

**SOUTH FLORIDA COMMUNITY
COLLEGE**

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:

	<u>County</u>
David Leidel, Vice Chair to 7-21-09, Chair from 7-22-09	Highlands
Gary Delatorre, Vice Chair from 7-22-09 (1)	Hardee
Tamela Cullens, Chair to 7-21-09 (1)	Highlands
Timothy D. Backer from 8-14-09 (2)	DeSoto
Joan H. Hartt (1)	Highlands
Dr. Louis H. Kirschner	DeSoto
Richard L. Maenpaa	Hardee
Anne D. Reynolds	Highlands

Dr. Norman L. Stephens, Jr., President

- Notes: (1) Board member's term expired during the 2009-10 fiscal year and Board member continued to serve through June 30, 2010.
- (2) Board member position remained vacant from July 1, 2009, until Board member was appointed on August 14, 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 Yousra M. Shebl, CPA, and the audit was supervised by David A. Blanton, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us 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 South Florida Community College and its officers with administrative and stewardship responsibilities for College operations had:

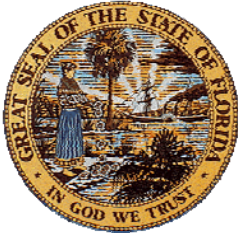
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 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.



DAVID W. MARTIN, CPA
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of South Florida Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2010, which collectively comprise the College's basic financial statements as shown on pages 12 through 30. 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 South Florida Community College 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 South Florida Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 31 and 32 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 22, 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. The MD&A contains financial activities of the College's component unit, the South Florida Community College Foundation, Inc. (Component Unit), for the fiscal years ended December 31, 2008, and December 31, 2009.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$78.8 million at June 30, 2010. This balance reflects a \$2.5 million, or 3.2 percent, increase from the 2008-09 fiscal year, resulting from the capitalization of past capital appropriations for the renovation at the College's Theatre for the Performing Arts. The renovation was completed in March 2010 and had been underway at June 30, 2009, so that while assets grew during the fiscal year, liabilities at June 30, 2010 decreased as final payments to complete the project were made prior to fiscal year-end. