

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2017-137
March 2017

HILLSBOROUGH COMMUNITY COLLEGE

For the Fiscal Year Ended
June 30, 2016



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2015-16 fiscal year, Dr. Kenneth H. Atwater served as President of Hillsborough Community College and the following individuals served as Members of the Board of Trustees:

Brigadier General Arthur "Chip" Diehl III, Chair from
12-18-15, Vice Chair 7-7-15 to 12-17-15 ^a

Dipa Shah, Vice Chair from 1-27-16

MarDee H. Buchman, Chair 7-7-15 to 12-17-15,
Vice Chair to 7-6-15

Randall H. Reid, Chair to 7-6-15

Steven P. Cona III

Beatriz "Betty" D. Viamontes from 12-18-15

^a Vice Chair position vacant 12-18-15, through 1-26-16.

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 Anna A. McCormick, CPA, and the audit was supervised by Eric Davis, CPA.

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

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HILLSBOROUGH COMMUNITY COLLEGE
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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Hillsborough Community College (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

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

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2016. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of 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, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit's columns. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Hillsborough Community College and of its discretely presented component unit as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Funding Progress – Other Postemployment Benefits Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of College Contributions – Florida Retirement System Pension Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of College Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 a report dated March 8, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hillsborough Community College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 8, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

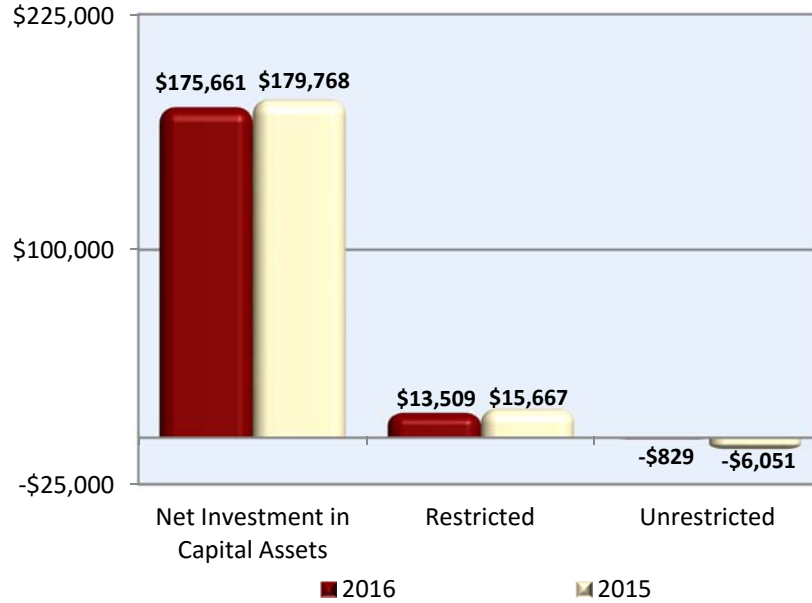
FINANCIAL HIGHLIGHTS

The College's assets totaled \$236.4 million at June 30, 2016. This balance reflects a \$7 million, or 2.9 percent, decrease as compared to the 2014-15 fiscal year, primarily resulting from a decrease in capital assets of \$5.4 million while other noncurrent assets decreased by \$1.8 million. While assets decreased, liabilities increased by \$6.8 million, or 14.2 percent, totaling \$54.9 million at June 30, 2016, compared to \$48.1 million at June 30, 2015, resulting mainly from an increase to the net pension liability of \$11.8 million due to the 2014-15 fiscal year actuarial revisions to the College's required net pension liability. Deferred inflows and outflows were impacted by the effects of actuarial differences and changes in assumptions related to economic and demographic factors of all employees that are active, inactive, and retired. As a result, the College's net position decreased by \$1 million, resulting in a year-end balance of \$188.3 million.

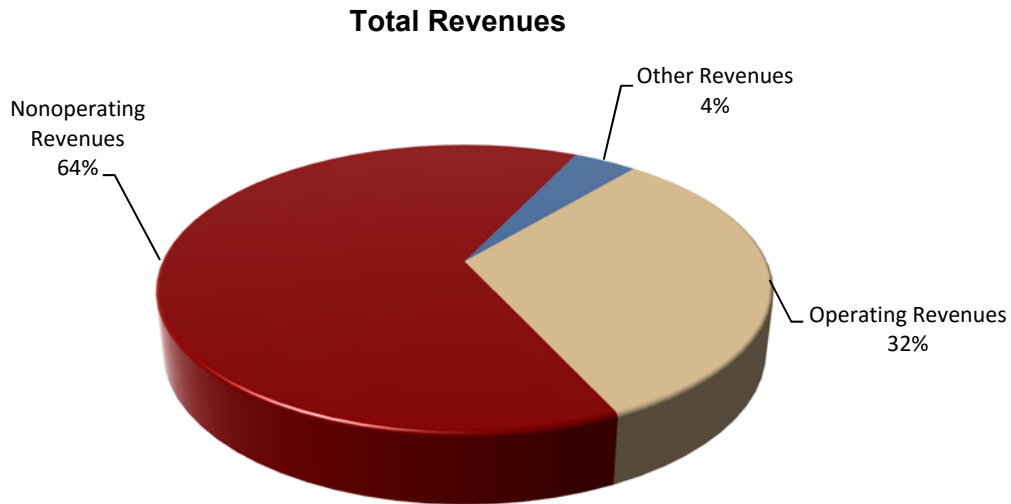
The College's operating revenues totaled \$57.2 million for the 2015-16 fiscal year, representing a 3.7 percent decrease compared to the 2014-15 fiscal year due mainly to the decrease in College preparatory tuition. Operating expenses totaled \$178.3 million for the 2015-16 fiscal year, representing a decrease of 3.5 percent as compared to the 2014-15 fiscal year due mainly to a decrease in scholarships.

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

Net Position (In Thousands)



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



OVERVIEW OF FINANCIAL STATEMENTS

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

- Hillsborough Community College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- The Hillsborough Community College Foundation, Inc. (Component Unit) – Although legally 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, and net position of the College and its component unit as of June 30, 2016, and June 30, 2015, is shown in the following table:

Condensed Statement of Net Position at June 30

(In Thousands)

	College		Component Unit	
	2016	2015	2016	2015
Assets				
Current Assets	\$ 41,744	\$ 41,562	\$ 1,739	\$ 1,082
Capital Assets, Net	184,698	190,107	11,568	12,189
Other Noncurrent Assets	9,929	11,696	10,949	10,437
Total Assets	236,371	243,365	24,256	23,708
Deferred Outflows of Resources	11,598	8,134	-	-
Liabilities				
Current Liabilities	9,212	11,999	785	838
Noncurrent Liabilities	45,694	36,085	14,866	15,965
Total Liabilities	54,906	48,084	15,651	16,803
Deferred Inflows of Resources	4,722	14,031	-	-
Net Position				
Net Investment in Capital Assets	175,661	179,768	(3,874)	(4,326)
Restricted	13,509	15,667	8,164	7,309
Unrestricted	(829)	(6,051)	4,315	3,922
Total Net Position	\$ 188,341	\$ 189,384	\$ 8,605	\$ 6,905

The net decrease in capital assets is primarily due to the depreciation of the capital assets.

