue changes were mainly the result of the following factors:

- $9 million increase in Federal and State student financial aid due to the receipt of HEERF student aid grants.
- $3.4 million increase in State noncapital appropriations due to an increase in State funding.
- $4.7 million increase in gifts and grants primarily due to a reimbursement from HEERF Institutional grants for lost revenues.
- $17.7 million decrease in gain on disposal of capital assets due to the nonrecurring sale of a building in the prior fiscal year.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2021-22 and 2020-21 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2021-22	**2020-21**
State Capital Appropriations	$ 671	$ 792
Capital Grants, Contracts, Gifts, and Fees	4,612	4,646
Total	$ 5,283	$ 5,438

Other revenues decreased by $0.2 million primarily due to a decrease in State capital appropriations.

The Statement of Cash Flows

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes the College's cash flows for the 2021-22 and 2020-21 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2021-22	2020-21
Cash Provided (Used) by:		
Operating Activities	$ (162,542)	$ (138,723)
Noncapital Financing Activities	176,046	143,821
Capital and Related Financing Activities	(4,406)	9,492
Investing Activities	387	132
Net Increase in Cash and Cash Equivalents	9,485	14,722
Cash and Cash Equivalents, Beginning of Year	71,362	56,640
Cash and Cash Equivalents, End of Year	$ 80,847	$ 71,362

Major sources of funds came from Federal and State student financial aid ($75.4 million), State noncapital appropriations ($74.6 million), net student tuition and fees ($40.4 million), noncapital gifts and grants received ($26 million), grants and contracts ($7.6 million), and net auxiliary enterprise receipts ($5.2 million). Major uses of funds were for payments to employees and for employee benefits ($106.4 million), payments for scholarships ($58.2 million), payments to suppliers ($48.8 million), and purchases of capital assets ($8.7 million).

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

- The decrease in operating activities is primarily due to increases of $11.4 million in payments for scholarships, $7.4 million in payments to suppliers, and $4.9 million in payments to employees and employee benefits.
- The increase in noncapital financing activities is primarily due to increases of $19.8 million in gifts and grants received, $9 million in Federal and State student financial aid, and $3.4 million in State noncapital appropriations.
- The decrease in capital and related financing activities is primarily due to increased purchases of capital assets of $6.2 million, decreases in proceeds from sale of capital assets of $18.9 million, and principal paid on capital debt of $10.6 million from the prior fiscal year.

Capital Assets, Capital Expenses and Commitment, and Debt Administration

Capital Assets

At June 30, 2022, the College had $357 million in capital assets, less accumulated depreciation of $186.6 million, for net capital assets of $170.4 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)

	2022	2021
Land	$ 29,186	$ 29,037
Construction in Progress	8,905	1,004
Buildings	124,107	131,380
Other Structures and Improvements	2,021	2,533
Furniture, Machinery, and Equipment	1,638	1,869
Lease Assets	1,346	-
Leasehold Improvements	3,198	3,349
Capital Assets, Net	$170,401	$169,172

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

Capital Expenses and Commitment

Major capital expenses through June 30, 2022, were incurred on the new district building project. The College's construction commitment at June 30, 2022, is as follows:

	Amount
Total Committed	$ 16,923,473
Completed to Date	(8,905,473)
Balance Committed	$ 8,018,000

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

Debt Administration

As of June 30, 2022, the College had $1.7 million in outstanding leases payable.

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 tied to both State funding and tuition, each providing about half of the College's revenue stream. The College received a modest increase in State funding for the

2022-23 fiscal year but continues to be legislatively restricted from increasing its tuition rates in response to the inflationary pressures being placed on its budget.

The College's enrollment is beginning to rebound from the impact of the COVID-19 pandemic. Fall 2022 enrollment is up a modest 3.4 percent which includes an increase in dual enrollment registrations which are non-fee-paying. Despite the increase in non-fee-paying students, the enrollment increase will positively impact revenues.

The spending deadline extension of the HEERF Federal funds will also have a positive impact on enrollment by providing students with additional financial assistance to continue their educational goals. Likewise, HEERF Federal funds have been budgeted to overcome any additional lost revenues because of the pandemic.

