

SEMINOLE COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2009



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2008-09 fiscal year are listed below:

Christopher E. Dorworth, Chair
Lisa M. Greer, Vice Chair
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Scott D. Howat
Deanne F. Schaffner to 5-31-09 (1)

Dr. E. Ann McGee, President

Note: (1) Board member served beyond
end of term, May 31, 2009.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Robyn D. Bishop, CPA, and the audit was supervised by Brenda C. Racis, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether Seminole 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, 2009. 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, both in 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. The results of our operational audit of the College are included in our report No. 2010-046.

Audit Methodology

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



DAVID W. MARTIN, CPA
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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 FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Seminole 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, 2009, which collectively comprise the College's basic financial statements as shown on pages 13 through 40. These financial statements are the responsibility of the College's management. 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, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component unit, is based solely upon 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Seminole Community College and of its discretely presented component unit as of June 30, 2009, and the respective changes in financial position and cash

flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Seminole Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 12, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA
November 24, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2009, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

COLLEGE NAME CHANGE

The College's Board of Trustees approved the name change from Seminole Community College to Seminole State College of Florida on September 21, 2009, pursuant to Section 1001.60(2)(b), Florida Statutes.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$207.1 million at June 30, 2009. This balance reflects a \$24.1 million, or 13.2 percent, increase from the 2007-08 fiscal year, resulting primarily from increases in capital assets. Liabilities increased by \$3.7 million, or 14.3 percent, totaling \$29.8 million at June 30, 2009, compared to \$26.1 million at June 30, 2008. Most of this increase can be attributed to outstanding vendor invoices related to roadway, building renovations, and other major construction projects. As a result, the College's net assets increased by \$20.4 million, or 13 percent, reaching a year-end balance of \$177.3 million.

The College's revenues totaled \$106.2 million for the 2008-09 fiscal year, representing a slight 0.7 percent decrease over the 2007-08 fiscal year due to decreases in capital and operating appropriations received from the State, offset by revenue increases related to enrollment growth and student fee increases. Operating expenses totaled \$85.2 million for the 2008-09 fiscal year, representing an increase of 3.5 percent over the 2007-08 fiscal year due mainly to increases in personnel costs and scholarship expenses, offset by decreases in materials and supplies expenses.

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 assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. These financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College's finances, and include activities for the following entities:

- Seminole 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.
- Seminole 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 ASSETS AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

One of the most important questions asked about the College’s finances is, “Is Seminole Community College as a whole, better or worse off as a result of the year’s activities?” The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Seminole Community College’s operating results.

These two statements report Seminole Community College’s net assets and changes in them. You can think of the College’s net assets, the difference between assets and liabilities, as one way to measure the College’s financial health, or financial position. Over time, increases or decreases in the College’s net assets are one indication of whether its financial health is improving or deteriorating. You will need to consider many other nonfinancial factors, such as certain trends, student retention, condition of the buildings, and the safety of the campus, to assess the College’s overall financial health.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current fiscal year’s revenues and expenses are taken into account regardless of when cash is received or paid.

A condensed statement of assets, liabilities, and net assets of the College and its component unit at June 30, 2009, and June 30, 2008, is shown in the following table:

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

	College		Component Unit	
	6-30-09	6-30-08	6-30-09	6-30-08
Assets				
Current Assets	\$ 29,513	\$ 42,735	\$ 4,281	\$ 6,188
Capital Assets, Net	164,771	127,775	872	854
Other Noncurrent Assets	12,862	12,497	6,670	7,080
Total Assets	207,146	183,007	11,823	14,122
Liabilities				
Current Liabilities	14,694	10,852	303	208
Noncurrent Liabilities	15,131	15,244	902	818
Total Liabilities	29,825	26,096	1,205	1,026
Net Assets				
Invested in Capital Assets, Net of Related Debt	153,482	120,794	11	
Restricted	20,802	33,936	9,894	11,919
Unrestricted	3,037	2,181	713	1,177
Total Net Assets	\$ 177,321	\$ 156,911	\$ 10,618	\$ 13,096
Increase (Decrease) in Net Assets	\$ 20,410	13.0%	\$ (2,478)	-18.9%

The increase in total assets is a result of an increase in construction in progress related nondepreciable capital assets partially offset by a reduction in receivables due from the State for major construction projects. Current liabilities increased as a result of a larger volume of outstanding accounts payable and retainage payable for construction projects at this fiscal year end as compared to the prior year end. The increase in total net assets is a result of an increase in construction in progress, primarily for the University Partnership Building, a perimeter roadway project, and building renovations for the Public Safety complex.

Revenues and expenses of the College and its component unit for the 2008-09 and 2007-08 fiscal years are shown in the following table:

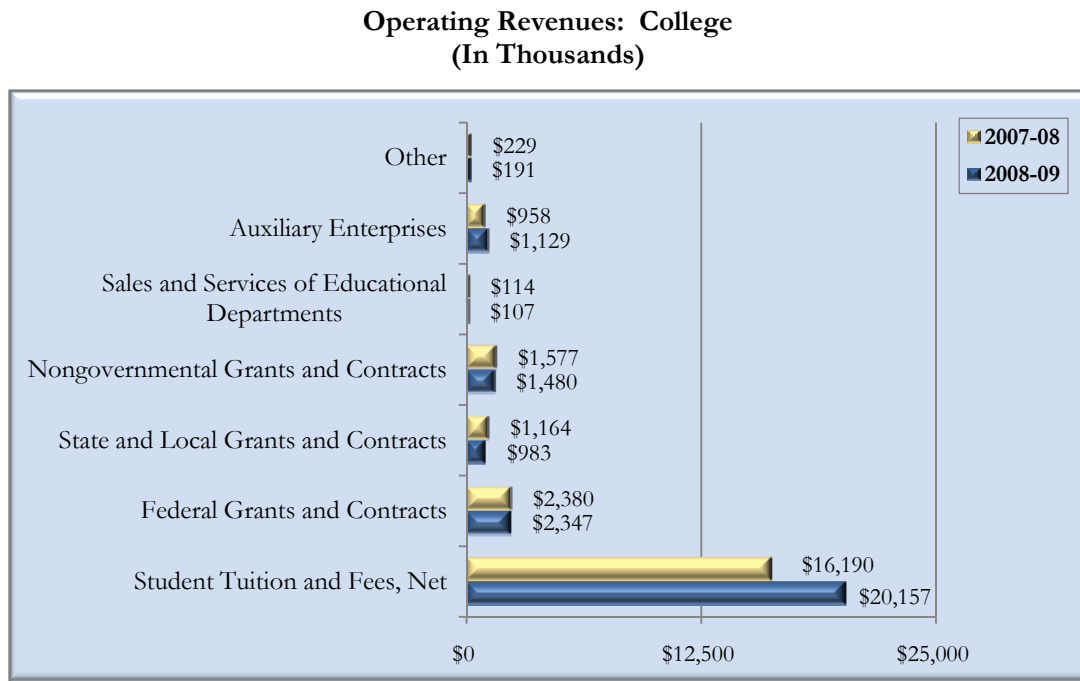
**Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the Fiscal Years
(In Thousands)**

	College		Component Unit	
	2008-09	2007-08	2008-09	2007-08
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 20,157	\$ 16,190	\$	\$
Federal Grants and Contracts	2,347	2,380		
State and Local Grants and Contracts	983	1,164		
Nongovernmental Grants and Contracts	1,480	1,577		
Sales and Services of Educational Departments	107	114		
Auxiliary Enterprises	1,129	958		
Other Operating Revenues	191	229	1,797	2,406
Total Operating Revenues	26,394	22,612	1,797	2,406
Less, Operating Expenses	85,243	82,399	3,407	3,371
Operating Loss	(58,849)	(59,787)	(1,610)	(965)
Nonoperating Revenues (Expenses)				
State Appropriations	35,670	39,102	98	999
Other Nonoperating Revenues	17,948	13,052	477	170
Nonoperating Expenses	(558)	(750)	(1,443)	
Net Nonoperating Revenues (Expenses)	53,060	51,404	(868)	1,169
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(5,789)	(8,383)	(2,478)	204
Capital Appropriations	16,306	29,642		
Capital Grants, Contracts, Gifts, and Fees	9,893	2,523		
Increase (Decrease) in Net Assets	20,410	23,782	(2,478)	204
Net Assets, Beginning of Year	156,911	133,129	13,096	12,892
Net Assets, End of Year	\$ 177,321	\$ 156,911	\$ 10,618	\$ 13,096

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 chart presents the College’s operating revenues for the 2008-09 and 2007-08 fiscal years:



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

- A 6 percent tuition increase coupled with a 15.1 percent growth in fee-paying enrollment resulted in a \$4 million, or 24.5 percent, increase in student tuition and fees.
- State grants and contracts revenues decreased by \$181,000, or 15.6 percent, primarily as a result of reduced funding for Quick Response Training programs and the Displaced Homemaker program, elimination of funding for the Jobs for Florida Future Nursing program and the Educational Preparation Institute program, offset with increased funding for the Florida IT Banner Grant.
- Auxiliary enterprises revenues increased by \$171,000, or 17.9 percent, primarily due to increased revenues generated from the student ID card program as well as increased commissions from the bookstore.

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 assets and has displayed the functional classification in the notes to financial statements.

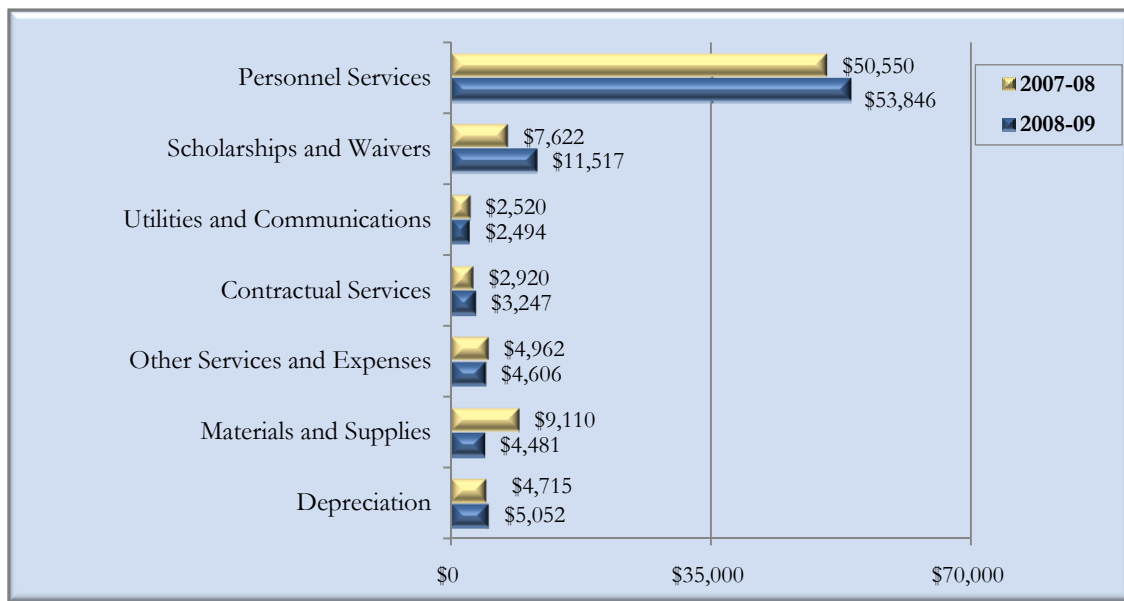
Operating expenses for the College and its component unit for the 2008-09 and 2007-08 fiscal years are presented in the following table:

**Operating Expenses
(In Thousands)**

	College		Component Unit	
	2008-09	2007-08	2008-09	2007-08
Operating Expenses				
Personnel Services	\$ 53,846	\$ 50,550	\$ 709	\$ 682
Scholarships and Waivers	11,517	7,622	1,731	2,355
Utilities and Communications	2,494	2,520		
Contractual Services	3,247	2,920	122	160
Other Services and Expenses	4,606	4,962	810	83
Materials and Supplies	4,481	9,110	35	91
Depreciation	5,052	4,715		
Total Operating Expenses	\$ 85,243	\$ 82,399	\$ 3,407	\$ 3,371

The following chart presents the College’s operating expenses for the 2008-09 and 2007-08 fiscal years:

**Operating Expenses: College
(In Thousands)**



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

- Personnel expenses increased \$3.3 million due to compensation adjustments and increased staffing levels necessitated by enrollment growth.
- Scholarship expenses increased \$3.9 million primarily in the Pell Grant and Bright Futures categories due to increased tuition rates and enrollments.
- Materials and supplies expenses decreased \$4.6 million since the prior year had significant amounts of minor equipment purchases related to the opening of the Heathrow Center and Altamonte Springs Campus.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2008-09 and 2007-08 fiscal years:

Nonoperating Revenues (Expenses): College (In Thousands)

	2008-09	2007-08
State Appropriations	\$ 35,670	\$ 39,102
Gifts and Grants	17,640	12,207
Investment Income	244	836
Other Nonoperating Revenues	64	9
Interest on Capital Asset-Related Debt	(539)	(543)
Other Nonoperating Expenses	(19)	(207)
Net Nonoperating Revenues	\$ 53,060	\$ 51,404

Nonoperating revenue changes were the result of the following factors:

- State appropriations decreased by \$3.4 million, or 8.8 percent, for the 2008-09 fiscal year. This decrease resulted when the State instituted a 4 percent appropriation reduction for the State College system, coupled with initial reductions made through general funding allocations at the beginning of the fiscal year. Additionally, the prior year included a \$500,000 nonrecurring appropriation for the Altamonte Springs Campus.
- Nonoperating gifts and grants increased \$5.4 million, or 44.5 percent, as a result of increases in Pell Grants and Florida Bright Futures awards.
- Investment income decreased \$592,000 due to reductions in interest rates earned on the College's cash deposits.

Other Revenues, Expenses, Gains, or Losses

This category is composed of capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2008-09 and 2007-08 fiscal years:

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

	2008-09	2007-08
Capital Appropriations	\$ 16,306	\$ 29,642
Capital Grants, Contracts, Gifts, and Fees	9,893	2,523
Total	\$ 26,199	\$ 32,165

Other revenues, expenses, gains, or losses changes were the result of the following factors:

- Capital appropriations decreased by \$13.3 million, or 45 percent, due to decreased Public Education Capital Outlay funds received from the State for construction projects. The prior year capital appropriations included the completion of the Altamonte Springs Campus. The current year capital appropriations are

primarily related to major building renovations on the Sanford/Lake Mary Campus and the University Partnership Building.

- Capital grants and contracts increased by \$7.4 million due to funds received from the University of Central Florida for the University Partnership building currently under construction.

THE STATEMENT OF CASH FLOWS

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period.

The statement of cash flows also helps users assess:

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

A summary of the College's cash flows for the 2008-09 and 2007-08 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College (In Thousands)

	2008-09	2007-08
Cash Provided (Used) by:		
Operating Activities	\$ (53,426)	\$ (56,005)
Noncapital Financing Activities	53,310	51,309
Capital and Related Financing Activities	1,384	(2,416)
Investing Activities	251	811
Net Increase (Decrease) in Cash and Cash Equivalents	1,519	(6,301)
Cash and Cash Equivalents, Beginning of Year	18,576	24,877
Cash and Cash Equivalents, End of Year	\$ 20,095	\$ 18,576

Major sources of funds came from State appropriations (\$35.7 million), capital appropriations (\$33.4 million), net student tuition and fees (\$19.8 million), gifts and grants (\$17.6 million), and capital grants (\$9.9 million).

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

- Operating activities used \$2.6 million less cash compared to the previous fiscal year. This reduction was primarily the result of increases in tuition and fees receipts of \$4 million and increases in Auxiliary receipts of \$625,000, offset with increases in cash payments for personnel services of \$2.4 million, and scholarships of \$3.9 million. Payments to suppliers also decreased by \$5 million.
- Noncapital financing activities increased the College's cash position by \$2 million. This increase is mainly due to a \$5.4 million increase in cash inflows for Federal Pell grants and State scholarships, offset by \$3.4 million less received this year for State appropriations.
- Cash inflows from capital and related financing activities increased by \$3.8 million primarily due to the receipt of cash from the State for several major construction projects that were recorded as receivables and deferred revenue in the prior fiscal year. The College also received \$7.9 million this year from the University of Central Florida for the University Partnership Building.
- The cash flows from investing activities are primarily the result of interest income earned on the College's demand deposits in the bank. The cash inflow from investing activities decreased \$560,000 compared to the prior fiscal year as a result of decreased interest rates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2009, the College had \$212.3 million in capital assets, less accumulated depreciation of \$47.5 million, for net capital assets of \$164.8 million. Depreciation charges for the current fiscal year totaled \$5.1 million. The following table summarizes the College's capital assets at June 30, 2009, and June 30, 2008:

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

<u>Capital Assets</u>	<u>2009</u>	<u>2008</u>
Land	\$ 21,228	\$ 21,228
Buildings	125,265	122,226
Other Structures and Improvements	5,518	5,518
Furniture, Machinery, and Equipment	8,912	8,677
Assets Under Capital Leases	1,610	887
Leasehold Improvements	3,097	3,096
Other Capital Assets	4,117	4,478
Construction in Progress	42,550	5,127
Total	<u>212,297</u>	<u>171,237</u>
Less, Accumulated Depreciation:		
Buildings	29,472	26,637
Other Structures and Improvements	5,478	5,266
Furniture, Machinery, and Equipment	7,652	7,255
Assets Under Capital Leases	1,046	714
Leasehold Improvements	808	522
Other Capital Assets	3,070	3,068
Total Accumulated Depreciation	<u>47,526</u>	<u>43,462</u>
Capital Assets, Net	<u><u>\$ 164,771</u></u>	<u><u>\$ 127,775</u></u>

The College has \$15.4 million in major construction contract commitments at June 30, 2009. The contract commitments are for projects that include renovations of Buildings I, K, L, and F; a University Partnership Center; a chiller and piping project; and roadway and parking lot projects. State appropriations, capital improvement revenue bonds, and local funds are expected to finance the construction and renovation of these capital projects. More information about the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$11.3 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2009, and June 30, 2008:

**Long-Term Debt: College
(In Thousands)**

	2009	2008
Bonds Payable	\$ 7,400	\$ 7,790
Loan Payable	3,193	3,388
Capital Leases Payable	697	344
Total	\$ 11,290	\$ 11,522

The State Board of Education issues capital outlay and capital improvement revenue bonds on behalf of the College. During the 2008-09 fiscal year, there were no bond sales and debt repayments totaled \$931,000. Additional information about the College’s long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Seminole Community College’s economic condition is closely tied to that of the State of Florida. Approximately 60 percent of the College’s operating funds are received through State appropriations. Initial allocations for the 2009-10 fiscal year are approximately 0.4 percent greater than the revised 2008-09 fiscal year allocations. However, the 2009-10 allocations include \$2.9 million of nonrecurring Federal and State stabilization funds. These nonrecurring appropriations represent approximately 4.5 percent of the current year operating resources. Therefore, the College established a designated reserve in excess of the statutory level sufficient to maintain operations during the upcoming and future fiscal years.

High levels of unemployment in the State are correlated to increased enrollments in state colleges. Summer and Fall term enrollment at Seminole Community College continues to exceed the budgeted 8 percent increase as State unemployment rates remain high. The College anticipates a continued increase in enrollment throughout the year as new and renovated facilities are completed and opened on the Sanford/Lake Mary Campus. In addition, the College received approval and accreditation from the Southern Association of Colleges and Schools to offer a Bachelors Degree in Applied Science for Interior Design. Enrollment in courses for this program will begin in the Spring term of 2010 to expand enrollment options for students at the College. Resources from this enrollment increase, augments an 8 percent increase in tuition, plus a new 5 percent student fee for technology beginning in the 2009-10 fiscal year in order to maintain the maximum tuition and fees prescribed by Florida Statutes. Therefore, the projected increases in enrollment and tuition rates provide additional resources for the College to maintain and grow programs as needed throughout next year.

A renovated and expanded Center for Public Safety is nearing completion on the Sanford/Lake Mary campus. This facility was completed on schedule to provide additional instructional capacity to serve students throughout the 2009-10 fiscal year. The College also received funding in the 2009-10 fiscal year for completion of a joint-use facility under construction on the Sanford/Lake Mary Campus in cooperation with the University of Central Florida (UCF). This new 100,000 square foot facility will provide expanded library, classroom, and student service capacity to serve the growing needs of the college and UCF as additional baccalaureate programs are offered at the Sanford/Lake Mary Campus. This new University Partnership Center is on schedule for occupancy for the Spring term of 2010.

The College also received funding through the Public Education Capital Outlay program to fund various renovation projects and begin planning for a new Student Center on the Sanford/Lake Mary Campus. The College anticipates continued funding in the 2010-11 fiscal year for all projects in progress, and has requested additional funds for renovations and new construction to support the highest priority programs at each College location.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President of Administrative Services, Seminole Community College, 100 Weldon Boulevard, Sanford, Florida 32773.

BASIC FINANCIAL STATEMENTS

SEMINOLE COMMUNITY COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS June 30, 2009

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 6,491,239	\$ 3,098,314
Restricted Cash and Cash Equivalents	880,536	
Restricted Investments		1,022,237
Accounts Receivable, Net	2,481,055	141,899
Notes Receivable, Net	50,812	
Due from Other Governmental Agencies	18,718,796	
Due from Component Unit	219,754	
Prepaid Expenses	670,455	
Other Assets		18,474
Total Current Assets	29,512,647	4,280,924
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	12,723,106	
Endowment Investments		6,277,298
Restricted Investments	138,162	
Depreciable Capital Assets, Net	100,994,107	
Nondepreciable Capital Assets	63,777,331	872,171
Other Noncurrent Assets		392,981
Total Noncurrent Assets	177,632,706	7,542,450
TOTAL ASSETS	\$ 207,145,353	\$ 11,823,374
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 4,282,104	\$ 47,228
Salary and Payroll Taxes Payable	934,328	
Retainage Payable	1,946,227	
Due to Other Governmental Agencies	1,649	
Due to College		219,754
Deferred Revenue	6,182,916	
Deposits Held for Others	285,873	36,089
Long-Term Liabilities - Current Portion:		
Bonds Payable	410,000	
Loan Payable	203,711	
Capital Leases Payable	278,020	
Compensated Absences Payable	169,109	
Total Current Liabilities	14,693,937	303,071
Noncurrent Liabilities:		
Bonds Payable	6,990,000	
Loan Payable	2,989,418	
Notes Payable		902,104
Capital Leases Payable	418,397	
Compensated Absences Payable	4,694,789	
Postemployment Healthcare Benefits Payable	38,022	
Total Noncurrent Liabilities	15,130,626	902,104
TOTAL LIABILITIES	29,824,563	1,205,175

SEMINOLE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2009

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 153,481,892	\$ 11,293
Restricted:		
Nonexpendable:		
Endowment		4,636,040
Expendable:		
Grants and Loans	1,564,159	
Scholarships	258,963	5,258,162
Capital Projects	18,900,647	
Debt Service	78,353	
Unrestricted	3,036,776	712,704
Total Net Assets	177,320,790	10,618,199
TOTAL LIABILITIES AND NET ASSETS	\$ 207,145,353	\$ 11,823,374

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

SEMINOLE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2009

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$7,437,446	\$ 20,156,879	\$
Federal Grants and Contracts	2,347,039	
State and Local Grants and Contracts	983,230	
Nongovernmental Grants and Contracts	1,479,476	
Sales and Services of Educational Departments	106,739	
Auxiliary Enterprises	1,129,455	
Other Operating Revenues	190,880	1,797,160
Total Operating Revenues	26,393,698	1,797,160
EXPENSES		
Operating Expenses:		
Personnel Services	53,846,125	708,937
Scholarships and Waivers	11,516,849	1,730,733
Utilities and Communications	2,494,483	
Contractual Services	3,246,931	122,427
Other Services and Expenses	4,606,176	809,796
Materials and Supplies	4,481,138	34,966
Depreciation	5,051,632	
Total Operating Expenses	85,243,334	3,406,859
Operating Loss	(58,849,636)	(1,609,699)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	35,670,319	98,288
Gifts and Grants	17,639,634	175,009
Investment Income	244,048	301,474
Net Realized and Unrealized Loss on Investments		(1,443,220)
Other Nonoperating Revenues	64,416	
Interest on Capital Asset-Related Debt	(539,244)	
Other Nonoperating Expenses	(18,800)	
Net Nonoperating Revenues (Expenses)	53,060,373	(868,449)
Loss Before Other Revenues, Expenses, Gains, or Losses	(5,789,263)	(2,478,148)
Capital Appropriations	16,305,721	
Capital Grants, Contracts, Gifts, and Fees	9,893,481	
Total Other Revenues	26,199,202	
Increase (Decrease) in Net Assets	20,409,939	(2,478,148)
Net Assets, Beginning of Year	156,910,851	13,096,347
Net Assets, End of Year	\$ 177,320,790	\$ 10,618,199

