

**SEMINOLE STATE COLLEGE OF
FLORIDA**

Financial Audit

For the Fiscal Year Ended
June 30, 2010



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2009-10 fiscal year are listed below:

Lisa M. Greer, Vice Chair to 7-19-09, Chair from 7-20-09 (1)
Scott D. Howat, Vice Chair from 7-20-09
Christopher E. Dorworth, Chair to 7-19-09 (2)
Cynthia L. Drago from 7-31-09
Charles W Gregg, Sr.
Deanne F. Schaffner to 7-30-09 (3)

Dr. E. Ann McGee, President

Notes: (1) Board member served beyond end of term,
May 31, 2010.
(2) Board member resigned May 1, 2010.
(3) Board member served beyond end of term,
May 31, 2009.

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

The audit team leader was Patrick M. Dougherty, CPA, and the audit was supervised by Keith A. Wolfe, 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) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

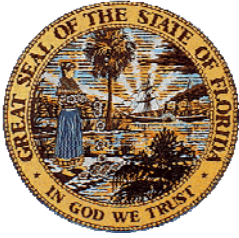
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied 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, 2010. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Audit Methodology

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.



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Seminole State College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2010, which collectively comprise the College's basic financial statements as shown on pages 12 through 37. These financial statements are the responsibility of College 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 represents 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, 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 Seminole State College of Florida and of its discretely presented component unit as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Seminole State College of Florida'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.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 11 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on pages 38 and 39 be presented to supplement the basic financial statements. Such information, although not a required part of the basis financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate, operational, economic, or historical content. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,



David W. Martin, CPA
February 9, 2011

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, 2010, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

COLLEGE NAME CHANGE

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

FINANCIAL HIGHLIGHTS

The College's assets totaled \$202.6 million at June 30, 2010. This balance reflects a \$4.5 million, or 2.2 percent, decrease from the 2008-09 fiscal year, resulting from a decrease in Public Education Capital Outlay funds receivable from the State and a decrease in restricted cash and cash equivalents, offset by an increase in capital assets. Liabilities decreased \$11.5 million, or 38.6 percent, totaling \$18.3 million at June 30, 2010, compared to \$29.8 million at June 30, 2009. Most of this decrease can be attributed to large capital project-related liabilities outstanding in the prior year that were satisfied in the current year. As a result, the College's net assets increased by \$7 million, or 3.9 percent, reaching a year-end balance of \$184.3 million.

The College's revenues totaled \$112.8 million for the 2009-10 fiscal year, representing a 6.2 percent increase over the 2008-09 fiscal year due mainly to increases in Federal and State student aid revenue related to enrollment growth and student fee increases, offset by decreases in State and local capital revenues. Operating expenses totaled \$105.3 million for the 2009-10 fiscal year, representing an increase of 23.5 percent over the 2008-09 fiscal year due mainly to increases in personnel costs, scholarship and waiver expenses, and materials and supplies expenses.

OVERVIEW OF FINANCIAL STATEMENTS

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

- Seminole State College of Florida (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Foundation for Seminole State College of Florida, 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 Foundation was formerly known as the Seminole Community College Foundation, Inc., changing its legal name effective February 25, 2010.

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

One of the most important questions asked about the College's finances is, "Is Seminole State College of Florida as a whole, better or worse off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in

net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Seminole State College of Florida's operating results.

These two statements report Seminole State College of Florida'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 campuses, 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 as of June 30, 2010, and June 30, 2009, is shown in the following table:

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

	College		Component Unit	
	6-30-10	6-30-09	6-30-09	6-30-10
Assets				
Current Assets	\$ 24,575	\$ 29,513	\$ 4,583	\$ 4,281
Capital Assets, Net	171,768	164,771	872	872
Other Noncurrent Assets	6,300	12,862	6,418	6,670
Total Assets	<u>202,643</u>	<u>207,146</u>	<u>11,873</u>	<u>11,823</u>
Liabilities				
Current Liabilities	3,742	14,694	152	303
Noncurrent Liabilities	14,579	15,131	702	902
Total Liabilities	<u>18,321</u>	<u>29,825</u>	<u>854</u>	<u>1,205</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	161,370	153,482	170	11
Restricted	14,750	20,802	10,215	9,894
Unrestricted	8,202	3,037	634	713
Total Net Assets	<u>\$ 184,322</u>	<u>\$ 177,321</u>	<u>\$ 11,019</u>	<u>\$ 10,618</u>
Increase (Decrease) in Net Assets	<u>\$ 7,001</u>	3.9%	<u>\$ 401</u>	3.8%

The decrease in total assets is a result of a decrease in receivables due from State for major construction projects, and a decrease in restricted cash and cash equivalents used for major construction projects, offset with an increase in capital assets primarily related to completion of the University Partnership building, the Public Safety building, and certain parking and roadway projects. Current liabilities decreased as a result of the completion and payment of large amounts of construction related invoices and retainage payables that existed at the end of the prior fiscal year, related to the previously mentioned projects. The increase in total net assets is attributable to an increase in the unrestricted fund balance as a result of net revenue increases from enrollment and tuition growth. The increase in the net assets in the invested in capital asset category is offset with the decrease in the restricted net assets that resulted from the completion of the University Partnership building, Public Safety building, and certain parking and roadway projects.