The increase in the College's deferred outflows and the decrease in the deferred inflows of resources along with the increase in noncurrent liabilities and the increase in the College's unrestricted net position are primarily due to the effects of actuarial differences and changes in assumptions related to economic and demographic factors of all employees that are active, inactive, and retired. As a result, the College's net position decreased \$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 2015-16 and 2014-15 fiscal years:

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

	College		Component Unit	
	6-30-16	6-30-15	6-30-16	6-30-15
Operating Revenues	\$ 57,172	\$ 59,360	\$ 6,300	\$ 4,813
Less, Operating Expenses	178,306	184,681	5,536	5,349
Operating Income (Loss)	(121,134)	(125,321)	764	(536)
Net Nonoperating Revenues	113,511	114,442	936	1,395
Income (Loss) Before Other Revenues, Expenses, or Losses	(7,623)	(10,879)	1,700	859
Other Revenues	6,580	6,416	-	-
Net Increase (Decrease) In Net Position	(1,043)	(4,463)	1,700	859
Net Position, Beginning of Year	189,384	224,906	6,905	6,046
Adjustment to Beginning Net Position (1)	-	(31,059)	-	-
Net Position, Beginning of Year, as Restated	189,384	193,847	6,905	6,046
Net Position, End of Year	<u>\$ 188,341</u>	<u>\$ 189,384</u>	<u>8,605</u>	<u>6,905</u>

Note: (1) The adjustment to beginning net position is due to the implementation of GASB Statement No. 68, which is a change in accounting principle that requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employer's proportionate share of the net pension liability of the defined benefit pension plans.

Operating Revenues

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

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

Operating Revenues For the Fiscal Years

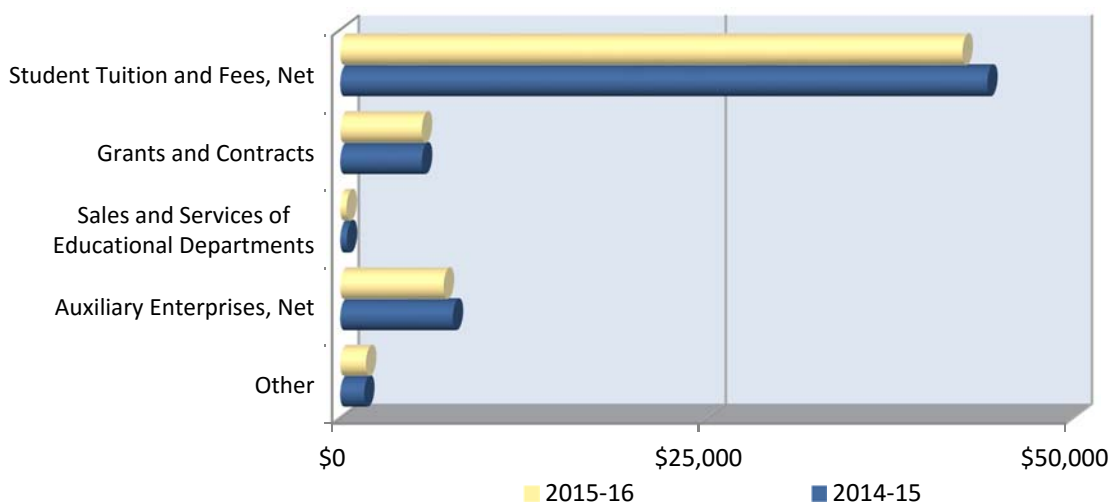
(In Thousands)

	College		Component Unit	
	6-30-16	6-30-15	6-30-16	6-30-15
Student Tuition and Fees, Net	\$ 42,379	\$ 44,062	\$ -	\$ -
Grants and Contracts	5,558	5,560	2,399	1,102
Sales and Services of Educational Departments	435	449	-	-
Auxiliary Enterprises, Net	7,047	7,663	-	-
Other	1,753	1,626	3,901	3,711
Total Operating Revenues	\$ 57,172	\$ 59,360	\$ 6,300	\$ 4,813

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

Operating Revenues

(In Thousands)



Student tuition and fees decreased by \$1.7 million, or 3.8 percent primarily due to a decrease in College preparatory tuition.

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.

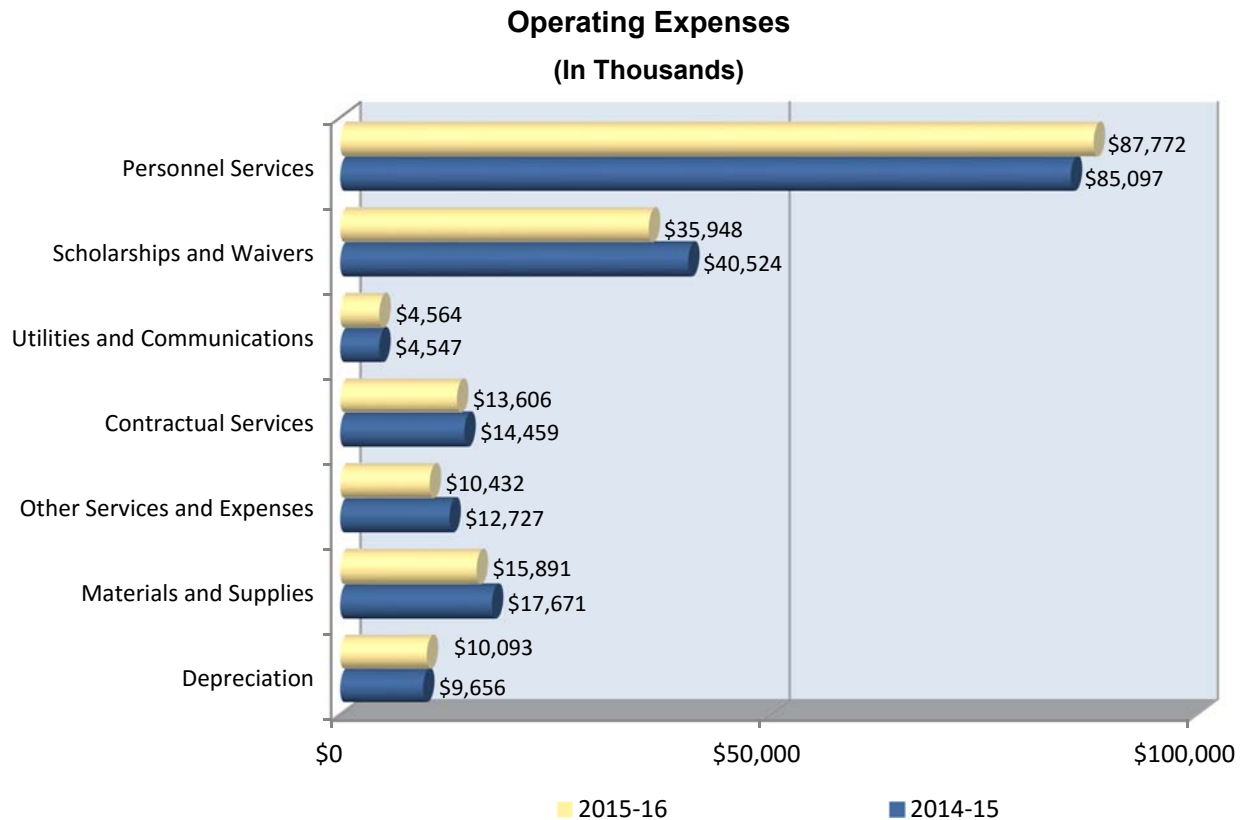
The following summarizes operating expenses by natural classification for the College and its component unit for the 2015-16 and 2014-15 fiscal years:

Operating Expenses For the Fiscal Years

(In Thousands)

	College		Component Unit	
	6-30-16	6-30-15	6-30-16	6-30-15
Personnel Services	\$ 87,772	\$ 85,097	\$ 534	\$ 486
Scholarships and Waivers	35,948	40,524	1,749	1,526
Utilities and Communications	4,564	4,547	-	-
Contractual Services	13,606	14,459	-	-
Other Services and Expenses	10,432	12,727	2,486	2,587
Materials and Supplies	15,891	17,671	-	-
Depreciation	10,093	9,656	767	750
Total Operating Expenses	\$ 178,306	\$ 184,681	\$ 5,536	\$ 5,349

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



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

- Personnel services increased by \$2.7 million primarily due to salary increases for faculty and staff.
- Scholarships and waivers decreased by \$4.6 million primarily due to the decrease in institutional student financial aid awarded during the 2015-16 fiscal year.
- Other Services and Expenses decreased by \$2.3 million primarily due to a decrease in repairs, maintenance, and other expenses.

- Materials and supplies decreased by \$1.8 million primarily due to a decrease in purchases of noncapitalized equipment and minor renovation projects.

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, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2015-16 and 2014-15 fiscal years:

Nonoperating Revenues (Expenses)		
For the Fiscal Years		
(In Thousands)		
	2015-16	2014-15
State Noncapital Appropriations	\$ 64,116	\$ 59,056
Federal and State Student Financial Aid	49,464	55,022
Gifts and Grants	-	616
Investment Income	201	80
Unrealized Loss on Investments	(22)	(21)
Loss on Disposal of Capital Assets	(3)	(7)
Other Nonoperating Revenues	14	-
Interest on Capital Asset-Related Debt	(259)	(304)
Net Nonoperating Revenues	\$ 113,511	\$ 114,442

Nonoperating revenues decreased by \$931 thousand. State noncapital appropriations increased by \$5.1 million primarily due to an increase of \$5.6 million in the Florida College System Program Fund. This increase was offset by a \$5.6 million decrease in Federal and State student financial aid of which \$4.6 million was primarily due to a reduction in Pell awards.

Other Revenues, Expenses, Gains, or Losses

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

Other Revenues, Expenses, Gains, or Losses		
For the Fiscal Years		
(In Thousands)		
	2015-16	2014-15
State Capital Appropriations	\$ 1,745	\$ 1,521
Capital Grants, Contracts, Gifts, and Fees	4,835	4,941
Other Expenses	-	(46)
Total	\$ 6,580	\$ 6,416

The Statement of Cash Flows

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

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

Condensed Statement of Cash Flows For the Fiscal Years (In Thousands)

	<u>2015-16</u>	<u>2014-15</u>
Cash Provided (Used) by:		
Operating Activities	\$ (113,442)	\$ (114,725)
Noncapital Financing Activities	113,532	114,711
Capital and Related Financing Activities	(69)	(8,944)
Investing Activities	<u>198</u>	<u>86</u>
Net Increase (Decrease) in Cash and Cash Equivalents	219	(8,872)
Cash and Cash Equivalents, Beginning of Year	<u>36,467</u>	<u>45,339</u>
Cash and Cash Equivalents, End of Year	<u>\$ 36,686</u>	<u>\$ 36,467</u>

Major sources of funds came from State noncapital appropriations (\$64.1 million), Federal and State student financial aid (\$49.5 million), Federal Direct Student Loan program receipts (\$42.7 million), net student tuition and fees (\$42.7 million), net auxiliary enterprises (\$7.3 million), and grants and contracts (\$5.3 million). Major uses of funds were for payments to employees (\$70.2 million) and for employee benefits (\$19.9 million), disbursements to students for Federal Direct Student Loans (\$42.7 million), payments to suppliers (\$40.2 million), payments for scholarships (\$35.9 million), and purchases of capital assets (\$5.7 million).

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

- The decrease in operating cash outflows from operating activities is primarily due to a decrease in scholarship related outflows of \$4.6 million.
- The \$8.9 million decrease in capital and relative financing activities is primarily due to the reduction of purchase of capital assets of \$8.2 million.