HEERF funding has also positively impacted the College's progress in addressing numerous deferred maintenance projects. Several of these projects, a majority of which address both air quality and social distancing issues, will be completed in the 2022-23 fiscal year.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Administration/Chief Financial Officer, Hillsborough Community College, 4115 N. Lois Ave., Tampa, Florida 33614.

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

June 30, 2022

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 15,468,865	$ 2,243,492
Restricted Cash and Cash Equivalents	1,574,299	-
Investments	3,269,925	-
Accounts Receivable, Net	6,657,418	478,950
Pledges Receivable, Net	-	446,938
Leases Receivable	49,646	-
Due from Other Governmental Agencies	14,530,211	-
Due from Component Unit	433,512	-
Inventories	75,423	-
Prepaid Expenses	669,141	48,187
Total Current Assets	42,728,440	3,217,567
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	63,803,697	2,900,674
Investments	5,519,474	12,433,641
Pledges Receivable, Net	-	865,587
Leases Receivable	797,804	-
Depreciable Capital Assets, Net	132,309,974	8,379,611
Nondepreciable Capital Assets	38,091,399	-
Other Assets	137,500	-
Total Noncurrent Assets	240,659,848	24,579,513
TOTAL ASSETS	283,388,288	27,797,080
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	694,511	-
Pensions	20,862,344	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	21,556,855	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	4,350,054	238,171
Accrued Interest Payable	-	11,032
Salary and Payroll Taxes Payable	3,950,638	-
Retainage Payable	167,323	-
Due to Other Governmental Agencies	392,422	-
Due to College	-	433,512
Unearned Revenue	9,575	80,294
Estimated Insurance Claims Payable	1,857,096	-
Deposits Held for Others	520,240	-
Long-Term Liabilities - Current Portion:		
Notes Payable	-	882,000
Leases Payable	804,276	-
Compensated Absences Payable	400,000	-
Other Postemployment Benefits Liability	332,728	-
Net Pension Liability	768,755	-
Total Current Liabilities	13,553,107	1,645,009

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Notes Payable	-	9,293,232
Leases Payable	937,002	-
Compensated Absences Payable	3,601,895	-
Other Postemployment Benefits Liability	520,502	-
Net Pension Liability	30,183,038	-
Total Noncurrent Liabilities	35,242,437	9,293,232
TOTAL LIABILITIES	48,795,544	10,938,241
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	799,885	-
Pensions	37,374,485	-
Leases Receivable	847,450	-
TOTAL DEFERRED INFLOWS OF RESOURCES	39,021,820	-
NET POSITION		
Net Investment in Capital Assets	168,660,095	(1,795,621)
Restricted:		
Nonexpendable:		
Endowment	-	6,202,352
Expendable:		
Grants and Loans	2,480,574	2,302,684
Scholarships	-	3,261,106
Capital Projects	65,935,835	-
Other	-	1,739,954
Unrestricted	(19,948,725)	5,148,364
TOTAL NET POSITION	$ 217,127,779	$ 16,858,839

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 Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2022

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $20,699,138	$ 42,005,266	$ -
Federal Grants and Contracts	3,586,886	-
State and Local Grants and Contracts	3,433,405	-
Nongovernmental Grants and Contracts	650,594	2,560,608
Sales and Services of Educational Departments	218,703	-
Auxiliary Enterprises, Net of Scholarship Allowances of $807,329	6,116,208	-
Other Operating Revenues	2,061,953	4,147,680
Total Operating Revenues	58,073,015	6,708,288
EXPENSES		
Operating Expenses:		
Personnel Services	101,543,283	608,373
Scholarships and Waivers	57,425,563	3,834,958
Utilities and Communications	4,004,058	-
Contractual Services	18,693,515	-
Other Services and Expenses	12,341,325	2,090,343
Materials and Supplies	18,652,359	-
Depreciation	10,044,024	1,132,368
Total Operating Expenses	222,704,127	7,666,042
Operating Loss	(164,631,112)	(957,754)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	74,634,690	-
Federal and State Student Financial Aid	75,384,764	-
Gifts and Grants	21,226,007	2,440,361
Investment Income	268,513	532,292
Net Loss on Investments	(393,131)	(2,691,314)
Realized Gain on Investments	-	311,260
Interest on Capital Asset-Related Debt	(103,692)	-
Net Nonoperating Revenues	171,017,151	592,599
Income (Loss) Before Other Revenues	6,386,039	(365,155)
State Capital Appropriations	671,339	-
Capital Grants, Contracts, Gifts, and Fees	4,611,785	-
Total Other Revenues	5,283,124	-
Increase (Decrease) in Net Position	11,669,163	(365,155)
Net Position, Beginning of Year	205,458,616	17,223,994
Net Position, End of Year	$ 217,127,779	$ 16,858,839

