

TALLAHASSEE COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2009



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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 Stellar Lee, CPA, and the audit was supervised by Cheryl B. Pueschel, 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.

TALLAHASSEE COMMUNITY COLLEGE
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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 identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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.

MATERIAL WEAKNESS

Finding No. 1: The College needed to improve its financial reporting process to ensure its financial statements are accurate and fairly presented.

Audit Objectives and Scope

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

- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements; and
- Taken corrective actions for the finding included in our report No. 2009-180.

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. 2010-027.

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 Tallahassee Community College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2009, which collectively comprise the College's basic financial statements as shown on pages 13 through 37. 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 aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the aggregate discretely presented component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Tallahassee Community College and of its aggregate discretely presented component units as of June 30, 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.

As discussed in note 2 to the financial statements, the Tallahassee Community College, Foundation, Inc. (Foundation), beginning net assets have been adjusted to correct for a prior period omission of reporting certain donated property. This correction affects the comparability of amounts reported for the discretely presented component unit columns for ending net assets for the fiscal year ended March 31, 2009, to that of the prior fiscal year.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Tallahassee Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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
March 25, 2010

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.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$165.4 million at June 30, 2009. This balance reflects a \$3.9 million, or 2.3 percent, decrease from the 2007-08 fiscal year resulting primarily from a decrease in capital assets and a decrease in cash and cash equivalents due to completion of construction projects. While assets decreased, liabilities decreased by a lesser amount of \$2 million, or 6.5 percent, totaling \$29.7 million at June 30, 2009. As a result, the College's net assets decreased by \$1.9 million, resulting in a year-end balance of \$135.7 million.

The College's operating revenues totaled \$42.8 million for the 2008-09 fiscal year, representing a 23.3 percent decrease from the 2007-08 fiscal year due mainly to grants and contracts, primarily from the expiration of funding for the Manufactured Housing and Mobile Home Mitigation and Enhancement Program (Program). Operating expenses totaled \$117 million for the 2008-09 fiscal year, representing a decrease of 7.2 percent from the 2007-08 fiscal year due mainly to the termination of the Program.

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:

- Tallahassee 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.
- Tallahassee Community College Foundation, Inc. (Component Unit) – Serves as the fund-raising arm of the College and financially supports various academic endeavors of students, faculty, and staff.
- Tallahassee Community College Housing, Inc. (TCCH) (Component Unit) – Established to provide support and assistance to the College through operation of a housing complex for students of the College. On August 31, 2006, TCCH sold the housing complex. Subsequent to the sale, \$7,555,939 was deposited in escrow to in-substance defease the outstanding student housing revenue bonds not redeemable in full until July 1, 2011.
- Public Safety Academy Housing, Inc. (PSAH) (Component Unit) – Established to obtain financing and construct a 200-room housing facility for students at the College's Florida Public Safety Institute. The housing facility was completed on January 4, 2006. Upon completion, PSAH executed an agreement with the College whereby the College leases the housing facility from PSAH and is responsible for operating and maintaining the facility. In exchange, PSAH receives a monthly lease payment in the amount of its mortgage

payment. During the 2008-09 fiscal year, these lease and note transactions accounted for substantially all of the PSAH financial activity.

Although legally separate, these component units are important because the College is financially accountable for them, 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 Tallahassee 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 Tallahassee Community College's operating results.

These two statements report Tallahassee 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 units for the respective periods ended, is shown in the following table:

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

	College		Component Units (1)	
	6-30-09	6-30-08	2009	2008
Assets				
Current Assets	\$ 53,667	\$ 56,257	\$ 5,913	\$ 5,793
Capital Assets, Net	111,499	112,966	7,638	7,940
Other Noncurrent Assets	195	70	13,463	15,975
Total Assets	<u>165,361</u>	<u>169,293</u>	<u>27,014</u>	<u>29,708</u>
Liabilities				
Current Liabilities	7,972	8,945	1,133	849
Noncurrent Liabilities	21,696	22,769	13,768	14,394
Total Liabilities	<u>29,668</u>	<u>31,714</u>	<u>14,901</u>	<u>15,243</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	94,806	96,442	(227)	(183)
Restricted	38,939	38,969	11,634	13,607
Unrestricted	1,948	2,168	706	1,041
Total Net Assets	<u>\$ 135,693</u>	<u>\$ 137,579</u>	<u>\$ 12,113</u>	<u>\$ 14,465</u>
Decrease in Net Assets	<u>\$ (1,886)</u>	-1.4%	<u>\$ (2,352)</u>	-16.3%

Note: (1) Amounts are for the fiscal year ended March 31, 2009, for the Tallahassee Community College Foundation, Inc., and the Public Safety Academy Housing, Inc., and for the fiscal year ended June 30, 2009, for the Tallahassee Community College Housing, Inc.

Revenues and expenses of the College and its component units for the respective periods ended are shown in the following table:

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

	College		Component Units (1)	
	6-30-09	6-30-08	2009	2008
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 15,268	\$ 14,409	\$	\$
Federal Grants and Contracts	11,071	9,295		
State and Local Grants and Contracts	12,066	26,809		
Nongovernmental Grants and Contracts	1,702	1,903		
Auxiliary Enterprises	2,643	2,806		
Other Operating Revenues		495	2,592	2,543
Total Operating Revenues	42,750	55,717	2,592	2,543
Less, Operating Expenses	116,950	126,015	2,244	2,226
Operating Income (Loss)	(74,200)	(70,298)	348	317
Nonoperating Revenues (Expenses)				
State Appropriations	42,600	46,254		
Other Nonoperating Revenues	21,566	18,525		354
Nonoperating Expenses	(714)	(936)	(2,847)	(920)
Net Nonoperating Revenues (Expenses)	63,452	63,843	(2,847)	(566)
Loss Before Other Revenues, Expenses, Gains, or Losses	(10,748)	(6,455)	(2,499)	(249)
Capital Appropriations	7,301	26,885		
Capital Grants, Contracts, Gifts, and Fees	1,561	1,494		
Increase (Decrease) in Net Assets	(1,886)	21,924	(2,499)	(249)
Net Assets, Beginning of Year	137,579	115,655	14,465	14,714
Adjustment to Beginning Net Assets (2)			147	
Net Assets, Beginning of Year, as Restated	137,579	115,655	14,612	14,714
Net Assets, End of Year	\$ 135,693	\$ 137,579	\$ 12,113	\$ 14,465

Notes: (1) Amounts are for the fiscal year ended March 31, 2009, for the Tallahassee Community College Foundation, Inc., and the Public Safety Academy Housing, Inc., and for the fiscal year ended June 30, 2009, for the Tallahassee Community College Housing, Inc.

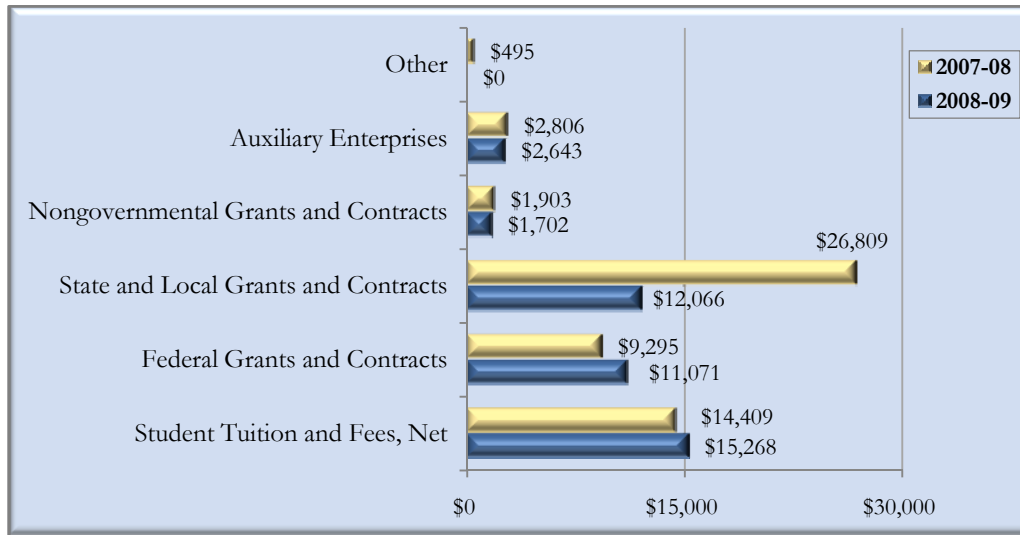
(2) Adjustment is to correct for a prior period omission of reporting certain donated assets.

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:

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



College operating revenue changes were primarily the result of State and local grants and contracts revenue declining because of the expiration of funding for the Manufactured Housing and Mobile Home Mitigation and Enhancement Program, and tuition and fees increasing because of an increase in the number of students enrolled and an increase in tuition and fee rates.

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 units for the respective periods ended are presented in the following table:

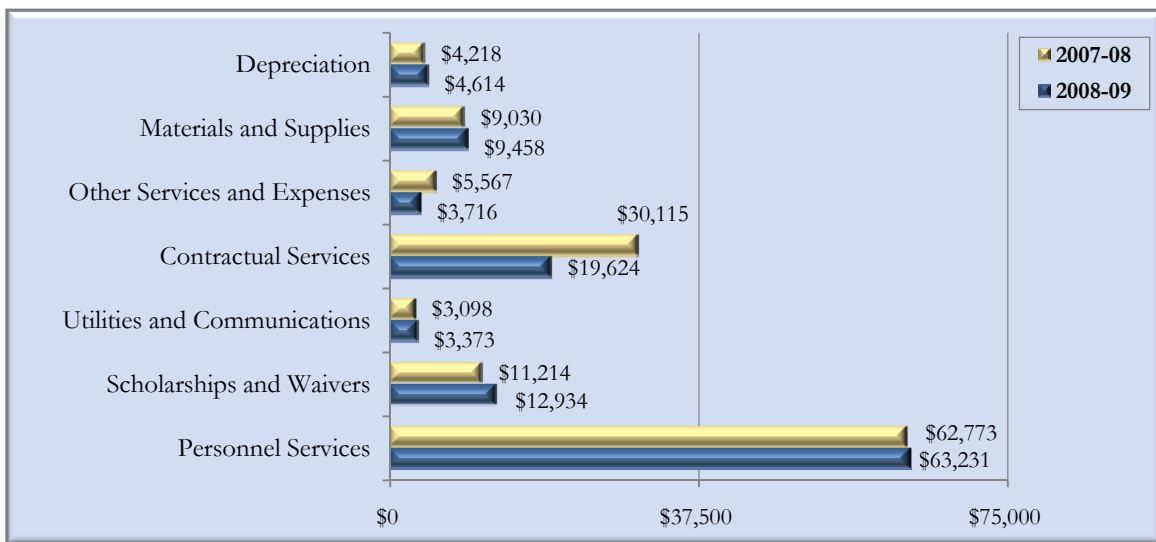
**Operating Expenses
(In Thousands)**

	College		Component Units (1)	
	6-30-09	6-30-08	2009	2008
Operating Expenses				
Personnel Services	\$ 63,231	\$ 62,773	\$ 389	\$ 321
Scholarships and Waivers	12,934	11,214	488	651
Utilities and Communications	3,373	3,098	3	4
Contractual Services	19,624	30,115	112	117
Other Services and Expenses	3,716	5,567	885	765
Materials and Supplies	9,458	9,030	40	35
Depreciation	4,614	4,218	327	333
Total Operating Expenses	\$ 116,950	\$ 126,015	\$ 2,244	\$ 2,226

Note: (1) Amounts are for the fiscal year ended March 31, 2009, for the Tallahassee Community College Foundation, Inc., and the Public Safety Academy Housing, Inc., and for the fiscal year ended June 30, 2009, for the Tallahassee Community College Housing, Inc.