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

Capital Assets

At June 30, 2016, the College had \$322.2 million in capital assets, less accumulated depreciation of \$137.5 million, for net capital assets of \$184.7 million. Depreciation charges for the current fiscal year totaled \$10.1 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30		
(In Thousands)		
	2016	2015
Land	\$ 29,756	\$ 29,756
Construction in Progress	1,103	15,045
Buildings	144,568	135,937
Other Structures and Improvements	2,392	2,890
Furniture, Machinery, and Equipment	2,772	2,221
Leasehold Improvements	4,107	4,258
Capital Assets, Net	\$184,698	\$190,107

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

Capital Expenses and Commitments

The College has \$3.6 million in construction commitments at June 30, 2016. The commitments are: Brandon Campus Remodeling/Renovation, Ybor Campus Learning Resource Center 3rd Floor Renovation, and Dale Mabry Campus Nursing Simulation Lab. The College's construction commitments at June 30, 2016, are as follows:

	Amount
	(In Thousands)
Total Committed	\$ 4,600
Completed to Date	(1,016)
Balance Committed	\$ 3,584

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

Debt Administration

As of June 30, 2016, the College had \$9.1 million in outstanding State Board of Education (SBE) capital outlay bonds and a note payable representing a decrease of \$1.8 million, or 17 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30

(In Thousands)

	<u>2016</u>	<u>2015</u>
SBE Capital Outlay Bonds	\$ 995	\$ 1,290
Note Payable	<u>8,148</u>	<u>9,677</u>
Total	<u><u>\$ 9,143</u></u>	<u><u>\$ 10,967</u></u>

The SBE issues capital outlay bonds on behalf of the College. During the 2015-16 fiscal year, there were no bond sales and debt repayments totaled \$295 thousand for bonds payable and \$1.5 million for the note 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 closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2016-17 fiscal year. The College anticipates receiving an increase in State appropriated funds of \$4.5 million.

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

BASIC FINANCIAL STATEMENTS

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

June 30, 2016

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 26,489,292	\$ 1,198,216
Restricted Cash and Cash Equivalents	2,610,899	-
Investments	1,252,108	-
Accounts Receivable, Net	5,801,912	522,144
Notes Receivable	11,631	-
Due from Other Governmental Agencies	3,951,998	-
Due from Component Unit	41,272	-
Inventories	1,402,218	-
Prepaid Expenses	45,338	18,721
Deposits Receivable	137,500	-
Total Current Assets	41,744,168	1,739,081
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	7,585,773	3,050,992
Investments	2,260,688	7,692,656
Restricted Investments	25,024	-
Notes Receivable	57,209	-
Depreciable Capital Assets, Net	153,838,437	11,567,554
Nondepreciable Capital Assets	30,859,299	-
Other Assets	-	205,489
Total Noncurrent Assets	194,626,430	22,516,691
TOTAL ASSETS	236,370,598	24,255,772
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	11,597,914	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,904,280	89,017
Accrued Interest Payable	-	46,248
Salary and Payroll Taxes Payable	2,287,900	-
Retainage Payable	153,412	-
Due to Other Governmental Agencies	11,563	-
Due to College	-	41,272
Unearned Revenue	26,833	33,065
Estimated Insurance Claims Payable	1,288,415	-
Deposits Held for Others	448,249	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	315,000	575,000
Note Payable	1,561,000	-
Compensated Absences Payable	400,000	-
Net Pension Liability	815,707	-
Total Current Liabilities	9,212,359	784,602

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

June 30, 2016

	<u>College</u>	<u>Component Unit</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	680,000	14,665,000
Note Payable	6,587,000	-
Other Liabilities	-	201,511
Compensated Absences Payable	2,899,738	-
Other Postemployment Benefits Payable	1,130,461	-
Net Pension Liability	34,396,582	-
Total Noncurrent Liabilities	<u>45,693,781</u>	<u>14,866,511</u>
TOTAL LIABILITIES	<u>54,906,140</u>	<u>15,651,113</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	4,721,823	-
NET POSITION		
Net Investment in Capital Assets	175,661,376	(3,873,957)
Restricted:		
Nonexpendable:		
Endowment	-	3,208,675
Expendable:		
Grants and Loans	2,307,674	2,731,156
Scholarships	475,462	2,224,065
Capital Projects	10,699,799	-
Debt Service	25,024	-
Unrestricted	<u>(828,786)</u>	<u>4,314,720</u>
TOTAL NET POSITION	<u>\$ 188,340,549</u>	<u>\$ 8,604,659</u>

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

Hillsborough Community College
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2016

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$17,858,653	\$ 42,378,629	\$ -
Federal Grants and Contracts	4,142,393	-
Nongovernmental Grants and Contracts	1,415,298	2,398,379
Sales and Services of Educational Departments	434,704	-
Auxiliary Enterprises, Net of Scholarship		
Allowances of \$1,631,446	7,047,213	-
Other Operating Revenues	1,753,416	3,901,304
Total Operating Revenues	<u>57,171,653</u>	<u>6,299,683</u>
EXPENSES		
Operating Expenses:		
Personnel Services	87,772,189	533,563
Scholarships and Waivers	35,947,710	1,749,264
Utilities and Communications	4,564,416	-
Contractual Services	13,606,236	-
Other Services and Expenses	10,432,134	2,486,137
Materials and Supplies	15,891,027	-
Depreciation	10,092,732	767,312
Total Operating Expenses	<u>178,306,444</u>	<u>5,536,276</u>
Operating Income (Loss)	<u>(121,134,791)</u>	<u>763,407</u>
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	64,115,874	43,442
Federal and State Student Financial Aid	49,463,959	-
Gifts and Grants	-	429,820
Investment Income	201,553	223,088
Unrealized Gain (Loss) on Investments	(21,863)	239,955
Other Nonoperating Revenues	13,846	-
Loss on Disposal of Capital Assets	(3,167)	-
Interest on Capital Asset-Related Debt	(258,755)	-
Net Nonoperating Revenues	<u>113,511,447</u>	<u>936,305</u>
Income (Loss) Before Other Revenues, Expenses, or Losses	<u>(7,623,344)</u>	<u>1,699,712</u>
State Capital Appropriations	1,745,225	-
Capital Grants, Contracts, Gifts, and Fees	4,834,827	-
Total Other Revenues	<u>6,580,052</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>(1,043,292)</u>	<u>1,699,712</u>
Net Position, Beginning of Year	<u>189,383,841</u>	<u>6,904,947</u>
Net Position, End of Year	<u>\$ 188,340,549</u>	<u>\$ 8,604,659</u>

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

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**Hillsborough Community College
A Component Unit of the State of Florida
Statement of Cash Flows**