Revenues and expenses of the College and its component unit for the 2009-10 and 2008-09 fiscal years are shown in the following table:

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

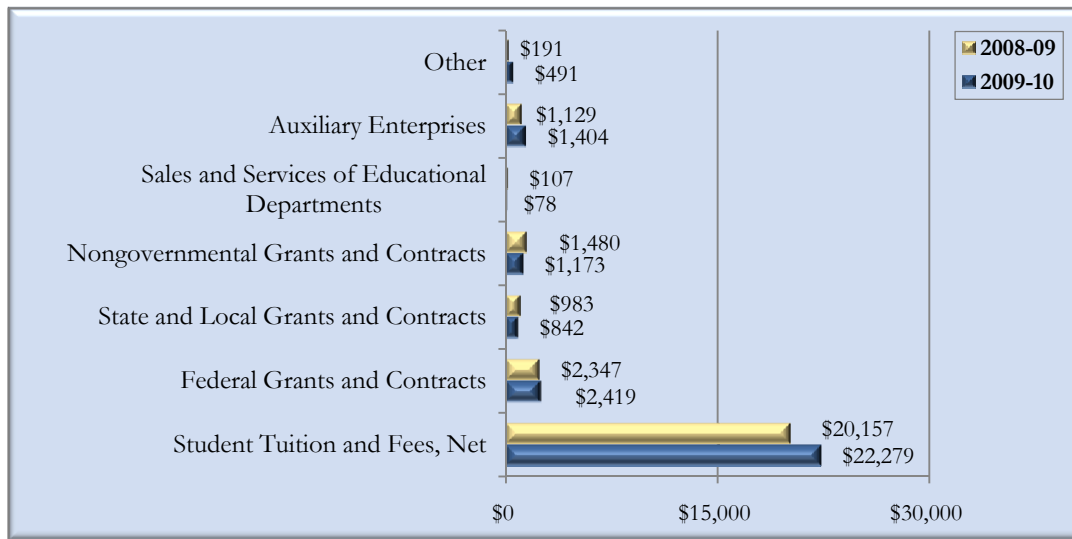
	College		Component Unit	
	6-30-10	6-30-09	6-30-10	6-30-09
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 22,279	\$ 20,157	\$	\$
Federal Grants and Contracts	2,419	2,347		
State and Local Grants and Contracts	842	983		
Nongovernmental Grants and Contracts	1,173	1,480		
Sales and Services of Educational Departments	78	107		
Auxiliary Enterprises	1,404	1,129		
Other Operating Revenues	491	191	1,733	1,797
Total Operating Revenues	28,686	26,394	1,733	1,797
Less, Operating Expenses	105,290	85,243	2,105	3,407
Operating Loss	(76,604)	(58,849)	(372)	(1,610)
Nonoperating Revenues (Expenses)				
State Appropriations	32,928	35,670	54	98
Other Nonoperating Revenues	38,687	17,948	719	477
Nonoperating Expenses	(529)	(558)		(1,443)
Net Nonoperating Revenues (Expenses)	71,086	53,060	773	(868)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(5,518)	(5,789)	401	(2,478)
Capital Appropriations	9,751	16,306		
Capital Grants, Contracts, Gifts, and Fees	2,768	9,893		
Increase (Decrease) in Net Assets	7,001	20,410	401	(2,478)
Net Assets, Beginning of Year	177,321	156,911	10,618	13,096
Net Assets, End of Year	\$ 184,322	\$ 177,321	\$ 11,019	\$ 10,618

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 2009-10 and 2008-09 fiscal years:

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



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

- An 8 percent tuition increase and a new 5 percent technology fee, coupled with a 24 percent increase in fee-paying enrollment resulted in a \$2.1 million, or 10.5 percent, increase in student tuition and fees.
- Federal grants and contracts revenues increased slightly by \$0.1 million, or 3.1 percent, primarily due to increases in Department of Labor healthcare grants offset with decreases in grants related to Adult Education and Information Technology.
- State and nongovernmental grants and contract revenues decreased by \$0.4 million, or 18.2 percent, due to the downturn in the State and local economies that impacted the amount of funds available for such grants and contracts.
- Auxiliary enterprises revenues increased by \$0.3 million, or 24.4 percent, primarily due to increased revenues generated from bookstore commissions.
- Other revenue increases of \$0.3 million, or 157.1 percent, are due to energy rebate checks received from utility companies.

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.

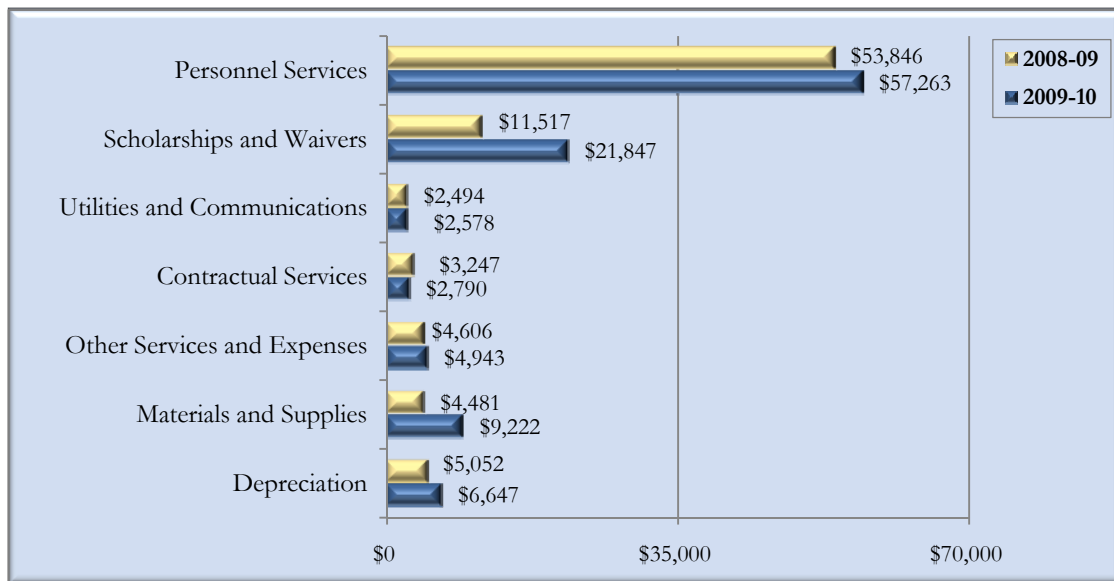
Operating expenses for the College and its component unit for the 2009-10 and 2008-09 fiscal years are presented in the following table:

