

# SOUTH FLORIDA COMMUNITY COLLEGE

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2009



## BOARD OF TRUSTEES AND PRESIDENT

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

	<u>County</u>
Tamela Cullens, Chair from 8-28-08	Highlands
David Leidel, Vice Chair from 8-28-08	Highlands
Dr. Louis H. Kirschner, Chair to 8-27-08	DeSoto
Gary Delatorre, Vice Chair to 8-27-08	Hardee
Jan B. Brewer to 5-31-09 (1)	DeSoto
Joan H. Hartt	Highlands
Richard L. Maenpaa	Hardee
Anne D. Reynolds	Highlands

Dr. Norman L. Stephens, Jr., President

Notes: (1) Member position remained vacant from June 1, 2009, to June 30, 2009.

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

The audit team leader was Youstra M. Shebl, CPA, and the audit was supervised by David A. Blanton, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto: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](http://www.myflorida.com/audgen); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

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

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

### Audit Objectives and Scope

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

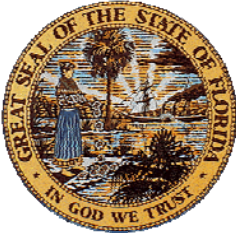
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the College's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2010-009.

### 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  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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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 South Florida Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2009, which collectively comprise the College's basic financial statements as shown on pages 13 through 34. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of South Florida Community College and of its discretely presented component unit as of June 30, 2009, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of South Florida 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

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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 \$76.4 million at June 30, 2009. This balance reflects a \$3.6 million, or 5 percent, increase from the 2007-08 fiscal year, resulting from an increase in the College's depreciable assets (buildings and other structures) as moneys from past capital appropriations were capitalized. While assets grew, liabilities increased by a lesser amount of \$0.5 million, or 14.9 percent, totaling \$4 million at June 30, 2009, compared to \$3.5 million at June 30, 2008. As a result, the College's net assets increased by \$3.1 million, reaching a year-end balance of \$72.3 million.

The College's operating revenues totaled \$4 million for the 2008-09 fiscal year, representing a 1.3 percent decrease from the 2007-08 fiscal year due mainly to a decline in State grants due to a downturn in the State's economic condition, as well as declines in sales and services of educational departments. Operating expenses totaled \$29 million for the 2008-09 fiscal year, representing a decrease of 0.6 percent from the 2007-08 fiscal year due mainly to cutbacks in purchases of materials and supplies as the College has experienced its own revenue shortfalls and has made subsequent expenditure cutbacks.

The South Florida Community College Foundation (Component Unit) net assets decreased \$1.9 million during the fiscal period ending December 31, 2008. Assets decreased from \$10.4 million at December 31, 2007, to \$8.5 million at December 31, 2008. The change in assets was primarily caused by losses in investment value with declines in the stock market. Other nonoperating gifts and grants decreased \$405 thousand while scholarship and waivers decreased by \$164 thousand. Liabilities increased \$11 thousand and are related to a small increase in accounts payable.

**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:

- South Florida 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.
- South Florida Community College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

**THE STATEMENT OF NET ASSETS AND THE STATEMENT  
OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

One of the most important questions asked about the College's finances is, "Is South Florida 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 South Florida Community College's operating results.

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

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

A condensed statement of assets, liabilities, and net assets of the College and its component unit for the respective periods ended, is shown in the following table:

**Condensed Statement of Net Assets  
For the Periods Ended  
(In Thousands)**

	College		Component Unit	
	6-30-09	6-30-08	12-31-08	12-31-07
<b>Assets</b>				
Current Assets	\$ 11,848	\$ 10,519	\$ 2,517	\$ 4,447
Capital Assets, Net	61,740	58,605	1,469	1,539
Other Noncurrent Assets	2,776	3,661	4,464	4,366
<b>Total Assets</b>	<b>76,364</b>	<b>72,785</b>	<b>8,450</b>	<b>10,352</b>
<b>Liabilities</b>				
Current Liabilities	2,025	1,612	152	141
Noncurrent Liabilities	2,029	1,915		
<b>Total Liabilities</b>	<b>4,054</b>	<b>3,527</b>	<b>152</b>	<b>141</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	61,739	58,605	1,469	1,539
Restricted	9,165	8,922	6,538	8,307
Unrestricted	1,406	1,731	291	365
<b>Total Net Assets</b>	<b>\$ 72,310</b>	<b>\$ 69,258</b>	<b>\$ 8,298</b>	<b>\$ 10,211</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 3,052</b>	4.4%	<b>\$ (1,913)</b>	-18.7%

The College’s increase in net assets is primarily attributable to a \$3.1 million increase in capital assets due to the completion of the renovations of the Lake Placid Center, a new parking area on the Highlands campus, and buildings H, F, C2, and T. There was a \$413 thousand increase to current liabilities. This was due to an \$838 thousand increase in payables resulting from renovations currently underway on the College auditorium, which was offset by a decrease of \$372 thousand in grant related deferred revenue. Noncurrent liabilities increased \$114 thousand for increases in compensated absences and in other postemployment benefits.