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

SEMINOLE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2009

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 19,815,551
Grants and Contracts	4,853,597
Payments to Suppliers	(12,397,452)
Payments for Utilities and Communications	(2,499,230)
Payments to Employees	(43,069,292)
Payments for Employee Benefits	(10,441,002)
Payments for Scholarships	(11,516,849)
Net Loans Issued to Students	(147,076)
Collection of Loans to Students	155,880
Auxiliary Enterprises	1,524,969
Sales and Service of Educational Departments	104,097
Other Receipts	190,881
	(53,425,926)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	35,670,319
Gifts and Grants Received for Other Than Capital or Endowment Purposes	17,639,634
	53,309,953
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	33,390,210
Capital Grants and Gifts	9,893,481
Proceeds from Sale of Capital Assets	45,615
Purchases of Capital Assets	(40,506,962)
Principal Paid on Capital Debt and Leases	(931,393)
Interest Paid on Capital Debt and Leases	(506,758)
	1,384,193
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	251,063
	251,063
Net Increase in Cash and Cash Equivalents	1,519,283
Cash and Cash Equivalents, Beginning of Year	18,575,598
	\$ 20,094,881
Cash and Cash Equivalents, End of Year	\$ 20,094,881

SEMINOLE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2009

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$(58,849,636)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,051,632
Changes in Assets and Liabilities:	
Receivables, Net	(15,266,197)
Notes Receivable, Net	8,804
Due from Other Governmental Agencies	14,889,028
Prepaid Expenses	(107,851)
Salaries and Payroll Taxes Payable	86,947
Accounts Payable	523,300
Deferred Revenue	700
Deposits	6,938
Compensated Absences Payable	212,003
Postemployment Healthcare Benefits Payable	18,406
	<u>\$ (53,425,926)</u>
NET CASH USED BY OPERATING ACTIVITIES	

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

**SEMINOLE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the District Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the District Board of Trustees are such that exclusion would cause the College's financial statements to be misleading or incomplete. Based upon the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activity 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 Seminole Community College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit.

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 at the College. 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, 2009.

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.

SEMINOLE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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 the Governmental Accounting Standards Board (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 Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
 - Notes to Financial Statements

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The College's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The College'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 GASB standards of accounting and financial reporting for not-for-profit organizations.

The College follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

SEMINOLE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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 appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is considered a nonoperating expense.

The statement of net assets 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 assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences 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 determines its scholarship allowance by identifying those student transactions where the student's classes were paid by an applicable financial aid source. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fees revenues.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash held with the State Treasury. For the purpose of reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury Special Purpose Investment Account (SPIA) 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.

SEMINOLE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

At June 30, 2009, the College reported as cash equivalents at fair value \$2,406,469 of moneys held in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard and Poor's and had an effective duration of 1.84 years at June 30, 2009. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Capital Assets. College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; assets under capital leases, leasehold improvements; and other capital assets. 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, Educational Equipment – 5 years
 - Furniture – 7 years
- Assets Under Capital Leases – 5 years
- Leasehold Improvements – 10 to 40 years
- Other Capital Assets – 8 to 10 years

2. INVESTMENTS

The College's Board of Trustees had not adopted a comprehensive written investment policy. As such, pursuant to Section 218.415(17), Florida Statutes, the College is authorized to invest in the Local Government Surplus Funds Trust Fund investment pools administered by the State Board of Administration; 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; and Securities and Exchange Commission registered money market

SEMINOLE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education 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's investments at June 30, 2009, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Debt Service Accounts	\$ 78,353
State Board of Administration Debt Service Rebate Accounts	<u>59,809</u>
Total College Investments	<u>\$ 138,162</u>

State Board of Administration Debt Service Accounts

The College reported investments at fair value totaling \$78,353 at June 30, 2009, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

State Board of Administration Debt Service Rebate Accounts

The College reported investments at fair value totaling \$59,809 at June 30, 2009, in the State Board of Administration Debt Service Rebate Accounts. These investments are for the arbitrage rebate liability required for the Community College Improvement Revenue Bonds, Series 2006-A. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Rebate Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

SEMINOLE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

Component Unit Investments

Investments of the Seminole Community College Foundation, Inc. (Foundation), consist of obligations of United States government agencies and instrumentalities, domestic bonds and notes, and domestic and international equities. Investments held by the College's component unit at June 30, 2009, are reported at fair value as follows:

Investment	Average Maturity	Credit Quality Rating	Fair Value
United States Treasury Bonds	5.58 years	(1)	\$ 931,458
Corporate Bonds	3.30 years	A to AA	1,536,172
Certificate of Deposit Account Registry Service (CDARS)	10 months	(1)	2,049,575
United States Agencies Mortgage- Backed Securities	19.63 years	(1)	348,360
Domestic Equities	(2)	(2)	2,057,889
International Equities	(2)	(2)	376,081
Total Component Unit Investments			<u>\$ 7,299,535</u>

Notes: (1) Disclosure of credit quality risk is not required for these investment types.

(2) Disclosure of interest rate risk, maturity date, and credit quality rating is not applicable to this investment type.

The goal of the Foundation's investment program for endowments is set forth in the investment policy as approved by the Foundation's Board of Directors and Audit and Finance Committee. The objective is to provide a steady, growing income stream to support the Foundation's mission while providing sufficient reinvestment to protect the endowment from inflation. The investment policy includes target allocations of 56 percent equities, with an allowable range of 15 to 85 percent, and a target allocation of 40 percent fixed income, with an allowable range of 30 to 85 percent, and a target allocation of 4 percent metals and other alternative investments, with a maximum of 7 percent. Also, no more than 15 percent of the total portfolio (i.e., total of investments and cash equivalents) can be international.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The Foundation's investment policy provides guidelines such as credit rating minimums, duration maximums, and collateralization requirements to reduce its interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The table above summarizes the ratings of Foundation debt instruments using the higher of Standard & Poor's or Moody's nationally recognized statistical rating organizations. The Foundation's

**SEMINOLE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

investment policy requires investment grade bonds and commercial paper to be rated A and A1 or better, respectively.