**Operating Expenses
(In Thousands)**

	College		Component Unit	
	6-30-10	6-30-09	6-30-10	6-30-09
Operating Expenses				
Personnel Services	\$ 57,263	\$53,846	\$ 565	\$ 709
Scholarships and Waivers	21,847	11,517	1,140	1,731
Utilities and Communications	2,578	2,494		
Contractual Services	2,790	3,247	103	122
Other Services and Expenses	4,943	4,606	255	810
Materials and Supplies	9,222	4,481	42	35
Depreciation	6,647	5,052		
Total Operating Expenses	\$ 105,290	\$ 85,243	\$ 2,105	\$ 3,407

The following chart presents the College’s operating expenses for the 2009-10 and 2008-09 fiscal years:

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



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

- Personnel expenses increased \$3.4 million, or 6.3 percent, due to compensation adjustments and increased staffing levels necessitated by enrollment growth.
- Scholarship expenses increased \$10.3 million, or 89.7 percent, primarily due to increases in Federal Pell Grant awards due to increased enrollment and the new year-round Federal Pell Grant regulation, and increases in Bright Futures, Federal Supplemental Educational Opportunity Grants, and First Generation in College scholarships. Additionally, the increased enrollment at the College resulted in increased scholarship expenses.
- Materials and supplies expenses increased \$4.7 million, or 105.8 percent, over the prior year due to significant amounts of minor equipment purchases related to furnishing the new University Partnership building and Public Safety building. Additionally many noncapitalized repairs, renovations, and remodels on the Sanford/Lake Mary campus occurred during the 2009-10 fiscal year.

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 2009-10 and 2008-09 fiscal years:

**Nonoperating Revenues (Expenses): College
(In Thousands)**

	<u>2009-10</u>	<u>2008-09</u>
State Appropriations	\$ 32,928	\$ 35,670
Gifts and Grants	38,500	17,640
Investment Income	113	244
Other Nonoperating Revenues	74	64
Interest on Capital Asset-Related Debt	(499)	(539)
Other Nonoperating Expenses	<u>(30)</u>	<u>(19)</u>
Net Nonoperating Revenues	<u>\$ 71,086</u>	<u>\$ 53,060</u>

Nonoperating revenue changes were the result of the following factors:

- Although State appropriations decreased by \$2.7 million, or 7.7 percent, the College received \$2.9 million in Federal stimulus dollars, which accounts for some of the increase in the gifts and grants category.
- The gifts and grants nonoperating revenue increased \$20.9 million, or 118.3 percent partly due to the Federal stimulus dollars appropriated from the State, as well as increased Federal Pell grant revenue.

Other Revenues, Expenses, Gains, or Losses

This category is comprised of capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2009-10 and 2008-09 fiscal years:

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

	<u>2009-10</u>	<u>2008-09</u>
Capital Appropriations	\$ 9,751	\$ 16,306
Capital Grants, Contracts, Gifts, and Fees	<u>2,768</u>	<u>9,893</u>
Total	<u>\$12,519</u>	<u>\$26,199</u>

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

- Capital appropriations decreased by \$6.6 million, or 40.2 percent, due to decreased Public Education Capital Outlay funds received from the State for construction projects. The prior year capital appropriations included major building renovations on the Sanford/Lake Mary campus and the University Partnership building.
- Capital grants and contracts decreased by \$7.1 million, or 72 percent, mainly due to the prior year funds, which were the final contributions, received from the University of Central Florida for the University Partnership building.

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 2009-10 and 2008-09 fiscal years is presented in the following table:

**Condensed Statement of Cash Flows: College
(In Thousands)**

	2009-10	2008-09
Cash Provided (Used) by:		
Operating Activities	\$ (70,739)	\$ (53,426)
Noncapital Financing Activities	71,428	53,310
Capital and Related Financing Activities	(1,984)	1,384
Investing Activities	117	251
Net Increase (Decrease) in Cash and Cash Equivalents	(1,178)	1,519
Cash and Cash Equivalents, Beginning of Year	20,095	18,576
Cash and Cash Equivalents, End of Year	\$ 18,917	\$ 20,095

Major sources of funds came from State appropriations (\$32.9 million), capital appropriations (\$11.8 million), net student tuition and fees (\$21.2 million), and noncapital gifts and grants (\$38.5 million). Major uses of funds were for payments to employees (\$45.9 million), payments for scholarships (\$21.8 million), payments to suppliers (\$17 million), payments for employee benefits (\$11 million), and the purchase of capital assets (\$15.2 million). Changes in cash and cash equivalents were the result of the following factors:

- Operating Activities used \$17.3 million more cash compared to the previous fiscal year. The majority of this increase was related to an increase of \$10.3 million in scholarship disbursements compared to the prior fiscal year. Additional cash outflow increases are related to supplier and employee payments.
- Noncapital financing activities increased the College’s cash position by \$18.1 million. This increase is mainly due to an \$18 million increase in cash inflows for Federal Pell grants and State scholarships, and the receipt of Federal stimulus dollars of \$2.9 million, offset by \$2.7 million less received this year for State appropriations.
- Cash inflows from capital and related financing activities decreased by \$3.4 million primarily due to a decrease in capital appropriations from the State as many of the major construction projects in the prior year were completed. In the prior year the College had also received \$7.9 million from the University of Central Florida for the University Partnership building.
- The cash flows from investing activities are the result of interest income earned on the College’s demand deposits in the bank and with the State’s Special Purpose Investment Account. The cash inflow from investing activities decreased \$0.1 million compared to the prior fiscal year as a result of decreased interest rates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2010, the College had \$223.4 million in capital assets, less accumulated depreciation of \$51.7 million, for net capital assets of \$171.8 million. Depreciation charges for the current fiscal year totaled \$6.6 million. The following table summarizes the College's capital assets at June 30, 2010, and June 30, 2009:

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

<u>Capital Assets</u>	<u>2010</u>	<u>2009</u>
Land	\$ 21,269	\$ 21,228
Buildings	168,608	125,265
Other Structures and Improvements	11,842	5,518
Furniture, Machinery, and Equipment	10,591	8,912
Assets Under Capital Lease	1,585	1,610
Leasehold Improvements	3,097	3,097
Other Capital Assets	3,778	4,117
Construction in Progress	<u>2,678</u>	<u>42,550</u>
Total	<u>223,448</u>	<u>212,297</u>
Less, Accumulated Depreciation:		
Buildings	31,575	29,472
Other Structures and Improvements	6,151	5,478
Furniture, Machinery, and Equipment	8,538	7,652
Assets Under Capital Lease	1,165	1,046
Leasehold Improvements	1,094	808
Other Capital Assets	<u>3,157</u>	<u>3,070</u>
Total Accumulated Depreciation	<u>51,680</u>	<u>47,526</u>
Capital Assets, Net	<u>\$ 171,768</u>	<u>\$ 164,771</u>

The College has \$1 million in major construction commitments at June 30, 2010. The construction commitments are for projects that include renovations of Buildings L and F, a Student Services building, and signage projects. State appropriations, capital improvement revenue bonds, and local funds are expected to finance these capital projects. More information about the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$10.4 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2010, and June 30, 2009:

Long-Term Debt, at June 30: College (In Thousands)

	<u>2010</u>	<u>2009</u>
Bonds Payable	\$ 6,990	\$ 7,400
Loan Payable	2,989	3,193
Capital Lease Payable	<u>418</u>	<u>697</u>
Total	<u>\$10,397</u>	<u>\$11,290</u>

The State Board of Education issues capital outlay and capital improvement revenue bonds on behalf of the College. During the 2009-10 fiscal year, there were no bond sales and debt repayments totaled \$892,000. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Seminole State College of Florida's economic condition is closely tied to that of the State of Florida because approximately 50.9 percent of the College's operating funds were received through appropriations and Federal Stimulus allocations through the State. Initial allocations for the 2010-11 fiscal year are approximately 7.7 percent greater than 2009-10 fiscal year allocations. However, the 2010-11 allocations include \$2.9 million of nonrecurring Federal stabilization funds. These nonrecurring appropriations represent approximately 3.8 percent of the current year operating resources. Therefore, the College established a designated reserve in excess of the statutory level sufficient to maintain operations during the upcoming and future fiscal years.

High levels of unemployment in the State are correlated to increased enrollments in State colleges. Summer and Fall Term enrollment at Seminole State College of Florida continued to exceed the budgeted 11.4 percent increase as State unemployment rates remained high. The College anticipates a continued increase in enrollment throughout the year. In addition, the College began offering courses leading to a Bachelor Degree in Applied Science for Interior Design accredited by the Southern Association of Colleges and Schools, with plans to offer four more baccalaureate degrees next year. Resources from this enrollment increase are augmented by an 8 percent increase in tuition rates which began in the Fall 2010 term. Therefore, the projected increases in enrollment and tuition rates provide additional resources for the College to maintain and grow programs throughout next year.

A newly-renovated and expanded Center for Public Safety was completed on the Sanford/Lake Mary campus this past year. This facility provides additional instructional capacity to serve students throughout 2010-11. The College also completed construction of a joint-use facility on the Sanford/Lake Mary campus in cooperation with the University of Central Florida (UCF). This new 108,000 square foot facility provides expanded library, classroom and student service capacity to serve the growing need of the College and UCF as additional baccalaureate programs are offered at the Sanford/Lake Mary campus. The College also received funding through the Public Educational Capital Outlay program to fund the renovation of 30,000 square feet of classroom space and begin planning for a new Student Center on the Sanford/Lake Mary campus. The College also received funds to acquire over 25 acres of land and 80,000 square feet of building adjacent to the existing Altamonte Springs campus.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2010**

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 10,834,378	\$ 3,341,014
Restricted Cash and Cash Equivalents	1,914,444	
Restricted Investments		1,068,431
Accounts Receivable, Net	3,186,282	169,732
Notes Receivable, Net	44,497	
Due from Other Governmental Agencies	7,798,619	
Due from Component Unit	60,160	
Prepaid Expenses	736,210	
Other Assets		3,886
Total Current Assets	<u>24,574,590</u>	<u>4,583,063</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	6,167,969	
Endowment Investments		6,248,360
Restricted Investments	132,453	
Depreciable Capital Assets, Net	147,821,624	
Nondepreciable Capital Assets	23,946,384	872,171
Other Noncurrent Assets		169,161
Total Noncurrent Assets	<u>178,068,430</u>	<u>7,289,692</u>
TOTAL ASSETS	<u>\$ 202,643,020</u>	<u>\$ 11,872,755</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 972,929	\$ 45,721
Salary and Payroll Taxes Payable	1,138,813	
Retainage Payable	267,861	
Due to Other Governmental Agencies	3,929	
Due to College		60,160
Deferred Revenue	67,382	
Deposits Held for Others	382,380	45,568
Long-Term Liabilities - Current Portion:		
Bonds Payable	440,000	
Loans Payable	212,426	
Capital Lease Payable	133,144	
Compensated Absences Payable	122,617	
Total Current Liabilities	<u>3,741,481</u>	<u>151,449</u>
Noncurrent Liabilities:		
Bonds Payable	6,550,000	
Loans Payable	2,776,992	
Notes Payable		702,104
Capital Lease Payable	285,253	
Compensated Absences Payable	4,912,448	
Other Postemployment Benefits Payable	54,351	
Total Noncurrent Liabilities	<u>14,579,044</u>	<u>702,104</u>
TOTAL LIABILITIES	<u>18,320,525</u>	<u>853,553</u>

**SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2010**

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 161,370,193	\$ 170,067
Restricted:		
Nonexpendable:		
Endowment		4,710,231
Expendable:		
Grants and Loans	2,210,420	
Scholarships	409,684	5,504,993
Capital Projects	12,058,032	
Debt Service	72,644	
Unrestricted	8,201,522	633,911
Total Net Assets	184,322,495	11,019,202
TOTAL LIABILITIES AND NET ASSETS	\$ 202,643,020	\$ 11,872,755

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

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2010

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$15,210,537	\$ 22,279,054	\$
Federal Grants and Contracts	2,418,829	
State and Local Grants and Contracts	841,746	
Nongovernmental Grants and Contracts	1,173,567	
Sales and Services of Educational Departments	78,178	
Auxiliary Enterprises	1,403,808	
Other Operating Revenues	491,216	1,732,949
Total Operating Revenues	28,686,398	1,732,949
EXPENSES		
Operating Expenses:		
Personnel Services	57,262,798	565,053
Scholarships and Waivers	21,847,246	1,140,392
Utilities and Communications	2,577,779	
Contractual Services	2,789,905	102,913
Other Services and Expenses	4,943,486	254,530
Materials and Supplies	9,221,527	41,784
Depreciation	6,647,279	
Total Operating Expenses	105,290,020	2,104,672
Operating Loss	(76,603,622)	(371,723)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	32,927,908	53,820
Gifts and Grants	38,499,637	51,153
Investment Income	113,339	292,781
Net Realized and Unrealized Gain on Investments		374,972
Other Nonoperating Revenues	74,641	
Interest on Capital Asset-Related Debt	(499,138)	
Other Nonoperating Expenses	(30,320)	
Net Nonoperating Revenues	71,086,067	772,726
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(5,517,555)	401,003
Capital Appropriations	9,750,816	
Capital Grants, Contracts, Gifts, and Fees	2,768,444	
Total Other Revenues	12,519,260	
Increase in Net Assets	7,001,705	401,003
Net Assets, Beginning of Year	177,320,790	10,618,199
Net Assets, End of Year	\$ 184,322,495	\$ 11,019,202

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

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2010

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 21,199,791
Grants and Contracts	4,793,082
Payments to Suppliers	(17,017,581)
Payments for Utilities and Communications	(2,584,365)
Payments to Employees	(45,894,952)
Payments for Employee Benefits	(10,980,965)
Payments for Scholarships	(21,847,247)
Net Loans Issued to Students	(127,275)
Collection of Loans to Students	133,590
Auxiliary Enterprises	913,536
Sales and Service of Educational Departments	80,384
Other Receipts	592,762
	(70,739,240)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	32,927,908
Gifts and Grants Received for Other Than Capital or Endowment Purposes	38,499,637
	71,427,545
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	11,762,936
Capital Grants and Gifts	2,768,444
Proceeds from Sale of Capital Assets	44,321
Purchases of Capital Assets	(15,168,424)
Principal Paid on Capital Debt and Lease	(891,731)
Interest Paid on Capital Debt and Lease	(499,138)
	(1,983,592)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	117,197
	117,197
Net Decrease in Cash and Cash Equivalents	(1,178,090)
Cash and Cash Equivalents, Beginning of Year	20,094,881
Cash and Cash Equivalents, End of Year	\$ 18,916,791

**SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2010**

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (76,603,622)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,647,279
Changes in Assets and Liabilities:	
Accounts Receivable, Net	(543,781)
Notes Receivable, Net	6,315
Due From Other Governmental Agencies	(226,502)
Prepaid Expenses	(65,755)
Salaries and Payroll Taxes Payable	204,485
Accounts Payable	(441,915)
Deferred Revenue	253
Deposits Held for Others	96,507
Compensated Absences Payable	171,167
Other Postemployment Benefits Payable	16,329
	16,329
NET CASH USED BY OPERATING ACTIVITIES	\$ (70,739,240)

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

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Seminole State College of Florida¹, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of five members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by law and State Board of Education rules. However, the District Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and State Board of Education rules. Geographic boundaries of the District correspond with those of Seminole County.

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Foundation for Seminole State College of Florida, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit. The Foundation was formerly known as the Seminole Community College Foundation, Inc., and the legal name was changed to the Foundation for Seminole State College, Inc., effective February 25, 2010, after the College changed its name.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2010.

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.

¹ The College's Board of Trustees approved the name change from Seminole Community College to Seminole State College of Florida on September 21, 2009, pursuant to Section 1001.60(2)(b), Florida Statutes.

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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
- Other Required Supplementary Information

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

The College's component unit uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

The College follows GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless the FASB pronouncements conflict with GASB pronouncements. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Accounting*, the College has the option to elect to apply all pronouncements of FASB issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

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

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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 a nonoperating expense.

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College determines its scholarship allowance by identifying those student transactions where the student's classes were paid by an applicable financial aid source. To the extent that those resources are used to pay student charges, the College records a scholarship allowance against tuition and fees 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, and cash held with the State Treasury. For reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury Special Purpose Investment Account (SPIA) to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2010, the College reported as cash equivalents at fair value \$4,014,228 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 Af by Standard & Poor's and had an effective duration of 1.81 years at June 30, 2010. 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.

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, and Educational Equipment – 5 years
 - Furniture – 7 years
- Assets Under Capital Lease – 5 years
- Leasehold Improvements – 10 to 40 years
- Other Capital Assets – 10 years

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of bonds payable, loans payable, capital lease payable, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year.

2. INVESTMENTS

The College's Board of Trustees had not adopted a written investment policy. As such, pursuant to Section 218.415(17), Florida Statutes, the College is authorized to invest in the Florida PRIME investment pool, formerly known as 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; and 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 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.

**SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

The College’s investments at June 30, 2010, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Debt Service Accounts	\$ 72,644
State Board of Administration Debt Service Rebate Account	<u>59,809</u>
Total College Investments	<u>\$ 132,453</u>

State Board of Administration Debt Service Accounts

The College reported investments at fair value totaling \$72,644 at June 30, 2010, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the College. The College’s investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

State Board of Administration Debt Service Rebate Accounts

The College reported investments at fair value totaling \$59,809 at June 30, 2010, in the State Board of Administration Debt Service Rebate Accounts. These investments are for the arbitrage rebate liability required for the Community College Capital Improvement Revenue Bonds, Series 2006-A. The College’s investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Rebate Accounts are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

Component Unit Investments

Investments of the Foundation for Seminole State College of Florida, Inc. (Foundation), consist of obligations of United States government agencies and instrumentalities, domestic bonds and notes, and domestic and international equities. Investments held by the College’s component unit at June 30, 2010, are reported at fair value as follows:

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Investment	Average Maturity	Credit Quality Rating	Fair Value
United States Treasury Bonds	3.98 years	(1)	\$ 789,974
Corporate Bonds	4.43 years	AAA to A-	1,261,296
Certificate of Deposit Account Registry Service (CDARS)	4 Months	(1)	1,068,431
United States Agencies Mortgage- Backed Securities	10.91 years	(1)	517,278
Domestic Equities	(2)	(2)	3,387,073
International Equities	(2)	(2)	292,739
Total Component Unit Investments			<u>\$7,316,791</u>

- Notes: (1) Disclosure of credit quality risk is not required for these investment types.
(2) Disclosure of interest rate risk, maturity date, and credit quality rating is not applicable to this investment type.

The goal of the Foundation's investment program for endowments is set forth in the investment policy as approved by the Foundation's Board of Directors and Audit and Finance Committee. The objective is to provide a steady, growing income stream to support the Foundation's mission while providing sufficient reinvestment to protect the endowment from inflation. The investment policy includes target allocations of 56 percent equities, with an allowable range of 15 to 70 percent, and a target allocation of 40 percent fixed income, with an allowable range of 30 to 85 percent, and a target allocation of 4 percent metals and other alternative investments, with a maximum of 7 percent. Also, no more than 15 percent of the total portfolio (i.e., total of investments and cash equivalents) can be international.

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

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The table above summarizes the ratings of Foundation debt instruments using the higher of Standard & Poor's or Moody's nationally recognized statistical rating organizations. The Foundation's investment policy requires investment grade bonds and commercial paper to be rated A and A1 or better, respectively.

Custodial Credit Risk: The Foundation maintains accounts with stock brokerage firms. The accounts contain cash and securities. At June 30, 2010, \$291,071 of cash in these accounts was not insured. The Florida Security for Public Deposits Act establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under the Act, Foundation deposits in qualified public depositories are totally insured. The qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations

**SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer.

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

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates between the United States dollar and foreign currencies could adversely affect an investment's fair value. As of June 30, 2010, the Foundation did not have any fixed-income investments subject to that risk. The Foundation's investment policy limits its foreign investment to stocks of non-United States companies not to exceed 15 percent of the total portfolio.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, returned checks, various student services provided by the College, uncollected commissions for food service and vending machine sales, interest receivable, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$906,991 allowance for uncollectible accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the short-term loan program of \$67,605. Notes receivable are reported net of a \$23,108 allowance for uncollectible notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$6,507,729 of Public Education Capital Outlay allocations due from the State for construction of College facilities, and \$849,665 due from agencies for tuition payments.

6. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The \$60,160 reported as due from component unit consists of amounts owed to the College by the Foundation for scholarships, personnel costs, and other general expenses.

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, is shown below:

**SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 21,227,459	\$ 41,119	\$	\$ 21,268,578
Construction in Progress	42,549,872	11,784,282	51,656,348	2,677,806
Total Nondepreciable Capital Assets	\$ 63,777,331	\$ 11,825,401	\$ 51,656,348	\$ 23,946,384
Depreciable Capital Assets:				
Buildings	\$ 125,265,033	\$ 45,681,482	\$ 2,338,297	168,608,218
Other Structures and Improvements	5,518,354	6,323,786		11,842,140
Furniture, Machinery, and Equipment	8,911,721	1,889,646	210,440	10,590,927
Assets Under Capital Lease	1,609,842		24,792	1,585,050
Leasehold Improvements	3,097,419			3,097,419
Other Capital Assets	4,117,141	4,789	343,482	3,778,448
Total Depreciable Capital Assets	148,519,510	53,899,703	2,917,011	199,502,202
Less, Accumulated Depreciation:				
Buildings	29,471,527	4,046,721	1,943,710	31,574,538
Other Structures and Improvements	5,477,733	673,000		6,150,733
Furniture, Machinery, and Equipment	7,651,808	1,096,861	210,440	8,538,229
Assets Under Capital Lease	1,046,245	144,205	24,793	1,165,657
Leasehold Improvements	808,071	286,168		1,094,239
Other Capital Assets	3,070,019	400,324	313,161	3,157,182
Total Accumulated Depreciation	47,525,403	6,647,279	2,492,104	51,680,578
Total Depreciable Capital Assets, Net	\$ 100,994,107	\$ 47,252,424	\$ 424,907	\$ 147,821,624

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2010, include bonds payable, loans payable, capital lease payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2010, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 7,400,000	\$	\$ 410,000	\$ 6,990,000	\$ 440,000
Loans Payable	3,193,129		203,711	2,989,418	212,426
Capital Lease Payable	696,417		278,020	418,397	133,144
Compensated Absences Payable	4,863,898	676,822	505,655	5,035,065	122,617
Other Postemployment Benefits Payable	38,022	96,056	79,727	54,351	
Total Long-Term Liabilities	\$ 16,191,466	\$ 772,878	\$ 1,477,113	\$ 15,487,231	\$ 908,187

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

- State Board of Education Capital Outlay Bonds. The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College’s portion of the State-assessed motor vehicle license tax and by the State’s full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.