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 primarily the result of the decline in contractual services, which was related to the termination of the Manufactured Housing and Mobile Home Mitigation and Enhancement Program.

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	\$ 42,600	\$ 46,254
Gifts and Grants	21,338	17,228
Investment Income	228	1,297
Interest on Capital Asset-Related Debt	(714)	(350)
Other Nonoperating Expenses	(586)	(586)
Net Nonoperating Revenues	\$ 63,452	\$ 63,843

State appropriations decreased by \$3.7 million due primarily to a \$2.4 million decrease in College Program Funds appropriated by the Legislature. Gifts and grants increased by \$4.1 million due primarily to the increase in amounts awarded as Federal Pell grants.

Other Revenues, Expenses, Gains, or Losses

This category is mainly 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	\$ 7,301	\$ 26,885
Capital Grants, Contracts, Gifts, and Fees	1,561	1,494
Total	\$ 8,862	\$ 28,379

Capital appropriations for the 2007-08 fiscal year included \$20.1 million for the Allied Health Education Center. Current year appropriation made to the project was \$1.5 million.

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	\$ (66,801)	\$ (64,165)
Noncapital Financing Activities	63,938	62,895
Capital and Related Financing Activities	(1,097)	(8,332)
Investing Activities	317	1,193
Net Decrease in Cash and Cash Equivalents	(3,643)	(8,409)
Cash and Cash Equivalents, Beginning of Year	23,285	31,694
Cash and Cash Equivalents, End of Year	\$ 19,642	\$ 23,285

Major sources of funds came from State appropriations (\$42.6 million), net student tuition and fees (\$15.1 million), operating grants and contracts (\$24.8 million), and gifts and grants for student financial aid (\$21.3 million). Major uses of funds were for salaries and benefits (\$62.6 million) and supplies (\$28.3 million). Cash used by operating activities increased by \$2.6 million, due primarily to an increase in cash used for salaries and benefits (\$1.5 million). Cash provided by noncapital financing activities increased by \$1 million, due primarily to the increase in cash provided for Federal Pell grants. Cash used by capital and related financing activities decreased by \$7.2 million, due primarily to the reduction in the purchase of capital assets and the substantial completion of construction projects in the 2007-08 fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2009, the College had \$162.1 million in capital assets, less accumulated depreciation of \$50.6 million, for net capital assets of \$111.5 million. Depreciation charges for the current fiscal year totaled \$4.6 million. The following table summarizes the College's capital assets at June 30:

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

<u>Capital Assets</u>	<u>2009</u>	<u>2008</u>
Land	\$ 10,427	\$ 11,801
Buildings	125,986	110,114
Other Structures and Improvements	10,042	10,041
Furniture, Machinery, and Equipment	8,827	9,396
Assets Under Capital Leases	3,693	3,693
Construction in Progress	3,083	14,708
Total	<u>162,058</u>	<u>159,753</u>
Less, Accumulated Depreciation:		
Buildings	32,514	29,574
Other Structures and Improvements	8,882	8,474
Furniture, Machinery, and Equipment	7,750	7,901
Assets Under Capital Leases	1,413	838
Total Accumulated Depreciation	<u>50,559</u>	<u>46,787</u>
Capital Assets, Net	<u>\$111,499</u>	<u>\$112,966</u>

The College had \$23.3 million in construction contract commitments at June 30, 2009. The contract commitments are for projects that include the Florida Public Safety Institute Multipurpose Building, construction of the Allied Health Education Center, and renovation of the Learning Commons and Dental Hygiene buildings. State appropriations together with local funds are expected to finance the construction, renovation, and purchase of land and facilities. 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 \$16.6 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, at June 30: College
(In Thousands)**

	<u>2009</u>	<u>2008</u>
SBA Capital Improvement Revenue Bonds	\$ 12,575	\$ 13,000
SBE Capital Outlay Bonds	1,120	1,230
Capital Leases	2,857	3,295
Total	<u>\$ 16,552</u>	<u>\$ 17,525</u>

Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Tallahassee Community College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the coming year. In response to the decrease in State appropriations, the Board of Trustees increased the tuition rate 6.5 percent to take effect beginning with the Fall 2009 term. The College's current financial and capital plans indicate

that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Administrative Services, Tallahassee Community College, 444 Appleyard Drive, Tallahassee, Florida 32304.

BASIC FINANCIAL STATEMENTS

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

	<u>College</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 7,865,039	\$ 200,374
Restricted Cash and Cash Equivalents	11,777,192	5,382,924
Accounts Receivable, Net	4,064,098	330,216
Notes Receivable, Net	77,870	
Due from Other Governmental Agencies	29,788,652	
Inventories	91,705	
Prepaid Expenses	2,666	
Total Current Assets	<u>53,667,222</u>	<u>5,913,514</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		6,240,048
Restricted Investments	195,159	5,849,490
Depreciable Capital Assets, Net	97,988,691	7,638,174
Nondepreciable Capital Assets	13,510,042	
Other Assets		1,373,298
Total Noncurrent Assets	<u>111,693,892</u>	<u>21,101,010</u>
TOTAL ASSETS	<u>\$ 165,361,114</u>	<u>\$ 27,014,524</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,146,931	\$ 506,814
Salary and Payroll Taxes Payable	529,318	
Retainage Payable	248,766	
Deferred Revenue	4,666	
Deposits Held for Others	2,980,206	
Long-Term Liabilities - Current Portion:		
Bonds Payable	555,000	320,000
Notes Payable		306,025
Capital Leases Payable	444,681	
Special Termination Benefits Payable	220,569	
Compensated Absences Payable	785,824	
Deposits Held for Others	55,515	
Total Current Liabilities	<u>7,971,476</u>	<u>1,132,839</u>
Noncurrent Liabilities:		
Bonds Payable	13,140,000	6,080,000
Notes Payable		7,688,194
Capital Leases Payable	2,412,308	
Special Termination Benefits Payable	239,291	
Compensated Absences Payable	5,234,184	
Deposit Held for Others	368,267	
Other Postemployment Benefits Payable	161,709	
Estimated Arbitrage Rebate Payable	140,512	
Total Noncurrent Liabilities	<u>21,696,271</u>	<u>13,768,194</u>
TOTAL LIABILITIES	<u>29,667,747</u>	<u>14,901,033</u>