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

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

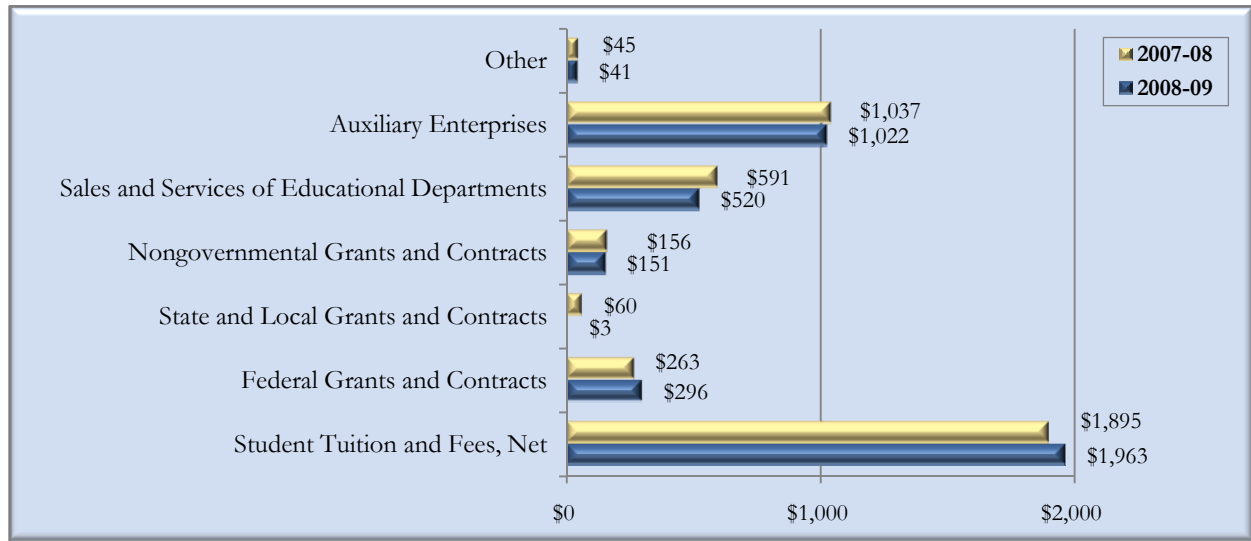
	College		Component Unit	
	6-30-09	6-30-08	12-31-08	12-31-07
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 1,963	\$ 1,895	\$	\$
Federal Grants and Contracts	296	263		
State and Local Grants and Contracts	3	60		
Nongovernmental Grants and Contracts	151	156		
Sales and Services of Educational Departments	520	591		
Auxiliary Enterprises	1,022	1,037		
Other Operating Revenues	41	45	217	211
<b>Total Operating Revenues</b>	<b>3,996</b>	<b>4,047</b>	<b>217</b>	<b>211</b>
Less, Operating Expenses	29,040	29,213	1,454	1,593
<b>Operating Loss</b>	<b>(25,044)</b>	<b>(25,166)</b>	<b>(1,237)</b>	<b>(1,382)</b>
<b>Nonoperating Revenues</b>				
State Appropriations	16,209	17,374	1,121	
Other Nonoperating Revenues	5,656	5,448	(1,797)	2,272
<b>Net Nonoperating Revenues</b>	<b>21,865</b>	<b>22,822</b>	<b>(676)</b>	<b>2,272</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
Capital Appropriations	5,818	7,207		
Capital Grants, Contracts, Gifts, and Fees	413	576		
<b>Increase (Decrease) in Net Assets</b>	<b>3,052</b>	<b>5,439</b>	<b>(1,913)</b>	<b>890</b>
Net Assets, Beginning of Year	69,258	63,819	10,211	9,321
<b>Net Assets, End of Year</b>	<b>\$ 72,310</b>	<b>\$ 69,258</b>	<b>\$ 8,298</b>	<b>\$ 10,211</b>

### 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 the result of the following factors:

- Net student tuition increased by \$68 thousand after the scholarship allowance. This small increase in the net tuition is misleading given increased tuition collection revenues by \$540 thousand (14.4 percent) compared to 2007-08 fiscal year. The College, however, awarded increased scholarships and experienced an increased scholarship allowance of \$472 thousand so that the net tuition recognized appears to be negligible. See the chart below for details related to tuition:

Fiscal Year	(In Thousands)		
	Tuition Charged	Scholarship Allowance	Net Tuition
2007-08	\$ 3,747	\$ 1,852	\$ 1,895
2008-09	4,287	2,324	1,963
<b>Difference</b>	<u>\$ 540</u>	<u>\$ 472</u>	<u>\$ 68</u>

- Federal grants increased by \$33 thousand and State grants decreased by \$57 thousand. The Federal grant increase was caused by increased funding of the Summer Youth program. In addition, the decrease to State funding was related to a Florida Ready to Work grant received in the prior year that was a one-time grant award.
- Sales and services of educational activities decreased \$71 thousand due to an overall decrease of activities for all ancillaries in the current sluggish economy.