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 Cash Flows

For the Fiscal Year Ended June 30, 2022

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 40,384,596
Grants and Contracts	7,584,895
Payments to Suppliers	(48,841,929)
Payments for Utilities and Communications	(4,004,058)
Payments to Employees	(78,457,343)
Payments for Employee Benefits	(27,908,793)
Payments for Scholarships	(58,229,423)
Auxiliary Enterprises, Net	5,189,141
Sales and Services of Educational Departments	218,703
Other Receipts	1,522,337
Net Cash Used by Operating Activities	(162,541,874)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	74,634,690
Federal and State Student Financial Aid	75,384,764
Federal Direct Loan Program Receipts	28,260,956
Federal Direct Loan Program Disbursements	(28,260,956)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	26,025,983
Net Cash Provided by Noncapital Financing Activities	176,045,437
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	653,718
Capital Grants and Gifts	4,611,785
Purchases of Capital Assets	(8,654,709)
Principal Paid on Leases	(912,852)
Interest Paid on Leases	(103,692)
Net Cash Used by Capital and Related Financing Activities	(4,405,750)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	2,573,316
Purchases of Investments	(2,455,000)
Investment Income	268,513
Net Cash Provided by Investing Activities	386,829
Net Increase in Cash and Cash Equivalents	9,484,642
Cash and Cash Equivalents, Beginning of Year	71,362,219
Cash and Cash Equivalents, End of Year	$ 80,846,861

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (164,631,112)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	10,044,024
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(1,847,623)
Leases Receivables	(847,450)
Due from Other Governmental Agencies	(1,424,480)
Due from Component Unit	(59,718)
Notes Receivable	14,073
Inventories	1,611,800
Prepaid Expenses	1,589,037
Accounts Payable	(2,461,333)
Salaries and Payroll Taxes Payable	196,233
Due to Other Governmental Agencies	(525,404)
Unearned Revenue	5,727
Estimated Insurance Claims Payable	236,259
Deposits Held for Others	(34,012)
Compensated Absences Payable	(367,695)
Other Postemployment Benefits Liability	(759,360)
Net Pension Liability	(43,273,749)
Deferred Outflows of Resources Related to Other Postemployment Benefits	116,332
Deferred Inflows of Resources Related to Other Postemployment Benefits	564,982
Deferred Outflows of Resources Related to Pensions	3,865,587
Deferred Inflows of Resources Related to Pensions	34,598,558
Deferred Inflows of Resources Related to Leases	847,450
NET CASH USED BY OPERATING ACTIVITIES	$ (162,541,874)
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (393,131)
Lease assets additions were recognized on the statement of net position, but are not cash transactions for the statement of cash flows.	$ 2,654,130

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 Annual Comprehensive 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 Administrative Services/Chief Financial Officer, Hillsborough Community College, 4115 N. Lois Ave., Tampa, Florida 33614. 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, 2022.

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, gifts and grants, and investment income. Unrealized loss on investments and interest on capital asset-related debt are nonoperating expenses. 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 consist 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 pools to be cash equivalents.

College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by the Federal Deposit Insurance Corporation, 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, 2022, the College reported as cash equivalents $34,555,400 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 28 days as of June 30, 2022. 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, and the Investment 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, 2022, 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, 2022, the College had $314,230 in money market funds that carried a credit rating of Aaa by Moody's and had a WAM of 16 days.