Custodial Credit Risk: The Foundation maintains accounts with stock brokerage firms. The accounts contain cash and securities. The Florida Security for Public Deposits Act establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under the Act, the Foundation's deposits in qualified public depositories are totally insured. The qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investment in a single issuer. The Foundation's investment policy requires diversification of investments sufficient to reduce the potential of a single security, single sector of securities, or single style of management having a disproportionate or significant impact on the portfolio. No more than 5 percent of the Foundation's investments can be invested with a single company, and no more than 20 percent of investments can be in one industry.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates between the United States dollar and foreign currencies could adversely affect an investment's fair value. As of June 30, 2009, the Foundation did not have any fixed-income investments subject to that risk. The Foundation's investment policy limits its foreign investment to stocks of non-United States companies not to exceed 15 percent of the total portfolio.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, returned checks, various student services provided by the College, uncollected commissions for food service and vending machine sales, contract and grant reimbursements due from third parties, and interest receivable. These receivables are reported net of a \$762,203 allowance for uncollectible accounts.

**SEMINOLE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the short-term loan program of \$75,523. Notes receivable are reported net of a \$24,711 allowance for uncollectible notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$14,629,552 of Public Education Capital Outlay allocations due from the State for construction of College facilities, and \$3,189,221 due from the University of Central Florida for the University Partnership Building currently under construction.

6. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The \$219,754 reported as due from component unit consists of amounts owed to the College by the Foundation for scholarships, personnel costs, and other general expenses.

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 21,227,459	\$	\$	\$ 21,227,459
Construction in Progress	5,126,936	40,012,845	2,589,909	42,549,872
Total Nondepreciable Capital Assets	\$ 26,354,395	\$ 40,012,845	\$ 2,589,909	\$ 63,777,331
Depreciable Capital Assets:				
Buildings	\$ 122,225,986	\$ 3,253,650	\$ 214,603	\$ 125,265,033
Other Structures and Improvements	5,518,354			5,518,354
Furniture, Machinery, and Equipment	8,677,272	657,629	423,180	8,911,721
Assets Under Capital Leases	887,229	722,613		1,609,842
Leasehold Improvements	3,095,753	1,666		3,097,419
Other Capital Assets	4,478,280	44,206	405,345	4,117,141
Total Depreciable Capital Assets	144,882,874	4,679,764	1,043,128	148,519,510
Less, Accumulated Depreciation:				
Buildings	26,636,540	3,013,375	178,388	29,471,527
Other Structures and Improvements	5,266,125	211,608		5,477,733
Furniture, Machinery, and Equipment	7,255,340	800,848	404,380	7,651,808
Assets Under Capital Leases	714,359	332,364	478	1,046,245
Leasehold Improvements	521,903	286,168		808,071
Other Capital Assets	3,068,095	407,269	405,345	3,070,019
Total Accumulated Depreciation	43,462,362	5,051,632	988,591	47,525,403
Total Depreciable Capital Assets, Net	\$ 101,420,512	\$ (371,868)	\$ 54,537	\$ 100,994,107

**SEMINOLE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

8. DEFERRED REVENUE

Deferred revenue includes Public Education Capital Outlay appropriations for which the College had not yet received approval from the Florida Department of Education, as of June 30, 2009, to spend the funds; an arbitrage rebate related to the Community College Capital Improvement Revenue Bonds, Series 2006-A; and unearned lease payments received prior to the fiscal year end related to subsequent accounting periods. As of June 30, 2009, the College reported the following amounts as deferred revenue:

<u>Description</u>	<u>Amount</u>
Capital Appropriations	\$ 6,115,787
Arbitrage Rebate	59,809
Unearned Lease Payments	<u>7,320</u>
Total Deferred Revenue	<u><u>\$ 6,182,916</u></u>

9. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2009, include bonds, loans, capital leases, compensated absences, and postemployment healthcare benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2009, 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	\$ 7,790,000	\$	\$ 390,000	\$ 7,400,000	\$ 410,000
Loan Payable	3,388,482		195,353	3,193,129	203,711
Capital Leases Payable	344,158	698,299	346,040	696,417	278,020
Compensated Absences Payable	4,651,895	649,122	437,119	4,863,898	169,109
Postemployment Healthcare Benefits Payable	<u>19,616</u>	<u>18,406</u>		<u>38,022</u>	
Total Long-Term Liabilities	<u><u>\$ 16,194,151</u></u>	<u><u>\$ 1,365,827</u></u>	<u><u>\$ 1,368,512</u></u>	<u><u>\$ 16,191,466</u></u>	<u><u>\$ 1,060,840</u></u>

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

- State Board of Education Capital Outlay Bonds. The State Board of Education 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 State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.

**SEMINOLE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

- Community College Capital Improvement Revenue Bonds, Series 2006-A. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and Section 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds is secured by and payable solely from a first lien pledge of the Capital Improvement Fees collected pursuant to Section 1009.23(11), Florida Statutes, by the Series 2006-A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2006-A bonds. These bonds constitute the first series of bonds to be issued pursuant to a Master Authorizing Resolution. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all colleges participating in any series of bonds then outstanding. The Series 2006-A bonds will share the lien of such additional bonds on the Series 2006-A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The bonds were issued for new construction and renovation and remodeling of educational facilities.