Component unit operating revenues increased \$6 thousand due to an increase in rental income.

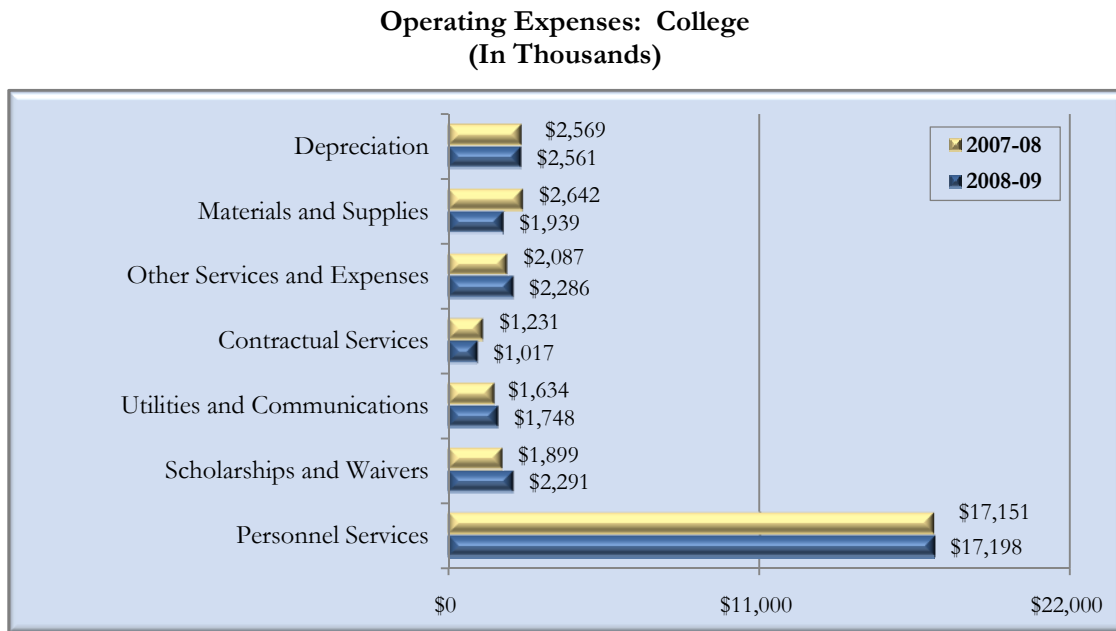
**Operating Expenses**

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

Operating expenses for the College and its component unit for the respective periods ended are presented in the following table:

	College		Component Unit	
	6-30-09	6-30-08	12-31-08	12-31-07
<b>Operating Expenses</b>				
Personnel Services	\$ 17,198	\$ 17,151	\$	\$
Scholarships and Waivers	2,291	1,899	841	1,005
Utilities and Communications	1,748	1,634		
Contractual Services	1,017	1,231		
Other Services and Expenses	2,286	2,087	320	327
Materials and Supplies	1,939	2,642	223	197
Depreciation	2,561	2,569	70	64
<b>Total Operating Expenses</b>	<b>\$ 29,040</b>	<b>\$ 29,213</b>	<b>\$ 1,454</b>	<b>\$ 1,593</b>

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



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

- The personnel services expenses’ increase of \$47 thousand was caused by a decrease in salaries of \$31 thousand and an increase in benefit payments of \$78 thousand. The increased benefit payments were due to the increasing cost of health insurance. The College spent \$270 thousand for a 2 percent annual salary increase for faculty and staff; however, these costs were offset by a reduction in staffing that was the result of attrition and reorganizations.
- Scholarships and waivers increased by \$392 thousand. The amount presented for scholarships and waivers is reduced by the scholarship allowance. As such, the College actually awarded scholarships of \$4.6 million in the 2008-09 fiscal year as compared to \$3.8 million in the 2007-08 fiscal year, which is an overall 21 percent increase in gross scholarships awarded to students. The increase was the result of enrollment growth of students with financial need.