Inventories. Inventories consist of items for resale or distribution on requisitions to organizational units of the College. 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. During June 2022, the College transitioned the campus bookstore inventory valued at approximately $1.1 million to Barnes and Noble College, Inc.

Capital Assets. College capital assets consist of land, construction in progress, buildings, other structures and improvements, furniture, machinery, and equipment, leasehold improvements, and lease assets. 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
- Lease Assets – 3 to 20 years

Noncurrent Liabilities. Noncurrent liabilities include leases payable, compensated absences payable, other postemployment benefits liability, 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. 87, *Leases*. The statement addresses accounting and financial reporting for leases. This statement requires the College to recognize certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. Under this statement a lessee is required to recognize a lease liability and an intangible right to use the leased asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the College's leasing activities.

3. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	$ (22,438,208)
Auxiliary Funds	2,488,483
Agency Funds	1,000
Total	$ (19,948,725)

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, 2022, are valued using quoted market prices (Level 1 inputs).

The College's investments at June 30, 2022, 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)**
United States Treasury Securities	$ 2,678,063	$ 2,678,063	$ -	$ -
Agency Bonds	954,605	954,605	-	-
Bonds and Notes	581,904	581,904	-	-
Certificates of Deposit	4,574,827	4,574,827	-	-
Total investments by fair value level	$ 8,789,399	$ 8,789,399	$ -	$ -

Certificates of Deposit. The College reported investments totaling $4,574,827 at June 30, 2022, in certificates of deposits (CDs) with 21 banks. The investments in CDs were fully insured by the Federal Deposit Insurance Corporation. The CDs carry original maturity dates ranging from 1.72 to 8.82 years and, at June 30, 2022, have a weighted-average maturity (WAM) of 487 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.

Corporate Bond. The College reported investments totaling $581,904 at June 30, 2022, in a corporate bond. The corporate bond carries an original maturity of 3.54 years, at June 30, 2022, and has a WAM of 804 days. The College's investment in the corporate bond has a rating of Aaa by Moody's. The College's investment in the corporate bond is held in the name of a third-party custodial bank, not in the name of the College.

Agency Bonds. The College reported investments totaling $954,605 at June 30, 2022, in agency bonds. The agency bonds carry original maturity dates ranging from 3 to 4.25 years, and at June 30, 2022, have a WAM of 667 days. The College's investments in agency bonds are rated Aaa by Moody's. The College's investments in agency bonds are held in the name of a third-party custodial bank, not in the name of the College.

United States Treasury Notes. The College reported investments totaling $2,678,063 at June 30, 2022, in United States Treasury Notes. The Treasury Notes carry original maturity dates ranging from 0.96 to 3.62 years, and at June 30, 2022, have a WAM of 622 days. The College's investments in United States Treasury Notes are rated Aaa by Moody's. The College's investments in United States Treasury Notes 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 risk 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 come 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.

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.

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 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.

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 $12,433,641 at June 30, 2022, of which $11,424,941 is invested in mutual funds, $16,076 is invested in common stock, and $992,624 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, common stock, and $600,401 of its other investments are valued using quoted market prices (Level 1 inputs) and $392,223 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, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a $2,003,586 allowance for doubtful accounts.

6. Leases Receivable

Leases receivable represent contracted arrangements for the use of the College's assets including cell tower equipment and facility space. The term of the lease arrangements are determined by evaluating the non-cancelable term length, the optional term length, and assessing the likelihood with reasonable certainty the option to extend the term or terminate the agreement may occur. The term lengths are from 25 to 40 years. Lease revenues and interest revenues totaling $48,701 and $690, respectively, were received during the 2021-22 fiscal year. Future minimum receipts discounted to present value based on the College's incremental borrowing rates as of June 30, 2022, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2023	$ 51,861	$ 49,646	$ 2,215
2024	51,862	48,181	3,681
2025	51,861	46,758	5,103
2026	51,861	45,378	6,483
2027	51,862	44,039	7,823
2028-2032	259,308	201,445	57,863
2033-2037	214,308	143,894	70,414
2038-2042	199,308	114,747	84,561
2043-2047	199,308	98,782	100,526
2048-2051	124,637	54,580	70,057
Total Minimum Lease Receipts	$ 1,256,176	$ 847,450	$ 408,726

7. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of $4,984,936 in Higher Education Emergency Relief Fund receivables and $7,123,084 from the School District of Hillsborough County for dual enrollment at June 30, 2022.

8. Due From Component Unit

The $433,512 reported as due from component unit consists of amounts owed to the College by the Foundation at June 30, 2022, 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, 2022, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 29,036,535	$ 149,391	$ -	$ 29,185,926
Construction in Progress	1,004,304	7,901,169	-	8,905,473
Total Nondepreciable Capital Assets	$ 30,040,839	$ 8,050,560	$ -	$ 38,091,399
Depreciable Capital Assets:				
Buildings	$ 279,497,008	$ -	$ -	$ 279,497,008
Other Structures and Improvements	12,601,099	-	-	12,601,099
Furniture, Machinery, and Equipment	17,445,188	588,153	205,302	17,828,039
Lease Assets	-	2,654,130	-	2,654,130
Leasehold Improvements	6,376,319	-	-	6,376,319
Total Depreciable Capital Assets	315,919,614	3,242,283	205,302	318,956,595
Less, Accumulated Depreciation:				
Buildings	148,117,458	7,272,498	-	155,389,956
Other Structures and Improvements	10,068,014	512,117	-	10,580,131
Furniture, Machinery, and Equipment	15,576,131	799,518	186,083	16,189,566
Lease Assets	-	1,308,370	-	1,308,370
Leasehold Improvements	3,027,077	151,521	-	3,178,598
Total Accumulated Depreciation	176,788,680	10,044,024	186,083	186,646,621
Total Depreciable Capital Assets, Net	$ 139,130,934	$ (6,801,741)	$ 19,219	$ 132,309,974

10. Unearned Revenue

Unearned revenue at June 30, 2022, primarily includes student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2022, the College reported $9,575 as unearned revenue.

11. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2022, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases Payable	$ -	$ 2,654,130	$ 912,852	$ 1,741,278	$ 804,276
Compensated Absences Payable	4,369,590	81,889	449,584	4,001,895	400,000
Other Postemployment Benefits Liability	1,612,590	174,606	933,966	853,230	332,728
Net Pension Liability	74,225,542	17,970,698	61,244,447	30,951,793	768,755
Total Long-Term Liabilities	$ 80,207,722	$ 20,881,323	$ 63,540,849	$ 37,548,196	$ 2,305,759

Revenue Note 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**
2023	$ 882,000
2024	899,000
2025	919,000
2026	937,000
2027	957,000
2028-2032	5,094,000
2033	536,000
Total Minimum Payments	10,224,000
Less, Unamortized Loan Costs	(48,768)
Total Revenue Notes Payable	$ 10,175,232

Leases Payable. Vehicles, information technology equipment, and electronic transformers in the amount of $1,741,278 are being acquired under lease agreements. The imputed interest rates range from 3.7 to 16.2 percent. Future minimum payments under the lease agreements and the present value of the minimum payments as of June 30, 2022, are as follows:

Fiscal Year Ending June 30	**Total**	**Principal**	**Interest**
2023	$ 930,895	$ 804,276	$ 126,619
2024	641,304	533,974	107,330
2025	350,614	272,440	78,174
2026	113,446	65,218	48,228
2027	44,071	12,900	31,171
2028-2032	187,715	35,313	152,402
2033-2037	140,990	15,702	125,288
2038-2039	19,973	1,455	18,518
Total Minimum Lease Payments	$ 2,429,008	$ 1,741,278	$ 687,730

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, 2022, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $4,001,895. 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 percentage of leave used applied to total accrued leave liability.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for 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, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	13
Inactive Employees Entitled to But Not Yet Receiving Benefits	47
Active Employees	1,071
Total	1,131

Total OPEB Liability

The College's total OPEB liability of $853,230 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40 percent
Real wage growth	0.85 percent
Wage inflation	3.25 percent
Salary increases, including wage inflation	
Regular Employees	3.40 – 7.80 percent
Senior Management	4.10 – 8.20 percent
Discount rate	2.16 percent at measurement date
Healthcare cost trend rates	
Pre-Medicare	7.00 percent for 2021, decreasing to an ultimate rate of 4.40 percent by 2032
Medicare	5.125 percent for 2021, decreasing to an ultimate rate of 4.40 percent by 2025

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

Mortality rates were based on the PUB-2010 mortality tables, with adjustments for FRS experience and generational mortality improvements using Scale MP-2018.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018, 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, 2021, valuation were based on a review of recent plan experience done concurrently with the June 30, 2021, valuation.