For the Fiscal Year Ended June 30, 2016

	<u>College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 42,741,715
Grants and Contracts	5,309,565
Payments to Suppliers	(40,245,706)
Payments for Utilities and Communications	(4,564,416)
Payments to Employees	(70,168,640)
Payments for Employee Benefits	(19,863,289)
Payments for Scholarships	(35,947,710)
Auxiliary Enterprises, Net	7,260,346
Sales and Services of Educational Departments	434,704
Other Receipts	1,600,823
Net Cash Used by Operating Activities	<u>(113,442,608)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	64,115,874
Federal and State Student Financial Aid	49,463,959
Federal Direct Loan Program Receipts	42,666,471
Federal Direct Loan Program Disbursements	(42,727,968)
Other Nonoperating Receipts	13,846
Net Cash Provided by Noncapital Financing Activities	<u>113,532,182</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,896,956
Capital Grants and Gifts	4,834,827
Purchases of Capital Assets	(5,717,973)
Principal Paid on Capital Debt and Leases	(1,824,000)
Interest Paid on Capital Debt and Leases	(258,755)
Net Cash Used by Capital and Related Financing Activities	<u>(68,945)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(3,976)
Investment Income	201,553
Net Cash Provided by Investing Activities	<u>197,577</u>
Net Increase in Cash and Cash Equivalents	218,206
Cash and Cash Equivalents, Beginning of Year	36,467,758
Cash and Cash Equivalents, End of Year	<u><u>\$ 36,685,964</u></u>

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

For the Fiscal Year Ended June 30, 2016

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (121,134,791)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	10,092,732
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	399,174
Inventories	126,645
Prepaid Expenses	108,876
Deposits Receivable	20,600
Accounts Payable	(752,099)
Estimated Insurance Claims Payable	86,033
Salaries and Payroll Taxes Payable	(1,352,493)
Unearned Revenue	16,715
Deposits Held for Others	(66,487)
Compensated Absences Payable	(134,227)
Other Postemployment Benefits Payable	92,358
Net Pension Liability	11,827,724
Deferred Outflows of Resources Related to Pensions	(3,463,819)
Deferred Inflows of Resources Related to Pensions	(9,309,549)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (113,442,608)</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES	
Unrealized losses on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (21,863)
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (3,167)

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. Geographic boundaries of the College correspond with those of Hillsborough County.

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the Vice President for Administration/Chief Financial Officer, Hillsborough Community College, 39 Columbia Drive, Tampa, Florida 33606. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2016.

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 accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, 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, investment income, and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by

the student or the third party making payment on behalf of the student. The College 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, on a ratio of total aid to the aid not considered third-party aid.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, money market funds and cash invested with the State Board of Administration (SBA) Florida PRIME investment pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less to be cash equivalents. Under this definition, the College considers amounts invested in the SBA Florida PRIME investment pool to be cash equivalents.

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

At June 30, 2016, the College reported as cash equivalents \$22,410,464 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College’s investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor’s and had a weighted-average days to maturity (WAM) of 39 days as of June 30, 2016. A portfolio’s WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost. Section 218.409(8)(a), Florida Statutes, states that “the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue

the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.” As of June 30, 2016, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

At June 30, 2016, the College had \$74,175 in money market funds that carried a credit rating of AAAM by Standard & Poor’s and had a WAM of 38 days.

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

Capital Assets. College capital assets consist of land, construction in progress, buildings, other structures and improvements, furniture, machinery, and equipment, and leasehold improvement. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, and Educational Equipment – 5 years
 - Furniture – 7 years
 - Pianos – 10 years
- Leasehold improvements – 40 years

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, note payable, compensated absences payable, other postemployment benefits payable, and net pension liability that are not scheduled to be paid within the next fiscal year.

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

2. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (2,542,215)
Auxiliary Funds	<u>1,713,429</u>
Total	<u><u>\$ (828,786)</u></u>

3. Investments

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

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

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

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

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level	Amount			
SBA Debt Service Accounts	\$ 25,024	\$ 25,024	\$ -	\$ -
Federal Instrumentality Obligations	500,160	500,160	-	-
Certificates of Deposit	3,012,636	3,012,636	-	-
Total investments by fair value level	\$ 3,537,820	\$ 3,537,820	\$ -	\$ -

State Board of Administration Debt Service Accounts

The College reported investments totaling \$25,024 at June 30, 2016, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Other Investments

Federal Instrumentality Obligations. At June 30, 2016, the College reported investments at fair value totaling \$500,160 in Federal instrumentality obligations. 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. The College's investment in Federal instrumentality obligations matures on October 29, 2018.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality is evaluated by independent investment rating organizations such as Standard & Poor's and Moody's Investor 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 government sponsored enterprises. As of June 30, 2016, the College's investment in Federal instrumentality obligations was rated AA+ by Standard & Poor's, and Aaa by Moody's.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The College's investment policy addresses custodial credit risk in that all securities purchased by the College shall be properly designated as an asset of the District Board of Trustees of Hillsborough Community College and held in safe keeping by a third party custodial bank or other third party custodial institution. If a bank or trust company serves

in the capacity of Investment Manager, said bank or trust company could also perform required custodial and reporting services. The College's \$500,160 investment in Federal instrumentality obligations was uninsured and held by the investment's counterparty, not in the name of the College.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. The College's investment policy does not limit the amount the College may invest in any one issuer; however, it does seek to diversify its portfolio by maintaining the fund as a short to medium term maturity portfolio. More than 5 percent of the College's investments are in Federal instrumentality obligations. At June 30, 2016, the investment represented 14.1 percent of the College's total investments.

Certificates of Deposit. The College reported investments totaling \$3,012,636 at June 30, 2016, in certificates of deposits (CDs) with 12 banks. The investments in CDs were fully insured by the Federal Deposit Insurance Corporation. The CDs carry original maturity dates ranging from 2 to 5 years and, at June 30, 2016, have a weighted-average maturity of 1.43 years. The College's investments in CDs are held in the name of a third-party custodial bank, not in the name of the College.

Component Unit Investments

The College's component unit reported investments totaling \$7,692,656 at June 30, 2016, of which \$7,233,432 is invested in mutual funds and are reported at fair value and \$459,224 is invested in other investments.

4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$2,171,299 allowance for doubtful accounts.

5. Note Receivable

Note receivable represent a promissory note issued to the College by a Florida not-for-profit corporation dated September 30, 2011, for \$116,803. The interest rate for the note is 3.21 percent per annum on the unpaid principal balance from the date of the note through and including December 1, 2021. Monthly fixed payments of \$1,139 for principal and interest commenced on January 1, 2012, and are scheduled for 120 consecutive months. As of June 30, 2016, the outstanding balance is \$68,840.

6. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$3,066,720 of Public Education Capital Outlay allocations due from the State for construction, remodeling, and renovation of College facilities.

7. Due From Component Unit

The \$41,272 reported as due from the component unit by the College consists of amounts owed by the Foundation to the College at June 30, 2016, for private grants awarded by the Foundation, but not paid to the College.