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

	College	Component Units
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 94,806,232	\$ (226,539)
Restricted:		
Nonexpendable:		
Endowment		4,183,152
Expendable:		
Grants and Loans	10,311,695	
Scholarships	263,072	7,450,777
Capital Projects	27,588,430	
Debt Service	776,151	
Unrestricted	1,947,787	706,101
Total Net Assets	135,693,367	12,113,491
TOTAL LIABILITIES AND NET ASSETS	\$ 165,361,114	\$ 27,014,524

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

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

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$9,789,903	\$ 15,267,967	\$
Federal Grants and Contracts	11,071,515	
State and Local Grants and Contracts	12,066,270	
Nongovernmental Grants and Contracts	1,701,835	
Auxiliary Enterprises	2,642,613	
Other Operating Revenues		2,592,231
Total Operating Revenues	42,750,200	2,592,231
EXPENSES		
Operating Expenses:		
Personnel Services	63,230,525	389,031
Scholarships and Waivers	12,934,247	487,538
Utilities and Communications	3,372,430	3,384
Contractual Services	19,624,427	111,479
Other Services and Expenses	3,715,637	885,344
Materials and Supplies	9,458,245	40,461
Depreciation	4,614,228	326,671
Total Operating Expenses	116,949,739	2,243,908
Operating Income (Loss)	(74,199,539)	348,323
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	42,599,807	
Gifts and Grants	21,338,321	
Investment Income (Loss)	227,410	(1,960,667)
Interest on Capital Asset-Related Debt	(714,080)	(886,078)
Net Nonoperating Revenues (Expenses)	63,451,458	(2,846,745)
Loss Before Other Revenues, Expenses, Gains, or Losses	(10,748,081)	(2,498,422)
Capital Appropriations	7,300,841	
Capital Grants, Contracts, Gifts, and Fees	1,561,487	
Total Other Revenues	8,862,328	
Decrease in Net Assets	(1,885,753)	(2,498,422)
Net Assets, Beginning of Year	137,579,120	14,465,046
Adjustment to Beginning Net Assets		146,867
Net Assets, Beginning of Year - Restated	137,579,120	14,611,913
Net Assets, End of Year	\$ 135,693,367	\$ 12,113,491

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

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

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 15,114,597
Grants and Contracts	24,810,708
Payments to Suppliers	(28,345,326)
Payments for Utilities and Communications	(3,218,365)
Payments to Employees	(51,972,738)
Payments for Employee Benefits	(10,661,526)
Payments for Scholarships	(12,934,247)
Net Loans Issued to Students	(22,877)
Collection of Loans to Students	25,015
Auxiliary Enterprises	403,386
	(66,801,373)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	42,599,807
Gifts and Grants Received for Other Than Capital or Endowment Purposes	21,338,321
	63,938,128
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	3,338,323
Capital Grants and Gifts	1,561,487
Purchases of Capital Assets	(4,250,393)
Principal Paid on Capital Debt and Leases	(973,238)
Interest Paid on Capital Debt and Leases	(773,567)
	(1,097,388)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	313,454
Sale of Investments	3,988
	317,442
Net Decrease in Cash and Cash Equivalents	(3,643,191)
Cash and Cash Equivalents, Beginning of Year	23,285,422
	\$ 19,642,231

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

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (74,199,539)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,614,228
Changes in Assets and Liabilities:	
Receivables, Net	195,836
Inventories	9,982
Accounts Payable	837,110
Salary and Payroll Taxes Payable	51,693
Deferred Revenue	(25,612)
Deposits Held for Others	2,014,061
Compensated Absences Payable	(349,464)
Special Termination Benefits Payable	(30,594)
Other Postemployment Benefits Payable	80,926
NET CASH USED BY OPERATING ACTIVITIES	\$ (66,801,373)

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

**TALLAHASSEE 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 Tallahassee 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 seven 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 Gadsden, Leon, and Wakulla Counties.

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 Units. Based on the application of the criteria for determining component units, the following component units are included within the College's reporting entity:

- Tallahassee Community College Foundation, Inc: This organization provides funding and services to support and foster the pursuit of higher education at the College.
- Tallahassee Community College Housing, Inc. (TCCH): This organization provides support and assistance to the College through the operation of a housing complex that provides housing opportunities to students of the College. On August 31, 2006, TCCH sold the housing complex. Subsequent to the sale, \$7,555,939 was deposited in escrow to in-substance defease the outstanding student housing revenue bonds not redeemable in full until July 1, 2011.
- Public Safety Academy Housing, Inc. (PSAH): This organization provides support and assistance to the College through operation of a housing complex that provides short-term lodging opportunities to students of the College's Florida Public Safety Institute (previously known as the Pat Thomas Law Enforcement Academy).

The College's component units are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The component units' audited financial statements are available to the public at the College. The financial data of the Tallahassee Community College Foundation, Inc., the Tallahassee Community College Housing, Inc., and the Public Safety Academy Housing, Inc., reported on the accompanying financial

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

statements was derived from the audited annual financial statements for the fiscal year ended March 31, 2009, June 30, 2009 and March 31, 2009, respectively. Additional condensed financial statements for the College's component units are included in a subsequent note.