Changes in the Total OPEB Liability

	Amount
Balance at 6/30/21	$ 1,612,590
Changes for the year:	
Service Cost	138,999
Interest	35,607
Differences Between Expected and Actual Experience	(330,553)
Changes in Assumptions or Other Inputs	(321,047)
Benefit Payments	(282,366)
Net Changes	(759,360)
Balance at 6/30/22	$ 853,230

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21 percent in 2020 to 2.16 percent in 2021 due to a change in the Municipal Bond Rate.

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 (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	$953,872	$853,230	$769,379

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	$718,585	$853,230	$1,027,974

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

For the fiscal year ended June 30, 2022, the College recognized OPEB expense of $204,320. At June 30, 2022, 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	$ 694,511	$ 300,934
Change of assumptions or other inputs	-	498,951
Total	$ 694,511	$ 799,885

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
2023	$ 29,714
2024	29,714
2025	29,714
2026	29,714
2027	28,164
Thereafter	(252,394)
Total	$ (105,374)

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, 2022, the College's proportionate share of the net pension liabilities totaled $30,951,793. 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. An annual comprehensive financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The College's FRS and HIS pension expense totaled $1,799,081 for the fiscal year ended June 30, 2022.

<u>FRS Pension Plan</u>

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 2021-22 fiscal year were:

Class	Percent of Gross Salary Employee	Employer (1)
FRS, Regular	3.00	10.82
FRS, Senior Management Service	3.00	29.01
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	18.34
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 $5,758,321 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the College reported a liability of $10,155,257 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The College's proportionate share of the net pension liability was based on the College's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the College's proportionate share was 0.134437919 percent, which was an increase of 0.010993631 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the College recognized pension expense of $259,558. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,740,627	$ -
Change of assumptions	6,948,732	-
Net difference between projected and actual earnings on FRS Plan investments	-	35,429,139
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	2,833,326	743,251
College FRS contributions subsequent to the measurement date	5,758,321	-
Total	$ 17,281,006	$ 36,172,390

The deferred outflows of resources totaling $5,758,321, 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, 2023. 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
2023	$ (4,416,479)
2024	(5,097,809)
2025	(6,802,758)
2026	(8,812,392)
2027	479,733
Total	$ (24,649,705)

Actuarial Assumptions. The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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	1.0%	2.1%	2.1%	1.1%
Fixed Income	20.0%	3.8%	3.7%	3.3%
Global Equity	54.2%	8.2%	6.7%	17.8%
Real Estate (Property)	10.3%	7.1%	6.2%	13.8%
Private Equity	10.8%	11.7%	8.5%	26.4%
Strategic Investments	3.7%	5.7%	5.4%	8.4%
Total	100.0%			
Assumed inflation - Mean			2.4%	1.2%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.80 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 2021 valuation was unchanged from the previous valuation.

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 6.80 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 (5.80 percent) or 1 percentage point higher (7.80 percent) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
College's proportionate share of the net pension liability	$45,414,989	$10,155,257	$(19,317,926)

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 Annual Comprehensive Financial Report.

Payables to the Pension Plan. At June 30, 2022, the College reported a payable of $426,047 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2022.