8. Capital Assets

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 29,756,180	\$ -	\$ -	\$ 29,756,180
Construction in Progress	15,044,685	2,607,539	16,549,105	1,103,119
Total Nondepreciable Capital Assets	\$ 44,800,865	\$ 2,607,539	\$ 16,549,105	\$ 30,859,299
Depreciable Capital Assets:				
Buildings	\$ 242,903,736	\$ 16,549,105	\$ -	\$ 259,452,841
Other Structures and Improvements	10,225,228	-	-	10,225,228
Furniture, Machinery, and Equipment	14,049,578	2,075,163	836,393	15,288,348
Leasehold Improvements	6,376,319	-	-	6,376,319
Total Depreciable Capital Assets	273,554,861	18,624,268	836,393	291,342,736
Less, Accumulated Depreciation:				
Buildings	106,966,347	7,918,308	-	114,884,655
Other Structures and Improvements	7,335,193	497,971	-	7,833,164
Furniture, Machinery, and Equipment	11,828,470	1,524,932	836,393	12,517,009
Leasehold Improvements	2,117,950	151,521	-	2,269,471
Total Accumulated Depreciation	128,247,960	10,092,732	836,393	137,504,299
Total Depreciable Capital Assets, Net	\$ 145,306,901	\$ 8,531,536	\$ -	\$ 153,838,437

9. Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable	\$ 1,290,000	\$ -	\$ 295,000	\$ 995,000	\$ 315,000
Note Payable	9,677,000	-	1,529,000	8,148,000	1,561,000
Compensated Absences Payable	3,433,965	115,086	249,313	3,299,738	400,000
Other Postemployment Benefits Payable	1,038,103	149,963	57,605	1,130,461	-
Net Pension Liability	23,384,565	15,829,776	4,002,052	35,212,289	815,707
Total Long-Term Liabilities	\$ 38,823,633	\$ 16,094,825	\$ 6,132,970	\$ 48,785,488	\$ 3,091,707

Bonds Payable. The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2016:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rate (Percent)</u>	<u>Annual Maturity To</u>
SBE Capital Outlay Bonds: Series 2009A	\$ 995,000	5	2019

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

<u>Fiscal Year Ending June 30</u>	<u>SBE Capital Outlay Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 315,000	\$ 49,750	\$ 364,750
2018	330,000	34,000	364,000
2019	350,000	17,500	367,500
Total	\$ 995,000	\$ 101,250	\$ 1,096,250

Bonds Payable – Component Unit. The Foundation issued Student Housing Revenue Bonds, Series 2006 in the amount of \$18.6 million on December 6, 2006. Interest on the bonds is payable at a variable rate equal to the municipal swap index rate, which was 0.41 percent at June 30, 2016. In conjunction with the issuance of the bonds, the Foundation entered into an interest rate swap agreement to effectively fix the interest rate on the bonds at 3.59 percent. The bonds mature on December 1, 2033. The proceeds raised from the issuance of the bonds were used to construct a 420-bed student housing facility. This facility along with the revenue generated from the project serves as collateral for the bonds. The future scheduled maturities for the bonds are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 575,000
2018	610,000
2019	640,000
2020	675,000
2021	710,000
2022-2026	4,140,000
2027-2031	5,345,000
2032-2034	2,545,000
Total	\$ 15,240,000

In conjunction with the original issuance of the bonds, the Foundation also entered into an \$18.6 million letter of credit that serves as security for the bonds. The letter of credit expires in October 2018. There was no outstanding balance on the letter of credit at June 30, 2016. The letter of credit is subject to certain restrictive financial covenants that the Foundation must maintain with respect to debt services coverage. As of June 30, 2016, management believes the Foundation is in compliance with all covenants.

The Foundation pays an annual letter of credit fee based on a percentage of the outstanding balance on the bonds. That percentage was 0.88 percent as of June 30, 2016. During the continuance of any event of default, the applicable percentage is the relevant obligation rate plus 4 percent.

Upon certain circumstances, the interest rate may be converted to a fixed rate. As long as the bonds carry a variable interest rate, they can be redeemed at the option of the bondholder. The Foundation has entered into an agreement that provides for the remarketing, to the extent possible, of the bonds in the event of redemption by the bondholders. In the event the remarketing is unsuccessful, the letter of credit will be drawn upon to pay the trustee. Draws on the letter of credit mature in six equal semi-annual payments beginning 1 year after the date of draw, or in full on the expiration date of the letter of credit, if earlier.

Bond issuance costs are being amortized over the life of the bonds using the straight line method, which approximates the effective interest method. Bond issuance costs consist of the following:

	Amount
Bond Underwriter's Discount and Issuance Costs	\$ 311,288
Less, Accumulated Amortization	<u>(105,799)</u>
Total	<u>\$ 205,489</u>

Amortization of bond issuance costs totaled \$12,452 for the year ended June 30, 2016.

Interest Rate Swap Agreement – Component Unit. On December 6, 2006, in conjunction with the issuance of the bonds, the Foundation entered into an interest rate swap agreement for the purpose of converting the Bonds from adjustable interest rate to a 3.59 percent fixed interest rate. The maturity date of the swap agreement is December 1, 2016, and after that date, the bonds will return to a variable interest rate. The Foundation records the interest rate swap agreement at fair value.

The fair value of the swap agreement is the estimated amount the Foundation would pay to terminate the agreement at the reporting date. This fair value is estimated based on projected discounted cash flows, taking current interest rates and the current creditworthiness of the counterparties into consideration. The fair value of the Foundation's swap agreement was \$201,511 at June 30, 2016, and is included as a liability in the accompanying statements of net position. The change in the fair value of the swap agreement was approximately \$524,000 for the fiscal year ended June 30, 2016, and is included as revenues and support in the Foundation's statement of activities.

Note Payable. On December 13, 2013, the College borrowed \$12 million, at a stated interest rate of 2.09 percent, to construct a new science classroom building at the SouthShore Campus and for renovations and remodeling of the Technology Building at the Dale Mabry Campus. The note matures on December 1, 2020, and principal and interest payments are made semi-annually. The College's capital improvement fees collected pursuant to Section 1009.22 and 1009.23, Florida Statutes, are pledged as security for the note. The College has pledged a total of \$8,614,823 of capital improvement fees in connection with the note payable. During the 2015-16 fiscal year, the College recognized capital improvement fees totaling \$4,540,628 and expensed \$1,723,255 (38 percent) of these revenues for debt service directly collateralized by these revenues. The pledged capital improvement fee revenues are committed until final maturity of the debt on December 1, 2020. Annual requirements to amortize the outstanding note as of June 30, 2016, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,561,000	\$ 162,132	\$ 1,723,132
2018	1,594,000	129,340	1,723,340
2019	1,627,000	95,858	1,722,858
2020	1,661,000	61,676	1,722,676
2021	1,705,000	17,817	1,722,817
Total	\$ 8,148,000	\$ 466,823	\$ 8,614,823

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2016, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$3,299,738. The current portion of the compensated absences liability, \$400,000, is the amount expected to be paid in the coming fiscal year, and represents a historical average of terminal leave payments over the last 8 years.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain other postemployment benefits administered by the College and life insurance benefits through purchased commercial insurance.