The College's component units are also direct-support organizations, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, is financially accountable to the College. These legally separate entities are managed independently, outside the College's budgeting process, and their powers generally are vested in a governing board pursuant to various State statutes. These entities receive, hold, invest, and administer property, and make expenditure to or for the benefit of the College.

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.

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

The College's component units use the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Tallahassee Community College Foundation, Inc, and Tallahassee Community College Housing, Inc., follow FASB standards of accounting and financial reporting for not-for-profit organizations.

The College and the Public Safety Academy Housing, Inc., follow 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.

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. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts; cash with the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which effective July 1, 2009, is known as Florida PRIME; and the State Treasury Special Purpose Investment Account (SPIA). 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

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

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

At June 30, 2009, the College reported as cash equivalents at fair value \$82,307 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 & 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.

At June 30, 2009, the College reported as cash equivalents at fair value \$10,311 of moneys held in the LGIP administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The College's investments in the LGIP which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The LGIP carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 46 days as of June 30, 2009. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the LGIP to interest rate changes. The investments in the LGIP are reported at fair value, which is amortized cost.

Capital Assets. College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and assets under capital leases. These assets are capitalized and recorded at cost at the date of acquisition or at 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

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

- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, Educational Equipment – 5 years
 - Furniture – 7 years
- Assets Under Capital Leases – 3 to 10 years

Land, buildings, and equipment of the College's component units are stated at cost except for donated property which is stated at fair market value at the date of the donation, and is net of accumulated depreciation of \$1,064,794. The College's component units depreciate buildings and equipment using the straight-line method over estimated life of 39 years for buildings and improvements and from 3 to 10 years for furniture and equipment.

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of bonds payable, capital leases payable, special termination benefits payable, compensated absences payable, deposits held for others, other postemployment benefits payable, and estimated arbitrage rebate payable, that are not scheduled to be paid within the next fiscal year.

2. PRIOR PERIOD ADJUSTMENT

The beginning unrestricted net assets for the component unit, Tallahassee Community College Foundation, Inc., have been adjusted to correct for a prior period omission of reporting certain donated property. The adjustment for \$146,867 is the fair value of the donated property at the date of donation.

3. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Local Government Surplus Funds Trust Fund investment pool 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; securities of, or interest in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market 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

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

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.

State Board of Administration Debt Service Accounts

The College reported investments at fair value totaling \$54,647 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 \$140,512 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 Capital Improvement Revenue Bonds, Series 2006A. 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.

Component Units Investments

Investments reported by the College’s component units consisted of those held by the Tallahassee Community College Foundation, Inc., at March 31, 2009, and are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Equities	\$ 3,041,735
Demand Deposits	175,485
Certificates of Deposit	<u>2,632,270</u>
Total Investments	<u><u>\$ 5,849,490</u></u>

4. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferrals, returned checks, vending machine sales, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$536,534 allowance for uncollectible accounts.

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

5. NOTES RECEIVABLE

Notes receivable represent unpaid notes for veteran students' fees of \$104,437, and for the short-term loan program of \$7,811. Notes receivable are reported net of a \$34,378 allowance for uncollectible notes.

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$26,862,569 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$2,767,063 due from State and Federal agencies for contract and grant reimbursements.

7. INVENTORIES

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

8. CAPITAL ASSETS

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

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land (1)	\$ 11,801,160	\$	\$ 1,373,949	\$ 10,427,211
Construction in Progress	14,707,706	2,873,642	14,498,517	3,082,831
Total Nondepreciable Capital Assets	\$ 26,508,866	\$ 2,873,642	\$ 15,872,466	\$ 13,510,042
Depreciable Capital Assets:				
Buildings (1)	\$ 110,113,836	\$ 15,872,466	\$	\$ 125,986,302
Other Structures and Improvements	10,041,661			10,041,661
Furniture, Machinery, and Equipment	9,395,242	182,051	750,591	8,826,702
Assets Under Capital Leases	3,693,246			3,693,246
Total Depreciable Capital Assets	133,243,985	16,054,517	750,591	148,547,911
Less, Accumulated Depreciation:				
Buildings	29,574,300	2,939,988		32,514,288
Other Structures and Improvements	8,473,702	408,230		8,881,932
Furniture, Machinery, and Equipment	7,901,253	599,200	750,591	7,749,862
Assets Under Capital Leases	837,710	666,810	91,382	1,413,138
Total Accumulated Depreciation	46,786,965	4,614,228	841,973	50,559,220
Total Depreciable Capital Assets, Net	\$ 86,457,020	\$ 11,440,289	\$ (91,382)	\$ 97,988,691

Note: (1) Land balance of \$1,373,949 has been reclassified to Buildings to correct an error.

9. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2009, include bonds payable, capital leases payable, special termination benefits payable, compensated absences payable, deposits held for others, other postemployment benefits payable, and estimated arbitrage rebate payable. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 14,230,000	\$	\$ 535,000	\$ 13,695,000	\$ 555,000
Capital Leases Payable	3,295,227		438,238	2,856,989	444,681
Special Termination Benefits Payable	490,454	165,212	195,806	459,860	220,569
Compensated Absences Payable	6,369,472	254,085	603,549	6,020,008	785,824
Deposits Held for Others	452,217		28,435	423,782	55,515
Other Postemployment Benefits Payable	80,783	80,926		161,709	
Estimated Arbitrage Rebate Payable		140,512		140,512	
Total Long-Term Liabilities	\$ 24,918,153	\$ 640,735	\$ 1,801,028	\$ 23,757,860	\$ 2,061,589

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

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

- **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.
- **Capital Improvement Revenue Bonds, Series 2006A.** The State Board of Administration’s Division of Bond Finance on behalf of the Department of Education and participating colleges issue capital improvement revenue bonds. These bonds mature serially and constitute a joint obligation of the participating colleges and are secured by and payable solely from a pledge of the participating colleges’ capital improvement fee collections. The State Board of Administration administers the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.