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

The College had the following capital outlay bonds payable and revenue bonds payable outstanding at June 30, 2010:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education:			
Capital Outlay Bonds:			
Series 2002A	\$ 335,000	4.0 - 5.0	2022
Series 2002B	645,000	4.0 - 5.375	2015
Series 2005A	520,000	5.0	2017
Series 2005B	105,000	5.0	2018
Series 2006A	890,000	4.0 - 5.0	2026
Florida Department of Education:			
Capital Improvement Revenue Bonds:			
Series 2006A	<u>4,495,000</u>	3.5 - 5.0	2027
Total Bonds Payable	<u>\$ 6,990,000</u>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2011	\$ 440,000	\$ 320,808	\$ 760,808
2012	455,000	300,620	755,620
2013	480,000	281,605	761,605
2014	495,000	259,471	754,471
2015	455,000	236,599	691,599
2016-2020	1,790,000	910,656	2,700,656
2021-2025	2,040,000	457,625	2,497,625
2026-2027	<u>835,000</u>	<u>43,357</u>	<u>878,357</u>
Total	<u>\$ 6,990,000</u>	<u>\$ 2,810,741</u>	<u>\$ 9,800,741</u>

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

Annual requirements to amortize the outstanding loan as of June 30, 2010, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 212,426	\$ 122,571	\$ 334,997
2012	221,515	113,482	334,997
2013	230,992	104,005	334,997
2014	240,874	94,123	334,997
2015	251,180	83,817	334,997
2016-2020	1,426,593	248,392	1,674,985
2021-2022	405,838	12,908	418,746
Total	\$ 2,989,418	\$ 779,298	\$ 3,768,716

Capital Lease Payable. Telephone equipment in the amount of \$698,299 is being acquired under a capital lease agreement. The stated interest rate is 4.67 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2010, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2011	\$ 152,704
2012	152,704
2013	152,704
Total Minimum Payments	458,112
Less, Amount Representing Interest	39,715
Present Value of Minimum Payments	\$ 418,397

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, 2010, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$5,035,065. Of this amount, \$122,617 is considered a current liability as this amount is expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program.

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Other Postemployment Benefits Payable. The College follows Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain other postemployment benefits administered by the Florida College System Risk Management Consortium (Consortium) and life insurance benefits through purchased commercial insurance.

Plan Description. The College contributes to an agent, multiple-employer defined-benefit plan administered by the Consortium for postemployment healthcare benefits and has a single-employer defined benefit plan for life insurance benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the plans 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 plans on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the plans and they are not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend the benefits and contribution rates. 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 plans are financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 85 retirees received postemployment healthcare benefits, and 28 retirees received postemployment life insurance benefits. The College provided required contributions of \$79,727 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 \$533,349.

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 plans, and changes in the College's net OPEB obligation:

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Description	Amount
Normal Cost (Service Cost for One Year)	\$ 67,961
Amortization of Unfunded Actuarial Accrued Liability	28,222
Annual Required Contribution	96,183
Interest on Net OPEB Obligation	1,141
Adjustment to Annual Required Contribution	(1,268)
Annual OPEB Cost (Expense)	96,056
Contribution Toward the OPEB Cost	(79,727)
Increase in Net OPEB Obligation	16,329
Net OPEB Obligation, Beginning of Year	38,022
Net OPEB Obligation, End of Year	\$ 54,351

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation as of June 30, 2010, and for the transition and preceding 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	86,970	77.4%	19,616
2008-09	86,905	78.8%	38,022
2009-10	96,056	83.0%	54,351

Funded Status and Funding Progress. As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$822,803 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$822,803 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$34,652,305 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.4 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. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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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 OPEB actuarial valuation as of July 1, 2009, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the College's 2009-10 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. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 7.8 percent for the 2009-10 fiscal year, reduced by 0.2 percent per year for two years, then 0.1 to 0.3 percent thereafter, to an ultimate rate of 4.5 percent after seventeen years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years. The remaining amortization period at June 30, 2010, was 27 years.

9. 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 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.

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The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2009-10 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 0.05 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, 2008, June 30, 2009, and June 30, 2010, totaled \$2,334,220, \$2,465,460, and \$2,578,287, 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 115 College participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$513,683.

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.

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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 81 College participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled \$577,336.

Senior Management Service Class Local Annuity Program. Section 121.055, Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the FRS, Senior Management Service Class, may elect to withdraw from the FRS altogether and participate in a lifetime monthly annuity program offered by the local agency. Pursuant thereto, the College, during the 1997-98 fiscal year established a Senior Management Service Class Local Annuity Program. Employees in eligible positions are allowed to make an irrevocable election to participate in the program, rather than in the FRS. Under the Program, the College contributes the same percentage of the participant’s salary as would have been contributed to the FRS, Senior Management Service Class, toward an annuity provided by approved fund sponsors. The participant does not make contributions to the Plan. As of June 30, 2010 one College employee had opted to participate in the Program. Contributions made by the College to the Program totaled \$12,516 during the 2009-10 fiscal year.

10. CONSTRUCTION COMMITMENTS

The College’s major construction commitments at June 30, 2010, are as follows:

<u>Project Description</u>	<u>Total Committed</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
L and F Buildings Renovation: Architect	\$ 1,035,923	\$ 808,520	\$ 227,403
Student Services Building: Architect	250,000	24,000	226,000
Sanford/Lake Mary Campus Signage: Construction	<u>608,863</u>		<u>608,863</u>
Total	<u>\$ 1,894,786</u>	<u>\$ 832,520</u>	<u>\$ 1,062,266</u>

11. OPERATING LEASE COMMITMENTS

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

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

- Land utilized for a Public Safety Training Center is leased under an operating lease that expires in 2052. Annual lease payments total \$11,146 and continue until 2023; thereafter, payments are reduced to \$1 annually until the expiration of the lease term.
- Computers and related equipment are leased under operating leases. These leases are for three and four years and the equipment is returned to the lessor upon expiration of the lease.
- College vehicles, primarily used by the maintenance department and security department, are leased for five years under an operating lease that began in fiscal year 2008-09.