- Utilities and communication charges increased \$114 thousand primarily due to increases in the electrical rates and adding the sewer connection to the Lake Placid Center for a partial year.
- Purchases of materials and supplies decreased by \$703 thousand due to the decrease in purchases attributable to the equipping of the Health and Science Education Center during fiscal year 2007-08.

Component unit operating expense changes were the result of the following factors:

- The South Florida Community College Foundation, Inc. (Foundation), awarded \$841 thousand in scholarships, a decrease of \$164 thousand. The decline is caused primarily by decreased grants coming to the Foundation and a low level of investment revenue in the calendar year 2008. The Foundation’s spending policy restricted the level of scholarship spending based upon prior year investment income.
- Other services and expenses decreased by \$7 thousand and materials and supplies expense increased by \$26 thousand as the Foundation did renovation work in the Hotel Jacaranda to enhance its commercial rental spaces.

**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. The following summarizes the College’s nonoperating revenues for the 2008-09 and 2007-08 fiscal years:

<b>Nonoperating Revenues: College</b>		
<b>(In Thousands)</b>		
	2008-09	2007-08
State Appropriations	\$ 16,209	\$ 17,374
Gifts and Grants	5,501	4,814
Investment Income	80	299
Gain on Disposal of Capital Assets	75	335
<b>Net Nonoperating Revenues</b>	<b>\$ 21,865</b>	<b>\$ 22,822</b>

Nonoperating revenues changes were the result of the following factors:

- State appropriations decreased in total by \$1.2 million, or 6.7 percent. While the College was originally appropriated \$16.6 million, State cutbacks during the year reduced appropriations by \$438 thousand, or 2.6 percent.
- Gifts and grants in total increased by \$687 thousand, or 14.3 percent. Student aid increased by \$894 thousand, mainly attributable to increases in Bright Futures scholarships and Pell grants. Other gifts and grants decreased by \$207 thousand.
- College investment income decreased \$219 thousand, or 73.2 percent, as a result of lower interest rates. The College only invests in low risk cash equivalents that have been earning minimal returns.
- The decrease in other nonoperating revenues is caused from gains and losses related to the renovation of campus buildings. In the prior year, a gain of \$460 thousand was recognized as the actual value of the buildings F, C, C2, and T was more than the book value after the demolition. This gain was reduced on the face of the financials by a loss of approximately \$124 thousand from an early disposal of the former telephone system. In the current year, gains and losses on the Lake Placid buildings, building H and A netted with a loss on one piece of equipment to a recognized gain of \$75 thousand.

### 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)

	<u>2008-09</u>	<u>2007-08</u>
Capital Appropriations	\$ 5,818	\$ 7,207
Capital Grants, Contracts, Gifts, and Fees	413	576
<b>Total</b>	<b><u>\$ 6,231</u></b>	<b><u>\$ 7,783</u></b>

The \$1.4 million decrease in capital appropriations revenue is primarily attributable to Public Education Capital Outlay appropriations relating to renovations on the Highlands campus and at the Lake Placid Center. The \$163 thousand decrease in capital grants, contracts, and fees is mainly attributable to the receipt of fewer capital grants.

### 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)

	<u>2008-09</u>	<u>2007-08</u>
Cash Provided (Used) by:		
Operating Activities	\$ (21,951)	\$ (23,350)
Noncapital Financing Activities	21,730	22,215
Capital and Related Financing Activities	(348)	(195)
Investing Activities	79	299
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(490)</b>	<b>(1,031)</b>
Cash and Cash Equivalents, Beginning of Year	<u>7,800</u>	<u>8,831</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 7,310</u></b>	<b><u>\$ 7,800</u></b>

Major sources of funds came from State appropriations (\$16.2 million), gifts and grants (\$5.5 million), capital appropriations (\$5 million), and net student tuition and fees (\$1.8 million). Changes in cash and cash equivalents were the result of the following factors:

- Cash used by operating activities decreased by \$1.4 million, or 6 percent. Net tuition and fees provided \$341 thousand less cash, while scholarships and grants used \$392 thousand more cash. Grants and contracts provided \$327 thousand more cash than in 2007-08 fiscal year. Payments to suppliers decreased \$716 thousand as building construction and renovation and remodeling have slowed. The auxiliaries provided \$224 thousand less cash, due in large part to the beginning of the auditorium renovation, which has curtailed much of the cultural programming activities in that area. The ancillaries brought in diminished revenues of approximately \$71 thousand which is attributed to the sluggish economy.
- The decrease of \$485 thousand from noncapital financing activities was caused by the approximate \$1.2 million decrease in State appropriations and an additional \$677 thousand in gifts and grants.
- Net cash used from capital activities reflects a slight increase in construction expenditures of \$152 thousand from the prior year.
- A lower rate of return on investments resulted in a \$220 thousand decrease in cash from investing activities.