The College had the following bonds payable at June 30, 2009:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds: Series 2005A	\$ 1,120,000	5.0	2017
State Board of Administration Capital Improvement Revenue Bonds: Series 2006A	<u>12,575,000</u>	3.5 - 5.0	2028
Total Bonds Payable	<u>\$ 13,695,000</u>		

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

Fiscal Year Ending June 30	Capital Outlay and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2010	\$ 555,000	\$ 606,950	\$ 1,161,950
2011	575,000	583,300	1,158,300
2012	605,000	558,700	1,163,700
2013	635,000	532,800	1,167,800
2014	660,000	505,600	1,165,600
2015-2019	3,370,000	2,077,000	5,447,000
2020-2024	3,660,000	1,241,250	4,901,250
2025-2028	<u>3,635,000</u>	<u>287,900</u>	<u>3,922,900</u>
Total	<u>\$ 13,695,000</u>	<u>\$ 6,393,500</u>	<u>\$ 20,088,500</u>

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

Bonds Payable – Component Unit. Bonds payable, issued by Tallahassee Community College Housing, Inc., consists of Series 1990A Student Housing Revenue Bonds issued May 1, 1990. The bonds are not general obligations of Tallahassee Community College Housing, Inc., but are limited obligations payable solely from revenue and other amounts derived from the operation of the housing facility. At June 30, 2009, the scheduled maturities of bonds payable were as follows.

Fiscal Year Ending June 30	Student Housing Revenue Bonds		
	Principal	Interest	Total
2010	\$ 320,000	\$ 402,800	\$ 722,800
2011	370,000	378,288	748,288
2012	340,000	355,763	695,763
2013	415,000	328,269	743,269
2014	420,000	300,444	720,444
2015-2019	2,400,000	1,034,826	3,434,826
2020-2023	2,135,000	181,525	2,316,525
Total	\$ 6,400,000	\$ 2,981,915	\$ 9,381,915

Mortgage Notes Payable – Component Unit. The Public Safety Academy Housing, Inc., executed a mortgage note payable on May 21, 2004, to construct a housing facility to provide short-term lodging for students of the College’s Florida Public Safety Institute. The amount of the note is \$9 million and bears interest at a variable rate, currently 5.45 percent. The note is collateralized by a leasehold mortgage in real estate, a first priority security interest in all personal property located at the facility, and the assignment of rents derived from the operation of the housing facility. Annual requirements to amortize the mortgage note at March 31, 2009, are as follows:

Fiscal Year Ending March 31	Mortgage Note Payable		
	Principal	Interest	Total
2010	\$ 306,025	\$ 434,169	\$ 740,194
2011	323,073	416,840	739,913
2012	340,316	399,597	739,913
2013	360,672	379,241	739,913
2014	381,115	358,798	739,913
2015-2019	2,254,155	1,445,411	3,699,566
2020-2024	2,969,736	729,829	3,699,565
2025-2026	1,059,127	45,300	1,104,427
Total	\$ 7,994,219	\$ 4,209,185	\$ 12,203,404

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

Capital Leases Payable. Networking hardware and energy-saving equipment in the amount of \$3,693,246 are being acquired under capital lease agreements. The stated interest rates range from 2.68 to 6.43 percent. 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	\$ 523,000
2011	458,913
2012	333,480
2013	333,382
2014	343,102
2015-2018	1,355,097
Total Minimum Payments	3,346,974
Less, Amount Representing Interest	(489,985)
Present Value of Minimum Payments	\$ 2,856,989

Special Termination Benefits Payable. Under a Board-established Retirement Incentive Program, employees who were hired prior to July 1, 1995, and elect to retire within 36 months from the achievement of normal retirement, as defined in Sections 121.091 and 238.07, Florida Statutes, receive an incentive payment of 10 percent based upon their annualized salary at retirement. In addition, the employee receives payment for a maximum of 1,440 hours of sick leave. The College reported a special termination benefits payable of \$459,860, as of June 30, 2009, for 17 employees who gave notice to retire under the Retirement Incentive Program, of which \$220,569 represents the current portion.

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2009, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$6,020,008. Of this amount, \$785,824 is considered a current liability as this is expected to be paid in the coming fiscal year and is calculated as a percentage of total liability, based on the average ratio of employees who terminated service to total number of authorized positions, for each of the preceding five years.

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Deposits Held for Others. Under a Board-established policy, new employees in executive/administrative, managerial/professional, and classified staff positions have six days of pay withheld from the first pay period until their employment at the College is concluded. The six days of pay is paid in the employee's last paycheck. At June 30, 2009, the College reported a total liability of \$423,782 for salaries withheld from employees. Of this amount, \$55,515 is considered a current liability as this is expected to be paid in the coming fiscal year.

Estimated Arbitrage Rebate Payable. This represents the amount of arbitrage rebate liability for the Capital Improvement Revenue Bonds, Series 2006A. These bonds and the related arbitrage rebate liability are administered by the State Board of Administration, Division of Bond Finance, on behalf of the College.

Other Postemployment 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 and life insurance benefits provided by the Florida College System Risk Management Consortium (Consortium).

Plan Description. The College contributes to a cost-sharing, multiple-employer defined-benefit plan administered by the Consortium. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the 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 health coverage as soon as they are eligible. The College and the Consortium do not issue stand-alone annual reports for the Plans and they are 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, 132 retirees received postemployment healthcare benefits, and 82 retirees received postemployment life insurance benefits. The College provided required contributions of \$156,670 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 \$653,118.