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2011	\$ 919,072
2012	697,640
2013	340,964
2014	152,907
2015	16,837
2016-2020	55,730
2021-2023	<u>33,440</u>
Total Minimum Payments Required	<u>\$ 2,216,590</u>

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 \$175 million through February 28, 2010, and \$150 million effective March 1, 2010. Insurance coverage obtained through the Consortium included health, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Life insurance coverage is provided through purchased commercial insurance.

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13. LITIGATION

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

14. SCHEDULE OF STATE REVENUE SOURCES

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

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

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

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 28,856,779
Gross Receipts Tax (Public Education Capital Outlay)	9,178,016
Education Enhancement Trust Fund (Lottery)	4,071,129
Bright Futures Scholarship Program	2,669,826
Florida Student Assistance Grants	1,087,456
Restricted Contracts and Grants	706,370
Motor Vehicle License Tax (Capital Outlay and Debt Service)	572,800
Other State Sources	166,611
Total	<u><u>\$ 47,308,987</u></u>

15. 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,

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 33,889,940
Academic Support	6,828,299
Student Services	9,262,415
Institutional Support	11,946,301
Operation and Maintenance of Plant	14,271,672
Scholarships and Fellowships	21,847,246
Depreciation	6,647,279
Auxiliary Enterprises	596,868
Total Operating Expenses	\$ 105,290,020

16. 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	\$ 10,834,128
Accounts Receivable, Net	3,177,361
Due from Other Governmental Agencies	393,106
Due from Component Unit	49,797
Prepaid Expenses	<u>723,715</u>

TOTAL ASSETS \$ 15,178,107

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 744,067
Salary and Payroll Taxes Payable	1,017,642
Deferred Revenue	7,573
Deposits Held for Others	117,887
Compensated Absences Payable	<u>122,617</u>

Total Current Liabilities 2,009,786

Noncurrent Liabilities:

Compensated Absences Payable	4,912,448
Other Postemployment Benefits Payable	<u>54,351</u>

Total Noncurrent Liabilities 4,966,799

TOTAL LIABILITIES 6,976,585

TOTAL NET ASSETS 8,201,522

TOTAL LIABILITIES AND NET ASSETS \$ 15,178,107

**SEMINOLE STATE COLLEGE OF FLORIDA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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

REVENUES

Operating Revenues:

Student Tuition and Fees, Net of Scholarship	
Allowances of \$15,046,562	\$ 17,815,697
Federal Grants and Contracts	105,343
State and Local Grants and Contracts	149,488
Nongovernmental Grants and Contracts	603,762
Sales and Services of Educational Departments	16,507
Auxiliary Enterprises	1,403,808
Other Operating Revenues	151,699

Total Operating Revenues 20,246,304

EXPENSES

Operating Expenses:

Personnel Services	53,485,496
Scholarships and Waivers	603
Utilities and Communications	2,547,756
Contractual Services	2,035,655
Other Services and Expenses	4,586,125
Materials and Supplies	2,755,436

Total Operating Expenses 65,411,071

Operating Loss (45,164,767)

NONOPERATING REVENUES

State Appropriations	32,927,908
Gifts and Grants	2,874,753
Investment Income	42,411
Other Nonoperating Revenues	21,853

Net Nonoperating Revenues 35,866,925

**Loss Before Other Revenues,
Expenses, Gains, or Losses** (9,297,842)

Transfers from Other Funds 14,462,588

Increase in Net Assets 5,164,746

Net Assets, Beginning of Year 3,036,776

Net Assets, End of Year \$ 8,201,522

17. SUBSEQUENT EVENTS

During the 2010 legislative session, the College received Public Education Capital Outlay funds for the purchase of 25 acres of land adjacent to the existing Altamonte Springs campus. This land includes three existing buildings of over 90,000 square feet. On July 29, 2010, the College closed on this purchase at a cost

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of \$22.5 million with payments of \$500,100 made as a deposit, \$12,500,000 made at closing, and the \$10 million balance plus interest due by July 29, 2011.

On September 29, 2010, the College closed on a 2.58 acre parcel of land adjacent to the south entrance of the Sanford/Lake Mary Campus. The purchase price of this property was \$600,000 and was funded with general operating funds.

**SEMINOLE STATE COLLEGE OF FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN**

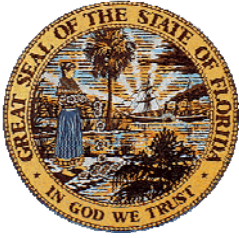
Actuarial Valuation Date (1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (2) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 715,854	\$ 715,854	0%	\$ 31,261,578	2.3%
7/1/2009	\$	\$ 822,003	\$ 822,003	0%	\$ 34,652,305	2.4%

- Notes: (1) The initial OPEB actuarial calculation was performed as of July 1, 2007, for the College as it implemented the provisions of GASB 45.
- (2) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the unfunded actuarial liabilities.

**SEMINOLE STATE COLLEGE OF FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2009, unfunded actuarial accrued liability (UAAL) of \$822,003 was 14.8 percent higher than the July 1, 2007, UAAL of \$715,854. The increase was due to the expected growth of liabilities over time and demographic changes of approximately \$133,000. Updated participation and medical trend assumptions accounted for an additional \$55,000 increase in the liability. These increases were partially offset by a decrease in the UAAL of \$82,000 resulting from updated claims costs, contributions, and the revised mortality assumption.



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

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

We have audited the financial statements of Seminole State College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2010, 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 opinion 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting

that might be deficiencies, 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*.

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
February 9, 2011