The College had the following capital outlay bonds payable and revenue bonds payable outstanding at June 30, 2009:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education			
Capital Outlay Bonds:			
Series 2002-A	\$ 350,000	3.875 - 5.0	2022
Series 2002-B	760,000	4.0 - 5.375	2015
Series 2005-A	580,000	5.0	2017
Series 2005-B	115,000	5.0	2018
Series 2006-A	925,000	4.0 - 5.0	2026
Capital Improvement Revenue Bonds, Series 2006-A	4,670,000	3.5 - 5.0	2027
Total	\$ 7,400,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2010	\$ 410,000	\$ 339,470	\$ 749,470
2011	440,000	320,808	760,808
2012	455,000	300,620	755,620
2013	480,000	281,605	761,605
2014	495,000	259,471	754,471
2015-2019	1,880,000	998,855	2,878,855
2020-2024	1,970,000	554,225	2,524,225
2025-2027	1,270,000	95,157	1,365,157
Total	\$ 7,400,000	\$ 3,150,211	\$ 10,550,211

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Loan Payable. The College borrowed \$3,635,177, from a bank on January 3, 2006, for the purpose of entering into a lease agreement for the financing of an Energy Management System. This Energy Management System includes adding new equipment as well as various repairs and retrofits to existing buildings and equipment to improve energy efficiency at the Sanford/Lake Mary and Oviedo campuses. The stated interest rate is 4.21 percent. The College is to make quarterly payments of \$83,749 for a term of 15 years commencing on October 1, 2006.

Annual requirements to amortize the outstanding loan as of June 30, 2009, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 203,711	\$ 131,286	\$ 334,997
2011	212,426	122,571	334,997
2012	221,515	113,482	334,997
2013	230,992	104,005	334,997
2014	240,874	94,123	334,997
2015-2019	1,368,062	306,924	1,674,986
2020-2022	715,549	38,193	753,742
Total	\$ 3,193,129	\$ 910,584	\$ 4,103,713

Capital Leases Payable. The College has capital lease agreements for technology equipment in the amount of \$886,750, a digital mailing system in the amount of \$24,792, and telephone equipment in the amount of \$698,299. The stated interest rates are 4.57, 2.54, and 4.67 percent, respectively. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2009, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2010	\$ 306,401
2011	152,704
2012	152,704
2013	152,704
Total Minimum Payments	764,513
Less, Amount Representing Interest	68,096
Present Value of Minimum Payments	\$ 696,417

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 appropriations fund only the portion of accrued leave

SEMINOLE COMMUNITY COLLEGE
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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, 2009, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$4,863,898. Of this amount, \$169,109 is considered a current liability as this amount is expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program.

Postemployment Healthcare Benefits Payable. The College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the Florida Community Colleges Risk Management Consortium (Consortium).

Plan Description. The College contributes to a cost-sharing, multiple-employer defined-benefit plan administered by the Consortium for postemployment healthcare benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The College does not offer any explicit subsidies. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Consortium does not issue stand-alone annual reports for the Plan and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contribution rates can be amended by the Board of Trustees. The College has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 86 retirees received postemployment healthcare benefits. The College provided required contributions of \$68,499 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$499,278.

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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 Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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 year, the amount actually contributed to the plan, and changes in the College’s net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 50,448
Amortization of Unfunded Actuarial Accrued Liability	<u>36,522</u>
Annual Required Contribution	86,970
Interest on Net OPEB Obligation	588
Adjustment to Annual Required Contribution	<u>(653)</u>
Annual OPEB Cost (Expense)	86,905
Contribution Toward the OPEB Cost	<u>(68,499)</u>
Increase in Net OPEB Obligation	18,406
Net OPEB Obligation, Beginning of Year	<u>19,616</u>
Net OPEB Obligation, End of Year	<u><u>\$ 38,022</u></u>

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009, and for the transition year 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>
Beginning Balance, July 1, 2007	\$		\$
2007-08	86,970	77.4%	19,616
2008-09	<u>86,905</u>	78.8%	<u>18,406</u>
Net OPEB Balance	<u><u>\$ 173,875</u></u>		<u><u>38,022</u></u>

Funded Status and Funding Progress. As of June 30, 2009, the actuarial accrued liability for benefits was \$719,414, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$719,414 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating

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employees) was \$33,294,946 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.2 percent.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's initial OPEB actuarial valuation as of July 1, 2007, used the projected unit credit actuarial method to estimate the unfunded actuarial liability (UAAL) as of June 30, 2008, with an updated UAAL estimate at June 30, 2009, to estimate the 2008-09 fiscal year ARC. This method was selected because it is the same method used in private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent initially for the 2008-09 fiscal year, reduced by 1 percent per year for one more year, then 0.5 percent per year thereafter, to an ultimate rate of 5 percent after five years. The unfunded actuarial accrued liability is being amortized as a level dollar amortized over 30 years. The remaining amortization period at June 30, 2009, was 28 years.

10. RETIREMENT PROGRAMS

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

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defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at 6 years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military 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 and death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the 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 State of Florida establishes contribution rates for participating employers. Contribution rates during the 2008-09 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$2,248,668, \$2,334,220, and \$2,465,460, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State College

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System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 111 College participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$506,236.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

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 six or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes, on behalf of the participant, 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account.

There were 87 College participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$561,510.

Senior Management Service Class Local Annuity Program. Section 121.055, Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the FRS, Senior Management Service Class, may elect to withdraw from the FRS

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altogether and participate in a lifetime monthly annuity program offered by the local agency. Pursuant thereto, the College, during the 1997-98 fiscal year established a Senior Management Service Class Local Annuity Program. Employees in eligible positions are allowed to make an irrevocable election to participate in the program, rather than in the FRS. Under the Program, the College contributes the same percentage of the participant's salary as would have been contributed to the FRS, Senior Management Service Class, toward an annuity provided by approved fund sponsors. The participant does not make contributions to the Plan. As of June 30, 2009, one College employee had opted to participate in the Program. Contributions made by the College to the Program totaled \$12,355 during the 2008-09 fiscal year.

11. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2009, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
I Building Renovation:			
Architect	\$ 384,261	\$ 368,915	\$ 15,346
Construction	5,080,468	3,956,229	1,124,239
K Building Renovation:			
Architect	615,807	592,031	23,776
Construction	6,018,354	5,514,467	503,887
Sanford/Lake Mary and Oviedo Campus Roadway and Parking:			
Architect	670,959	601,901	69,058
Construction	4,823,914	2,827,001	1,996,913
Altamonte Springs Campus Parking Lot:			
Construction	516,127	459,773	56,354
SCC/UCF Partnership Building:			
Architect	1,661,847	1,479,048	182,799
Construction	25,855,894	14,824,838	11,031,056
L and F Buildings Renovation:			
Architect	98,120	88,001	10,119
Construction	192,536	152,603	39,933
Chiller and Piping:			
Architect	28,749	26,704	2,045
Construction	772,755	398,104	374,651
Total	\$ 46,719,791	\$ 31,289,615	\$ 15,430,176

12. OPERATING LEASE COMMITMENTS

Operating leases and the related commitments are not reported on the College's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments

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resulting from these lease agreements are contingent upon future appropriations. The College has the following operating lease commitments:

- Land utilized for a Public Safety Training Center is leased under an operating lease that expires in 2052. Annual lease payments total \$11,146 and continue until 2023; thereafter, payments are reduced to \$1 annually until the expiration of the lease term.
- Computers and related equipment are leased under operating leases. These leases are for three and four years and the equipment is returned to the lessor upon expiration of the lease.
- College vehicles, primarily used by the maintenance department and security department, are leased for five years under an operating lease.

Future minimum lease commitments for noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2010	\$ 935,028
2011	683,080
2012	461,408
2013	109,384
2014	31,038
2015-2019	55,730
2020-2023	44,584
Total Minimum Payments Required	\$ 2,320,252

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 Community Colleges Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$200 million through February 28, 2009, and of up to \$175 million effective March 1, 2009. Insurance coverage obtained through the Consortium included health, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

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14. LITIGATION

The College is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the College’s legal counsel and management, should not materially affect the College’s financial position. One loss contingency has been recorded this fiscal year in the amount of \$250,000 as a result of a pending and probable settlement. Subsequent to the end of the fiscal year, in October 2009, the College paid \$250,000 to settle the claim.

15. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college’s apportionment considering the following components: base budget, which includes the State appropriation to the College Program Fund in the current year plus the related student tuition and fees assigned in the current General Appropriations Act; the cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which are determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates are deducted from the sum of these components to determine the net annual State apportionment to each college.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the College on an annual basis. The College is authorized to receive and expend these resources only upon applying for and receiving an encumbrance authorization from the Florida Department of Education.

The following is a summary of State revenue sources and amounts:

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 31,398,386
Gross Receipts Tax (Public Education Capital Outlay)	15,816,870
Restricted Contracts and Grants	8,835,526
Education Enhancement Trust Fund (Lottery)	4,271,933
Bright Futures Scholarship Program	2,542,753
Florida Student Assistance Grants	1,090,535
Motor Vehicle License Tax (Capital Outlay and Debt Service)	488,852
Other State Sources	50,102
Total	\$ 64,494,957

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16. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 31,756,247
Academic Support	6,737,022
Student Services	8,574,218
Institutional Support	11,645,575
Operation and Maintenance of Plant	9,300,851
Scholarships and Fellowships	11,607,997
Depreciation	5,051,632
Auxiliary Enterprises	569,792
Total Operating Expenses	<u><u>\$ 85,243,334</u></u>

17. 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 assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets. To meet this requirement, statements of net assets and revenues, expenses, and changes in net assets for the current unrestricted funds are presented, as follows:

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Statement of Current Unrestricted Funds Net Assets

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 6,491,239
Accounts Receivable, Net	2,455,409
Due from Other Governmental Agencies	393,030
Due from Component Unit	55,133
Prepaid Expenses	<u>667,595</u>

TOTAL ASSETS \$ 10,062,406

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 1,118,500
Salary and Payroll Taxes Payable	867,999
Deferred Revenue	7,320
Deposits Held for Others	129,891
Compensated Absences Payable	<u>169,109</u>

Total Current Liabilities 2,292,819

Noncurrent Liabilities:

Compensated Absences Payable	4,694,789
Postemployment Healthcare Benefits Payable	<u>38,022</u>

Total Noncurrent Liabilities 4,732,811

TOTAL LIABILITIES 7,025,630

TOTAL NET ASSETS 3,036,776

TOTAL LIABILITIES AND NET ASSETS \$ 10,062,406

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

REVENUES

Operating Revenues:

Student Tuition and Fees, Net of Scholarship	
Allowances of \$7,261,931	\$ 17,224,701
Federal Grants and Contracts	74,993
State and Local Grants and Contracts	35,885
Nongovernmental Grants and Contracts	686,086
Sales and Services of Educational Departments	16,650
Auxiliary Enterprises	1,129,455
Other Operating Revenue	190,880
	<hr/>
Total Operating Revenues	19,358,650

EXPENSES

Operating Expenses:

Personnel Services	49,551,764
Scholarships and Waivers	645
Utilities and Communications	2,466,346
Contractual Services	2,534,987
Other Services and Expenses	4,161,994
Materials and Supplies	2,222,357
	<hr/>
Total Operating Expenses	60,938,093
	<hr/>
Operating Loss	(41,579,443)

NONOPERATING REVENUES

State Appropriations	35,670,319
Investment Income	52,238
Other Nonoperating Revenues	13,415
	<hr/>
Net Nonoperating Revenues	35,735,972

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

	(5,843,471)
Transfers from Other Funds	6,698,958
	<hr/>

Increase in Net Assets

	855,487
Net Assets, Beginning of Year	2,181,289
	<hr/>

Net Assets, End of Year	\$ 3,036,776
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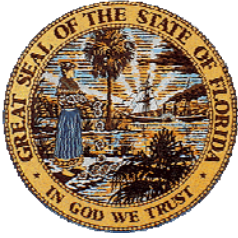
18. SUBSEQUENT EVENTS

During the 2008-09 fiscal year, the College became authorized by the Board of Trustees and the State of Florida to grant baccalaureate degrees. In June 2009, the Southern Association of Colleges and Schools (SACS) granted the College Level II Status, which allows baccalaureate courses to become accredited. The

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initial offering of courses leading to a Bachelor of Applied Science in Interior Design will begin in the Spring 2010 term.

Additionally, pursuant to Section 1001.60(2)(b), Florida Statutes, the College's Board of Trustees approved the name change from Seminole Community College to Seminole State College of Florida on September 21, 2009.



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

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

We have audited the financial statements of Seminole 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, 2009, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to 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. Other auditors 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, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted a certain matter that we reported to College management in our report No. 2010-046, dated November 2009.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
November 24, 2009