These factors contributed to an overall decrease in cash and cash equivalents of \$490 thousand.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2009, the College had \$89.3 million in capital assets, less accumulated depreciation of \$27.5 million, for net capital assets of \$61.7 million. Depreciation charges for the current fiscal year totaled \$2.6 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	\$ 2,478	\$ 2,478
Artwork	421	404
Buildings	68,869	64,875
Other Structures and Improvements	12,452	11,592
Furniture, Machinery, and Equipment	2,819	2,870
Construction in Progress	<u>2,243</u>	<u>3,375</u>
<b>Total</b>	<u>89,282</u>	<u>85,594</u>
Less, Accumulated Depreciation:		
Buildings	16,900	17,184
Other Structures and Improvements	8,265	7,486
Furniture, Machinery, and Equipment	<u>2,378</u>	<u>2,319</u>
<b>Total Accumulated Depreciation</b>	<u>27,543</u>	<u>26,989</u>
<b>Capital Assets, Net</b>	<u>\$ 61,739</u>	<u>\$ 58,605</u>

The College made several additions during the current fiscal year. Renovations to building F, C, C2, and T, the Lake Placid Center, and building H were completed during the year. Other projects that were completed included the addition of a parking lot to the Highlands campus, upgrades to the College’s computer network, reroofing projects, and the re-design of the Highlands campus amphitheatre. Special needs generators were also installed on the Hardee and Desoto campuses by grant funding so that the two sites can serve as special needs shelters for their communities. Renovations and remodeling is underway at year-end in the Fine Arts Center Auditorium (Building A) and the College is planning a technology upgrade to include a web portal to better serve students. College Trustees have approved an

\$11.8 million budget for capital projects for the 2009-10 fiscal year. More detailed information about the College's capital assets is presented in the notes to financial statements.

#### **DEBT ADMINISTRATION**

At fiscal year-end, the College was debt free. During the 2008-09 fiscal year, there were no bond sales. Additional information about the College's long-term liabilities is presented in the notes to financial statements.

#### **ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

South Florida Community College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth, the downturn of State revenues, and the demand for State resources, level to slightly diminished funding is anticipated in the 2009-10 fiscal year. Only a modest increase, if any at all, in State funding is anticipated in the following year as the State will no longer have Federal stimulus money to fill the shortfall in State revenues. The College's current financial and capital plans are reliant upon future State appropriations at or near current levels along with inflation-adjusted tuition rates 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 Controller, South Florida Community College, 600 West College Drive, Avon Park, Florida 33825.

**BASIC FINANCIAL STATEMENTS**

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

	<u>College</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 3,079,699	\$ 787,344
Restricted Cash and Cash Equivalents	1,454,248	
Investments		1,613,880
Accounts Receivable, Net	331,947	97,509
Due from Other Governmental Agencies	6,581,774	
Due from Component Unit	65,694	
Inventories	24,069	
Prepaid Expenses	310,968	18,749
<b>Total Current Assets</b>	<u>11,848,399</u>	<u>2,517,482</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,776,395	924,274
Restricted Investments		3,539,862
Depreciable Capital Assets, Net	56,597,209	1,151,397
Nondepreciable Capital Assets	5,141,963	317,720
<b>Total Noncurrent Assets</b>	<u>64,515,567</u>	<u>5,933,253</u>
<b>TOTAL ASSETS</b>	<u>\$ 76,363,966</u>	<u>\$ 8,450,735</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 1,114,560	\$ 147,091
Salary and Payroll Taxes Payable	135,909	
Due to Other Governmental Agencies	119,631	
Retainage Payable	149,681	
Deferred Revenue	55,499	
Deposits Held for Others	329,445	5,400
Long-Term Liabilities - Current Portion: Compensated Absences Payable	<u>119,840</u>	
<b>Total Current Liabilities</b>	<u>2,024,565</u>	<u>152,491</u>
Noncurrent Liabilities:		
Compensated Absences Payable	1,973,605	
Other Postemployment Benefits Payable	<u>55,484</u>	
<b>Total Noncurrent Liabilities</b>	<u>2,029,089</u>	
<b>TOTAL LIABILITIES</b>	<u>4,053,654</u>	<u>152,491</u>

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

	<u>College</u>	<u>Component Unit</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 61,739,172	\$ 1,469,117
Restricted:		
Nonexpendable:		
Endowment		4,464,136
Expendable:		
Grants and Loans	147,167	2,073,821
Scholarships	54,067	
Capital Projects	8,963,358	
Unrestricted	<u>1,406,548</u>	<u>291,170</u>
<b>Total Net Assets</b>	<u>72,310,312</u>	<u>8,298,244</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 76,363,966</u>	<u>\$ 8,450,735</u>