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. The College does not issue a stand-alone report and the OPEB Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. OPEB Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend plan benefits and contribution rates. The College has not advance-funded other postemployment benefit (OPEB) costs or the net OPEB obligation, and the OPEB Plan is financed on a pay-as-you-go basis. For the 2015-16 fiscal year, 249 retirees received OPEB benefits. The College provided required contributions of \$57,605 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of

reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$328,629, which represents 0.7 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the fiscal year, the amount actually contributed to the OPEB Plan, and changes in the College's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 91,503
Amortization of Unfunded Actuarial Accrued Liability	55,293
Annual Required Contribution	146,796
Interest on Net OPEB Obligation	41,524
Adjustment to Annual Required Contribution	(38,357)
Annual OPEB Cost (Expense)	149,963
Contribution Toward the OPEB Cost	(57,605)
Increase in Net OPEB Obligation	92,358
Net OPEB Obligation, Beginning of Year	1,038,103
Net OPEB Obligation, End of Year	<u><u>\$ 1,130,461</u></u>

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013-14	\$ 137,580	46.6%	\$ 977,770
2014-15	138,070	56.3%	1,038,103
2015-16	149,963	38.4%	1,130,461

Funded Status and Funding Progress. As of July 1, 2015, the most recent valuation date, the actuarial accrued liability for benefits was \$1,496,463, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,496,463 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$47,037,299 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.2 percent.

Actuarial valuations for an OPEB Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Actuarially determined amounts regarding the funded status of the OPEB Plan and the annual required contributions

of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of OPEB Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The College's OPEB actuarial valuation as of July 1, 2015, used the entry age normal actuarial method to estimate the actuarial accrued liability as of June 30, 2016, and the College's 2015-16 fiscal year ARC. This method was selected in anticipation of the required change outlined in GASB Statements No. 74 and No. 75. Because the OPEB liability is currently unfunded, the actuarial assumptions included 4 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3.25 percent per year, an inflation rate of 2.6 percent, and an annual healthcare cost trend rate of 7.5 percent pre-Medicare and 5.5 percent Medicare for the 2015-16 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 4 years pre-Medicare and 1 year Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open report basis. The remaining amortization period at June 30, 2016 was 21 years.

10. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the HIS Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class employed by the State and faculty and specified employees of State colleges.

Essentially all regular employees of the College are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the

Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The College's FRS and HIS pension expense totaled \$3,190,112 for the fiscal year ended June 30, 2016.

FRS Pension Plan

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. 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.

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

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

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
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 Services Class	2.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2015-16 fiscal year were:

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

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The College's contributions to the Plan totaled \$3,235,617 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the College reported a liability of \$17,730,412 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The College's proportionate share of the net pension liability was based on the College's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the College's proportionate share was 0.137271167 percent, which was an increase of 0.005109396 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of \$1,806,033. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,871,807	\$ 420,511
Change of assumptions	1,176,827	-
Net difference between projected and actual earnings on FRS Plan investments	-	4,233,726
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	2,441,686	-
College FRS contributions subsequent to the measurement date	3,235,617	-
Total	<u><u>\$ 8,725,937</u></u>	<u><u>\$ 4,654,237</u></u>

The deferred outflows of resources related to pensions totaling \$3,235,617, resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ (864,202)
2018	(864,202)
2019	(864,202)
2020	2,628,754
2021	656,027
Thereafter	143,908
Total	<u><u>\$ 836,083</u></u>

Actuarial Assumptions. The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below.

Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
College's proportionate share of the net pension liability	\$ 45,943,508	\$ 17,730,412	\$ (5,747,518)

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

Payables to the Pension Plan. At June 30, 2016, the College reported a payable of \$393,511 for the outstanding amount of contributions to the pension plan required for the fiscal year ended June 30, 2016.

HIS Pension Plan

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

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

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

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

The College's contributions to the HIS Plan totaled \$900,139 for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the College reported a net pension liability of \$17,481,877 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, 2015, and the total pension liability used to calculate the net pension liability was determined by applying update procedures to the HIS Plan actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the College's proportionate share was 0.171417391 percent, which was an increase of 0.007563343 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the College recognized pension expense of \$1,384,079. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 1,375,367	\$ -
Net difference between projected and actual earnings on HIS Plan investments	9,463	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	587,008	67,586
College contributions subsequent to the measurement date	900,139	-
Total	\$ 2,871,977	\$ 67,586

The deferred outflows of resources totaling \$900,139, resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 326,198
2018	326,197
2019	326,197
2020	324,274
2021	323,351
Thereafter	278,035
Total	\$ 1,904,252

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

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.80 percent

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

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

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

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

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

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
College's proportionate share of the net pension liability	\$ 19,919,786	\$ 17,481,877	\$ 15,449,028

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

Payables to the Pension Plan. At June 30, 2016, the College reported a payable of \$6,484 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2016.

11. Retirement Plans – Defined Contribution Pension Plans

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

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

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Senior Management Service	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

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

The College's Investment Plan pension expense totaled \$1,063,304 for the fiscal year ended June 30, 2016.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes 5.15 percent of the participant's salary to the participant's account, 2.65 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover the administrative costs, for a total of 7.8 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The College's contributions to the Program totaled \$564,409 and employee contributions totaled \$182,663 for the 2015-16 fiscal year.

12. Construction Commitments

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

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Brandon Campus Remodeling and Renovations of select areas	\$ 3,119,315	\$ 126,229	\$ 2,993,086
Other Projects:			
Ybor Campus Learning Resource Center 3rd Floor	573,568	162,905	410,663
Dale Mabry Campus Nursing Simulation Lab	907,342	727,010	180,332
Total	\$ 4,600,225	\$ 1,016,144	\$ 3,584,081

13. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to \$200 million for property insurance. Insurance coverage obtained through the Consortium included 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. Effective July 1, 2014, 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 insurance to \$165,000 per insured person to a maximum of \$1 million aggregate per year for the 2015-16 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. 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 \$1,288,415 as of June 30, 2016. Amounts held by the College in excess of the estimated insurance claims liability at June 30, 2016, totaled \$1,400,000 and are classified as insurance claim deposits. The College will use these amounts to pay claims incurred in future fiscal years.