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, 2022, 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, 2022, 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 $987,436 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the College reported a net pension liability of $20,796,536 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, and update procedures were used to determine the net pension liability as of June 30, 2021. The College's proportionate share of the net pension liability was based on the College's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the College's proportionate share was 0.169539239 percent, which was a decrease of 0.000184321 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the College recognized pension expense of $1,539,523. 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	$ 695,905	$ 8,710
Change of assumptions	1,634,142	856,871
Net difference between projected and actual earnings on HIS Plan investments	21,680	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	242,175	336,514
College contributions subsequent to the measurement date	987,436	-
Total	$ 3,581,338	$ 1,202,095

The deferred outflows of resources totaling $987,436, 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, 2023. 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
2023	$ 399,664
2024	64,418
2025	235,322
2026	376,535
2027	265,338
Thereafter	50,530
Total	$ 1,391,807

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.16 percent

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

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 2.16 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 2021 valuation was updated from 2.21 percent to 2.16 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 2.16 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 (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	1% Decrease (1.16%)	**Current Discount Rate (2.16%)**	**1% Increase (3.16%)**
College's proportionate share of the net pension liability	$24,042,811	$20,796,536	$18,136,941

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 Annual Comprehensive Financial Report.

Payables to the Pension Plan. At June 30, 2022, the College reported a payable of $7,060 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2022.

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 Annual Comprehensive 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 2021-22 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, 2022, 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 $1,921,101 for the fiscal year ended June 30, 2022.

State College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible college instructors and administrators. The

Program is designed to aid colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes 5.15 percent of the participant's salary to the participant's account and 4.19 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 9.34 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 $270,249 and employee contributions totaled $157,427 for the 2021-22 fiscal year.

14. Construction Commitment

The College's construction commitment at June 30, 2022, was as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
New District Building	$ 16,923,473	$ 8,905,473	$ 8,018,000

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 $100 million for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, 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 for the 2021-22 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 $1,857,096 as of June 30, 2022. Amounts held by the College in excess of the estimated insurance claims liability at June 30, 2022, totaled $2,000,000 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
2020-21	$ 1,730,541	$ 11,792,833	$ (11,902,537)	$ 1,620,837
2021-22	1,620,837	13,416,749	(13,180,490)	1,857,096

16. Litigation

The College is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the College's legal counsel and management, should not materially affect the College's financial position.

17. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 59,732,404
Public Services	3,527,599
Academic Support	8,431,445
Student Services	19,375,845
Institutional Support	21,003,144
Operation and Maintenance of Plant	35,060,306
Scholarships and Waivers	57,425,563
Depreciation	10,044,024
Auxiliary Enterprises	8,103,797
Total Operating Expenses	$ 222,704,127

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

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	$ 138,999	$ 123,525	$ 98,554	$ 99,936	$ 105,088
Interest	35,607	59,382	55,237	41,080	36,011
Difference between expected and actual experience	(330,553)	65,738	197,576	528,227	374,504
Changes of assumptions or other inputs	(321,047)	(133,456)	(58,294)	(37,692)	(67,434)
Benefit Payments	(282,366)	(150,101)	(144,420)	(568,284)	(414,824)
Net change in total OPEB liability	(759,360)	(34,912)	148,653	63,267	33,345
Total OPEB Liability - beginning	1,612,590	1,647,502	1,498,849	1,435,582	1,402,237
Total OPEB Liability - ending	$ 853,230	$ 1,612,590	$ 1,647,502	$ 1,498,849	$ 1,435,582
Covered-Employee Payroll	$62,399,932	$47,816,832	$47,816,832	$61,045,347	$46,102,662
Total OPEB Liability as a percentage of covered-employee payroll	1.37%	3.37%	3.45%	2.46%	3.11%

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

	2021 (1)	**2020** (1)	**2019** (1)	**2018** (1)
College's proportion of the FRS net pension liability	0.134437919%	0.123444288%	0.125849552%	0.125851136%
College's proportionate share of the FRS net pension liability	$ 10,155,257	$ 53,502,572	$ 43,340,833	$ 37,907,015
College's covered payroll (2)	$ 65,529,943	$ 64,585,450	$ 62,966,512	$ 61,045,347
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	15.50%	82.84%	68.83%	62.10%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	96.40%	78.85%	82.61%	84.26%

(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

	2022 (1)	**2021** (1)	**2020** (1)	**2019** (1)
Contractually required FRS contribution	$ 5,758,321	$ 5,258,079	$ 4,101,507	$ 3,902,244
FRS contributions in relation to the contractually required contribution	(5,758,321)	(5,258,079)	(4,101,507)	(3,902,244)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 64,731,619	$ 65,529,943	$ 64,585,450	$ 62,966,512
FRS contributions as a percentage of covered payroll	8.90%	8.02%	6.35%	6.20%

(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.