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

**SOUTH FLORIDA 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**

	<u>College</u>	<u>Component Unit</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$2,324,097	\$ 1,962,634	\$
Federal Grants and Contracts	295,911	
State and Local Grants and Contracts	2,934	
Nongovernmental Grants and Contracts	151,066	
Sales and Services of Educational Departments	519,684	
Auxiliary Enterprises	1,022,509	
Other Operating Revenues	40,901	217,032
<b>Total Operating Revenues</b>	<u>3,995,639</u>	<u>217,032</u>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	17,198,352	
Scholarships and Waivers	2,291,096	841,135
Utilities and Communications	1,748,146	
Contractual Services	1,017,076	
Other Services and Expenses	2,285,793	320,227
Materials and Supplies	1,938,618	222,650
Depreciation	2,560,746	69,929
<b>Total Operating Expenses</b>	<u>29,039,827</u>	<u>1,453,941</u>
<b>Operating Loss</b>	<u>(25,044,188)</u>	<u>(1,236,909)</u>
<b>NONOPERATING REVENUES</b>		
State Appropriations	16,209,426	
Gifts and Grants	5,500,585	1,120,647
Investment Income (Loss)	79,517	(1,803,329)
Other Nonoperating Revenues	1,005	6,677
Gain on Disposal of Capital Assets	74,821	
<b>Net Nonoperating Revenues</b>	<u>21,865,354</u>	<u>(676,005)</u>
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	<u>(3,178,834)</u>	<u>(1,912,914)</u>
Capital Appropriations	5,817,904	
Capital Grants, Contracts, Gifts, and Fees	413,605	
<b>Total Other Revenues</b>	<u>6,231,509</u>	
<b>Increase (Decrease) in Net Assets</b>	3,052,675	(1,912,914)
Net Assets, Beginning of Year	69,257,637	10,211,158
<b>Net Assets, End of Year</b>	<u>\$ 72,310,312</u>	<u>\$ 8,298,244</u>

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

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

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 1,754,603
Grants and Contracts	518,254
Payments to Suppliers	(5,246,894)
Payments for Utilities and Communications	(1,748,146)
Payments to Employees	(13,542,865)
Payments for Employee Benefits	(3,512,576)
Payments for Scholarships	(2,291,096)
Auxiliary Enterprises	805,019
Sales and Service of Educational Departments	519,684
Other Receipts	792,610
	<b>(21,951,407)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	16,209,426
Gifts and Grants Received for Other Than Capital or Endowment Purposes	5,491,344
Other Nonoperating Receipts	29,110
	<b>21,729,880</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Appropriations	4,961,008
Capital Grants, Contracts, Gifts, and Fees	404,997
Proceeds from Sale of Capital Assets	1,005
Purchases of Capital Assets	(5,714,846)
	<b>(347,836)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	79,517
	<b>79,517</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(489,846)</b>
Cash and Cash Equivalents, Beginning of Year	7,800,188
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 7,310,342</b>

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

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (25,044,188)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,560,746
Changes in Assets and Liabilities:	
Receivables, Net	14,352
Inventories	(5,407)
Prepaid Expenses	(86,530)
Accounts Payable	838,239
Deferred Revenue	(371,529)
Compensated Absences Payable	117,557
Other Postemployment Benefits Payable	25,353
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (21,951,407)</b>

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

**SOUTH FLORIDA 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 South Florida 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 eight 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 DeSoto, Hardee, and Highlands 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 Unit.** Based on the application of the criteria for determining component units, the South Florida Community College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the calendar year ended December 31, 2008.

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

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

**Basis of Presentation.** The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
  - Notes to Financial Statements

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

The College's component unit uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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

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

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects.

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 revenues.

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, and cash with the State Board of Administration Local Government Surplus Trust Fund Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME. For the purpose of reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the 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 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 \$3,348,967 of moneys held in the LGIP administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The 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

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

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

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

Land, buildings, and equipment of the College's component unit 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 \$580,465. The College's component unit depreciates buildings and equipment using the straight-line method. **,156(b)**

**Noncurrent Liabilities.** Noncurrent liabilities include compensated absences payable and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year.

## 2. CHANGE IN REPORTING

At December 31, 2007, the Foundation reported total cash of \$1,076,457. In the current fiscal year ending December 31, 2008, the Foundation adjusted its beginning cash to \$1,846,847. The \$770,390 difference is the reclassification of cash held in mutual funds as cash and cash equivalents rather than an investment as reported in the prior year. The change in reporting was to better represent the Foundation's cash and

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

investment portfolio at its year end in accordance with Statement of Financial Accounting Standards No. 117.