**TALLAHASSEE COMMUNITY COLLEGE
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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. 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)	\$ 160,769
Amortization of Unfunded Actuarial:	
Accrued Liability	77,097
Interest on Normal Cost and Amortization	
Annual Required Contribution	237,866
Interest on Net OPEB Obligation	2,423
Adjustment to Annual Required Contribution	<u>(2,693)</u>
Annual OPEB Cost (Expense)	237,596
Contribution Toward the OPEB Cost	<u>(156,670)</u>
Increase in Net OPEB Obligation	80,926
Net OPEB Obligation, Beginning of Year	<u>80,783</u>
Net OPEB Obligation, End of Year	<u>\$ 161,709</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 current and transition years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Beginning Balance, July 1, 2007	\$		\$
2007-08	237,866	66.0%	80,783
2008-09	237,596	65.9%	161,709

Funded Status and Funding Progress. As of June 30, 2009, the actuarial accrued liability for benefits was \$2,301,629 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,301,629, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$41,562,801 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.5 percent.

**TALLAHASSEE COMMUNITY COLLEGE
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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 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.

Actuarial Methods and Assumptions. 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 as of June 30, 2008, and to estimate the 2008-09 fiscal year ARC. This method was selected because it is the same method used in the 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, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent for the 2008-09 fiscal year, reduced by 1 percent per year for one year, then one-half percent per year thereafter, to an ultimate rate of 5 percent after 5 years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll 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 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).

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Employees in the Plan vest at six 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	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
Florida Retirement System, Special Risk	0.00	20.92
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	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 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 \$3,582,816, \$3,626,278, and \$3,663,732, 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 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

TALLAHASSEE COMMUNITY COLLEGE
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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 174 College participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$733,931.

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 44 College participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$341,696.

11. CONSTRUCTION COMMITMENTS

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

**TALLAHASSEE COMMUNITY COLLEGE
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JUNE 30, 2009**

Project Description	Total Commitment	Completed to Date	Balance Committed
Allied Health Education Center:			
Architect	\$ 1,651,518	\$ 1,290,478	\$ 361,040
General Contractor	21,336,990	28,810	21,308,180
Florida Public Safety Institute			
Multipurpose Building:			
Architect	229,417	194,517	34,900
General Contractor	2,532,980	1,431,376	1,101,604
Learning Commons and Dental			
Hygiene Renovations:			
Architect	8,886	5,331	3,555
General Contractor	635,760	122,465	513,295
Total	\$ 26,395,551	\$ 3,072,977	\$ 23,322,574

12. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$200 million for the contract period ended February 28, 2009, and \$175 million effective March 1, 2009. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health and life, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

13. 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

**TALLAHASSEE COMMUNITY COLLEGE
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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	\$ 26,229,642
College Center for Library Automation	12,747,898
Restricted Contracts and Grants	12,066,270
Gross Receipts Tax (Public Education Capital Outlay)	6,842,212
Education Enhancement Trust Fund (Lottery)	3,607,267
Bright Futures Scholarship Program	2,893,176
Florida Student Assistance Grants	2,571,388
Motor Vehicle License Tax (Capital Outlay and Debt Service)	458,629
Other State Sources	<u>15,000</u>
Total	<u>\$ 67,431,482</u>

14. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

**TALLAHASSEE COMMUNITY COLLEGE
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Functional Classification	Amount
Instruction	\$ 30,996,971
Public Services	7,019,029
Academic Support	19,664,128
Student Services	13,611,955
Institutional Support	17,647,007
Operation and Maintenance of Plant	8,139,047
Scholarships and Fellowships	12,579,693
Depreciation	4,614,228
Auxiliary Enterprises	2,677,681
Total Operating Expenses	\$ 116,949,739

15. COMPONENT UNITS

The College has three component units as discussed in note 1. These component units represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

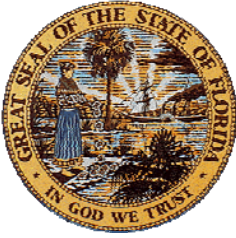
**TALLAHASSEE COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

	Direct-Support Organizations			Total
	Tallahassee Community College Foundation, Inc. 3-31-09	Tallahassee Community College Housing, Inc. 6-30-09	Public Safety Academy Housing, Inc. 3-31-09	
Condensed Statement of Net Assets				
Assets:				
Current Assets	\$ 5,203,720	\$ 631,355	\$ 78,439	\$ 5,913,514
Capital Assets, Net	21,704		7,616,470	7,638,174
Other Noncurrent Assets	6,907,850	6,403,663	151,323	13,462,836
Total Assets	12,133,274	7,035,018	7,846,232	27,014,524
Liabilities:				
Current Liabilities	257,298	532,000	343,541	1,132,839
Noncurrent Liabilities		6,080,000	7,688,194	13,768,194
Total Liabilities	257,298	6,612,000	8,031,735	14,901,033
Net Assets:				
Invested in Capital Assets, Net of Related Debt			(226,539)	(226,539)
Restricted	11,633,929			11,633,929
Unrestricted	242,047	423,018	41,036	706,101
Total Net Assets	\$ 11,875,976	\$ 423,018	\$ (185,503)	\$ 12,113,491
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	\$ 1,852,318	\$	\$ 739,913	\$ 2,592,231
Operating Expenses	1,896,981	7,464	339,463	2,243,908
Operating Income (Loss)	(44,663)	(7,464)	400,450	348,323
Net Nonoperating Expenses	(2,276,497)	(120,756)	(449,492)	(2,846,745)
Decrease in Net Assets	(2,321,160)	(128,220)	(49,042)	(2,498,422)
Net Assets, Beginning of Year	14,050,269	551,238	(136,461)	14,465,046
Adjustment to Beginning Net Assets (1)	146,867			146,867
Net Assets, Beginning of Year, as Restated	14,197,136	551,238	(136,461)	14,611,913
Net Assets, End of Year	\$ 11,875,976	\$ 423,018	\$ (185,503)	\$ 12,113,491

Note: (1) Adjustment is to correct omission of reporting certain donated property at its fair value.