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

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
2014-15	\$ -	\$ 7,722,191	\$ (6,519,809)	\$ 1,202,382
2015-16	1,202,382	8,981,053	(8,895,020)	1,288,415

14. 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	\$ 55,189,259
Public Services	3,177,284
Academic Support	8,185,834
Student Services	19,423,909
Institutional Support	22,928,168
Operation and Maintenance of Plant	16,914,927
Scholarships and Waivers	35,947,709
Depreciation	10,092,732
Auxiliary Enterprises	6,446,622
Total Operating Expenses	\$ 178,306,444

15. Current Unrestricted Funds

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

Statement of Current Unrestricted Funds Net Position

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 26,489,292
Investments	1,252,108
Accounts Receivable, Net	5,801,912
Notes Receivable	11,631
Inventories	1,402,218
Prepaid Expenses	42,938
Deposits Receivable	137,500

Total Current Assets	35,137,599
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Noncurrent Assets:

Investments	2,260,688
Notes Receivable	57,209

Total Noncurrent Assets	2,317,897
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TOTAL ASSETS	37,455,496
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Amounts Related to Pensions	11,597,914
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LIABILITIES

Current Liabilities:

Accounts Payable	1,757,980
Salary and Payroll Taxes Payable	2,287,900
Due to Other Funds	76,189
Due to Other Governmental Agencies	11,563
Unearned Revenue	26,833
Estimated Insurance Claims Payable	1,288,415
Deposits Held for Others	69,005
Compensated Absences Payable	400,000
Net Pension Liability	815,707

Total Current Liabilities	6,733,592
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Noncurrent Liabilities:

Compensated Absences Payable	2,899,738
Other Postemployment Benefits Payable	1,130,461
Net Pension Liability	34,396,582

Total Noncurrent Liabilities	38,426,781
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TOTAL LIABILITIES	45,160,373
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DEFERRED INFLOWS OF RESOURCES

Deferred Amounts Related to Pensions	4,721,823
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TOTAL NET POSITION	\$ (828,786)
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Statement of Current Unrestricted Funds Revenues, Expenses, and Changes in Net Position

REVENUES

Operating Revenues:

Student Tuition and Fees, Net of Scholarship	
Allowances of \$17,858,653	\$ 36,188,009
Sales and Services of Educational Departments	434,704
Auxiliary Enterprises, Net of Scholarship	
Allowances of \$1,631,446	7,047,213
Other Operating Revenues	1,684,725
Total Operating Revenues	45,354,651

EXPENSES

Operating Expenses:

Personnel Services	83,639,373
Scholarships and Waivers	351,124
Utilities and Communications	4,563,928
Contractual Services	11,927,242
Other Services and Expenses	9,078,307
Materials and Supplies	11,343,655
Total Operating Expenses	120,903,629
Operating Loss	(75,548,978)

NONOPERATING REVENUES (EXPENSES)

State Noncapital Appropriations	63,571,582
Investment Income	168,863
Unrealized Loss on Investments	(21,863)
Other Nonoperating Expenses	(3,167)

Net Nonoperating Revenues	63,715,415
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Loss Before Other Revenues,

Expenses, Gains, or Losses	(11,833,563)
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Other Revenues	11,844
Transfers to/from Other Funds	17,044,248

Increase in Net Position	5,222,529
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Net Position, Beginning of Year	(6,051,315)
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Net Position, End of Year	\$ (828,786)
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16. Related Party Transactions

In July 2001, the College entered into a 3-year agreement with a local chapter of a national trade association (association) to assist the College in providing certain construction related vocational apprenticeship training programs as defined in Section 446.021(6), Florida Statutes, and a similar contract was most recently renewed in May 2014. In February 2015, the President and CEO of the association was appointed to the College's Board of Trustees. During the 2015-16 fiscal year, the College paid \$373,750 to the association for continued assistance in administration of the apprenticeship programs.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2011	\$ -	\$ 1,735,452	\$ 1,735,452	0%	\$ 42,651,654	4.1%
7/1/2013	-	1,445,690	1,445,690	0%	43,696,172	3.3%
7/1/2015	-	1,496,463	1,496,463	0%	47,037,299	3.2%

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

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

	2015 (1)	2014 (1)	2013 (1)
College's proportion of the FRS net pension liability	0.137271167%	0.132161771%	0.117087899%
College's proportionate share of the FRS net pension liability	\$ 17,730,412	\$ 8,063,812	\$ 2,894,904
College's covered-employee payroll (2)	\$ 58,914,361	\$ 55,137,419	\$ 54,801,936
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	30.10%	14.62%	5.28%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%	88.54%

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

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

**Schedule of College Contributions –
Florida Retirement System Pension Plan**

	2016 (1)	2015 (1)	2014 (1)
Contractually required FRS contribution	\$ 3,235,617	\$ 3,346,788	\$ 2,894,902
FRS contributions in relation to the contractually required contribution	(3,235,617)	(3,346,788)	(2,894,902)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -
College's covered-employee payroll (2)	\$ 61,118,190	\$ 58,914,361	\$ 55,137,419
FRS contributions as a percentage of covered-employee payroll	5.29%	5.68%	5.25%

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

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

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

	2015 (1)	2014 (1)	2013 (1)
College's proportion of the HIS net pension liability	0.171417391%	0.163854048%	0.164928903%
College's proportionate share of the HIS net pension liability	\$ 17,481,877	\$ 15,320,753	\$ 14,359,230
College's covered-employee payroll (2)	\$ 52,146,199	\$ 48,694,269	\$ 47,945,780
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	33.52%	31.46%	29.95%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%	1.78%

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

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

**Schedule of College Contributions –
Health Insurance Subsidy Pension Plan**

	2016 (1)	2015 (1)	2014 (1)
Contractually required HIS contribution	\$ 900,139	\$ 655,264	\$ 561,309
HIS contributions in relation to the contractually required HIS contribution	(900,139)	(655,264)	(561,309)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -
College's covered-employee payroll (2)	\$ 54,225,234	\$ 52,146,199	\$ 48,694,269
HIS contributions as a percentage of covered-employee payroll	1.66%	1.26%	1.15%

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

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

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

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



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT 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, 2016, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 8, 2017, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 8, 2017