**3. INVESTMENTS**

Investments held by the College's component unit (Foundation) at December 31, 2008, totaling \$5,153,742, consist of equity investments, money market funds, United States Treasury securities, asset backed securities, corporate bonds and mutual funds, and are reported at fair value.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$5,198 allowance for uncollectible accounts.

**5. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$6,388,377 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

**6. DUE FROM COMPONENT UNIT**

The \$65,694 reported as due from component unit consists of amounts owed to the College by the Foundation pursuant to an agreement to reimburse the College for certain expenses paid for the benefit of the Foundation. This receivable is expected to be fully collectible. The College's financial statements are reported for the fiscal year ended June 30, 2009. The College's component unit's financial statements are reported as of the fiscal year ended December 31, 2008. Accordingly, although the College reported an amount as due from the component unit on the statement of net assets, no amount was reported by the component unit as due to the College.

**7. INVENTORIES**

Inventories consist of items for resale by the College and purchased food, 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.

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

**8. CAPITAL ASSETS**

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 2,477,518	\$	\$	\$ 2,477,518
Artwork	403,363	17,850		421,213
Construction in Progress	3,375,801	4,806,609	5,939,178	2,243,232
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 6,256,682</b>	<b>\$ 4,824,459</b>	<b>\$ 5,939,178</b>	<b>\$ 5,141,963</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$64,875,107	\$5,740,591	\$1,746,398	\$68,869,300
Other Structures and Improvements	11,591,160	860,415		12,451,575
Furniture, Machinery, and Equipment	2,870,039	133,663	184,438	2,819,264
<b>Total Depreciable Capital Assets</b>	<b>79,336,306</b>	<b>6,734,669</b>	<b>1,930,836</b>	<b>84,140,139</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	17,183,533	1,541,454	1,825,414	16,899,573
Other Structures and Improvements	7,485,391	779,422		8,264,813
Furniture, Machinery, and Equipment	2,318,916	239,871	180,243	2,378,544
<b>Total Accumulated Depreciation</b>	<b>26,987,840</b>	<b>2,560,747</b>	<b>2,005,657</b>	<b>27,542,930</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$52,348,466</b>	<b>\$4,173,922</b>	<b>\$ (74,821)</b>	<b>\$56,597,209</b>

**9. ART COLLECTIONS**

In addition to the Museum of Florida Art and Culture (MOFAC) collection, which is capitalized and not depreciated, the College has the McDearman collection that it does not capitalize. The MOFAC collection adheres to the College’s policy to: (a) maintain them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections like the McDearman collection to be charged to operations at the time of purchase rather than capitalized.

**10. DEFERRED REVENUE**

Deferred revenue includes prepayments of rental fees and cultural program sales and donations as well as grant moneys for which expenditures have yet to be incurred. As of June 30, 2009, the College reported the following amounts as deferred revenue:

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

Description	Amount
Grant Related	\$ 34,572
Student Fees	18,000
Cultural Program - Advance Sales and Donations	2,927
<b>Total Deferred Revenue</b>	<b>\$ 55,499</b>

**11. LONG-TERM LIABILITIES**

Long-term liabilities of the College at June 30, 2009, include compensated absences payable and other postemployment benefits 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
Compensated Absences Payable	\$ 1,975,888	\$ 237,397	\$ 119,840	\$ 2,093,445	\$ 119,840
Other Postemployment Benefits Payable	30,131	64,517	39,164	55,484	
<b>Total Long-Term Liabilities</b>	<b>\$ 2,006,019</b>	<b>\$ 301,914</b>	<b>\$ 159,004</b>	<b>\$ 2,148,929</b>	<b>\$ 119,840</b>

**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 \$2,093,445. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and represents anticipated payments for employees in the final year of the Deferred Retirement Option Program.

**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 (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

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

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 Plan and the Plan is not included in the annual report of a public employee retirement system or another entity.

*Funding Policy.* Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contribution rates can be amended by the Board of Trustees. The College has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 49 retirees received postemployment healthcare benefits, and 36 retirees received postemployment life insurance benefits. The College provided required contributions of \$39,164 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 \$211,007.

*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:

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

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 46,712
Amortization of Unfunded Actuarial Accrued Liability	17,905
<b>Annual Required Contribution</b>	64,617
Interest on Net OPEB Obligation	904
Adjustment to Annual Required Contribution	(1,004)
<b>Annual OPEB Cost (Expense)</b>	64,517
Contribution Toward the OPEB Cost	(39,164)
<b>Increase in Net OPEB Obligation</b>	25,353
Net OPEB Obligation, Beginning of Year	30,131
<b>Net OPEB Obligation, End of Year</b>	\$ 55,484

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:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	64,617	53.4%	30,131
2008-09	64,517	60.7%	55,484

*Funded Status and Funding Progress.* As of June 30, 2009, the actuarial accrued liability for benefits was \$953,114 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$953,114 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$17,198,351 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.5 percent.