2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
0.128292281%	0.132107447%	0.137271167%	0.132161771%	0.117087899%
$ 37,947,996	$ 33,357,242	$ 17,730,412	$ 8,063,812	$ 2,894,904
$ 61,034,920	$ 61,118,190	$ 58,914,361	$ 55,137,419	$ 54,801,936
62.17%	54.58%	30.10%	14.62%	5.28%
83.89%	84.88%	92.00%	96.09%	88.54%

2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
$ 3,586,656	$ 3,339,764	$ 3,235,617	$ 3,346,788	$ 2,894,902
(3,586,656)	(3,339,764)	(3,235,617)	(3,346,788)	(2,894,902)
$ -	$ -	$ -	$ -	$ -
$ 61,045,347	$ 61,034,920	$ 61,118,190	$ 58,914,361	$ 55,137,419
5.88%	5.47%	5.29%	5.68%	5.25%

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

	2021 (1)	2020 (1)	2019 (1)	2018 (1)
College's proportion of the HIS net pension liability	0.169539239%	0.169723560%	0.170163353%	0.167401314%
College's proportionate share of the HIS net pension liability	$ 20,796,536	$ 20,722,970	$ 19,039,576	$ 17,717,943
College's covered payroll (2)	$ 60,063,268	$ 58,954,721	$ 56,918,424	$ 54,676,192
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	34.62%	35.15%	33.45%	32.41%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	3.56%	3.00%	2.63%	2.15%

(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.

Schedule of College Contributions – Health Insurance Subsidy Pension Plan

	2022 (1)	2021 (1)	2020 (1)	2019 (1)
Contractually required HIS contribution	$ 987,436	$ 997,050	$ 978,037	$ 944,901
HIS contributions in relation to the contractually required HIS contribution	(987,436)	(997,050)	(978,037)	(944,901)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 59,484,067	$ 60,063,268	$ 58,954,721	$ 56,918,424
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%

(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.

	2017 (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
	0.171197914%	0.174999823%	0.171417391%	0.163854048%	0.164928903%
	$ 18,305,271	$ 20,395,504	$ 17,481,877	$ 15,320,753	$ 14,359,230
	$ 54,666,130	$ 54,225,234	$ 52,146,199	$ 48,694,269	$ 47,945,780
	33.49%	37.61%	33.52%	31.46%	29.95%
	1.64%	0.97%	0.50%	0.99%	1.78%

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)
	$ 907,822	$ 906,029	$ 900,139	$ 655,264	$ 561,309
	(907,822)	(906,029)	(900,139)	(655,264)	(561,309)
	$ -	$ -	$ -	$ -	$ -
	$ 54,676,192	$ 54,666,130	$ 54,225,234	$ 52,146,199	$ 48,694,269
	1.66%	1.66%	1.66%	1.26%	1.15%

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

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions. The Municipal Bond Index Rate decreased from 2.21 percent to 2.16 percent. Mortality rates were based on the PUB-2010 mortality tables with adjustments for FRS experience and generational mortality improvements using Scale MP-2018.

The remaining actuarial assumptions for changes in medical trends and anticipated plan participation used in the June 30, 2021, valuation were based on a review of recent plan experience performed concurrently with the June 30, 2021, valuation.

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

Changes of Assumptions. In 2021, the maximum amortization period was decreased to 20 years for all current and future amortization bases.

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

Changes of Assumptions. In 2021, the municipal rate used to determine total pension liability decreased from 2.21 percent to 2.16 percent.

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Phone: (850) 412-2722
Fax: (850) 488-6975

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2022, 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 17, 2023, 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.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 17, 2023

PRIOR AUDIT FOLLOW-UP

The College had taken corrective action for the finding included in our report No. 2022-145.