16. SUBSEQUENT EVENTS

On August 15, 2009, State Board of Education Capital Outlay Bonds, Series 2009A, were issued, with an average interest rate of 4.18 percent. The College's share of the net proceeds totaled \$2,815,321 (\$2,765,000 plus net premium of \$73,724 less underwriting fees and other issuance costs of \$23,403) and will be used to fund construction projects identified on the approved project priority list.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
Tallahassee, Florida 32399-1450



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FAX: 850-488-6975

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

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

We have audited the financial statements of Tallahassee Community College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 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 aggregate discretely presented component units as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, 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. We consider the deficiency described in the **FINDING AND RECOMMENDATION** section of this report to be a significant deficiency in internal control over financial reporting.

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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we did note a significant deficiency that we consider to be a material weakness. The material weakness is discussed in the **FINDING AND RECOMMENDATION** section of this report.

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 certain operational matters that we reported to College management in our report No. 2010-027.

Management's response to the finding described in the **FINDING AND RECOMMENDATION** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on it.

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
March 25, 2010

FINDING AND RECOMMENDATION

MATERIAL WEAKNESS

Finding No. 1: Financial Reporting

One of the principal ways that a college documents accountability for the public resources it receives is to report its financial position and activities in its annual financial statements. As such, College personnel should ensure that the financial statements are accurate and include all required disclosures so users, such as the Board of Trustees, the President, College management, and other interested parties, can appropriately evaluate College operations and assess the College's financial condition.

To promote understanding and consistency in presentation, the College is required to prepare its annual financial statements in accordance with generally accepted accounting principles. Our review of the College's 2008-09 fiscal year annual financial report, as presented for audit, disclosed various reporting errors. For example,

- Cash and cash equivalents were understated by \$1,274,979 as a result of not timely adjusting the accounting records for cash deposits. Although these unrecorded transactions were noted during the bank reconciliation process, the accounting records were not timely adjusted to correct the College's accounting records.
- Accounts receivable were overstated by \$2,066,413 as a result of improperly reporting student tuition and fees for the subsequent accounting period.
- As a result of improperly recording certain fiscal year end transactions, other operating revenues were overstated by \$1,059,314 and other services and expenses were overstated by \$3,676,498.

These and other reporting errors occurred because College personnel did not have effective procedures to ensure the annual financial statements were accurate and complete. We extended our audit procedures to determine the adjustments necessary to properly report account balances and transaction classes, and the College accepted these adjustments. However, our audit procedures do not substitute for management's responsibility to establish effective internal controls over preparation of financial statements. When the financial statements are not accurately prepared or presented, the College's Board of Trustees, the President, College management, and other users of the financial statements are without a proper basis for evaluating College operations and for assessing the College's financial condition. A similar finding was noted in our report No. 2009-180.

Recommendation: **The College should establish more effective procedures over financial reporting to ensure the accuracy and completeness of the financial statements.**

PRIOR AUDIT FOLLOW-UP

As discussed in the preceding paragraphs, the College had not taken corrective actions for the finding included in our report No. 2009-180.

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit A.

**EXHIBIT A
MANAGEMENT'S RESPONSE**



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March 25, 2010

David W. Martin, CPA
Auditor General
111 West Madison Street
Rm 406A, Claude Pepper Building
Tallahassee, Florida 32399-1450

Re: Financial Audit

Dear Mr. Martin:

In response to the preliminary and tentative audit findings related to your financial audit of Tallahassee Community College for the fiscal year ended June 30, 2009, we submit this statement of explanation and corrective action. We are distressed that errors which occurred in the preparation of the statements created a material weakness. We can take comfort in two important things: 1) the audit did not disclose any misuse or misappropriation of funds, and 2) upon correction of the reporting errors, we understand that the College will receive an unqualified opinion.

In response to these findings, the following corrective actions have been implemented:

Cash and cash equivalents were understated by \$1,274,979, as a result of not timely recording receipts into the accounting records. These differences were noted during the bank reconciliation process; however, the deposits were recorded in the following fiscal year. Staff has been counseled as to the need to record receipts within the proper accounting period. Routine reviews of compliance will be conducted to ensure that this reporting error will not recur.

Deferred revenue and accounts receivable were overstated by \$2,066,413. This error was the result of recording accounts receivable and deferred revenue for students for which financial aid had been awarded and students had registered for classes for the Fall semester prior to June 30, 2009. The College will continue to strive to award financial aid for the next academic year as early as possible; however, the College has revised procedures to ensure revenues and receivables are recorded within the period in which the term occurs.

As a result of not eliminating transfers in and out between funds and indirect cost recovered, other operating revenues were overstated by \$1,059,314 and other services and expenses were overstated by \$3,676,498. This error occurred during the preparation of the statements. Revised procedures will ensure that this reporting error will not recur.

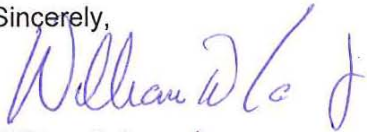
The College has implemented revised procedures for the preparation of the financial statements for next fiscal year:

- A comprehensive review of the underlying report systems and timelines has been undertaken;
- Weekly assignments in the preparation of the underlying financial worksheets and schedules have been initiated and will be monitored for accuracy and completeness;
- Deadlines have been established to permit sufficient time for review and cross checking of work by senior officers before the close of the present fiscal year and well in advance of the August 15th submission deadlines.

We regret that these errors have occurred and we are committed to ensuring that the College's long standing record of strong financial management remains intact.

If I can be of further assistance, please do not hesitate to call me.

Sincerely,

A handwritten signature in blue ink, appearing to read "William D. Law, Jr.", written in a cursive style.

William D. Law, Jr.
President