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

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between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 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's 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 five 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.

## 12. 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).

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

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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
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 \$915,575, \$946,332, and \$957,183, 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 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 72 College participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$203,532.

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

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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 10 College participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$74,925.

**13. CONSTRUCTION COMMITMENTS**

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Renovation of Building A	\$ 10,902,971	\$ 2,243,233	\$ 8,659,738
<b>Total</b>	<b>\$ 10,902,971</b>	<b>\$ 2,243,233</b>	<b>\$ 8,659,738</b>

**14. OPERATING LEASE COMMITMENTS**

The College leased a mail machine and several copy machines under operating leases, with various expiration dates through 2012. These leased assets and the related commitments are not reported on the College’s statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

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Fiscal Year Ending June 30	Amount
2010	\$ 71,381
2011	30,412
2012	3,091
<b>Total Minimum Payments Required</b>	<b>\$ 104,884</b>

**15. RISK MANAGEMENT PROGRAMS**

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

Board member bonds, coverage for the trucks and trailers used in the truck-driving classes offered by the College, and bonds for employees who are notaries are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

**16. SCHEDULE OF STATE REVENUE SOURCES**

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

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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	\$ 14,230,702
Gross Receipts Tax (Public Education Capital Outlay)	5,676,452
Education Enhancement Trust Fund (Lottery)	1,751,037
Bright Futures Scholarship Program	533,794
Florida Student Assistance Grants	449,202
Adults with Disabilities	227,687
Restricted Contracts and Grants	184,536
Motor Vehicle License Tax (Capital Outlay and Debt Service)	141,452
Florida Workforce	137,457
Other State Sources	124,771
<b>Total</b>	<b>\$ 23,457,090</b>

**17. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

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

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Functional Classification	Amount
Instruction	\$ 8,249,161
Academic Support	2,503,469
Student Services	3,100,005
Institutional Support	4,282,043
Operation and Maintenance of Plant	5,121,644
Scholarships and Fellowships	2,082,442
Depreciation	2,560,746
Auxiliary Enterprises	1,140,317
<b>Total Operating Expenses</b>	<b>\$ 29,039,827</b>

**18. CURRENT UNRESTRICTED FUNDS**

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

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**Statement of Current Unrestricted Funds Net Assets**

**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 3,079,699
Prepaid Expenses	310,968
Accounts Receivable, Net	200,635
Due from Component Unit	39,789
Inventories	24,069
Due from Other Governmental Agencies	<u>15,866</u>

**TOTAL ASSETS** \$ 3,671,026

**LIABILITIES**

Current Liabilities:

Accounts Payable	\$ 94,622
Deferred Revenue	20,927
Compensated Absences Payable	<u>119,840</u>

**Total Current Liabilities** 235,389

Noncurrent Liabilities:

Compensated Absences Payable	1,973,605
Other Postemployment Benefits Payable	<u>55,484</u>

**TOTAL LIABILITIES** 2,264,478

**TOTAL NET ASSETS** 1,406,548

**TOTAL LIABILITIES AND NET ASSETS** \$ 3,671,026

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

**REVENUES**

## Operating Revenues:

Student Tuition and Fees (Note 1)	\$ 3,826,319
State and Local Grants and Contracts	2,934
Nongovernmental Grants and Contracts	103,472
Sales and Services of Educational Departments	519,684
Auxiliary Enterprises	1,022,509
Other Operating Revenue	35,713

**Total Operating Revenues** 5,510,631

**EXPENSES**

## Operating Expenses:

Personnel Services	16,164,095
Scholarships and Waivers	61,733
Utilities and Communications	1,745,998
Contractual Services	876,882
Other Services and Expenses	1,764,718
Materials and Supplies	1,435,684

**Total Operating Expenses** 22,049,110

**Operating Loss** (16,538,479)

**NONOPERATING REVENUES**

State Appropriations	15,995,862
Gifts and Grants	177,231
Investment Income	40,207
Other Nonoperating Revenues	605

**Net Nonoperating Revenues** 16,213,905

**Decrease in Net Assets** (324,574)

Net Assets, Beginning of Year 1,731,122

**Net Assets, End of Year** \$ 1,406,548

Note: (1) Student tuition and fees revenues are reported net of the scholarship allowance on the statement of revenues, expenses, and changes in net assets; however, the scholarship allowance is not reflected in student tuition and fees revenues for the purposes of this disclosure.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

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

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

We have audited the financial statements of South Florida Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2009, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

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

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

#### **Compliance and Other Matters**

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

We noted an operational matter that we reported to College management in our report No. 2010-009.

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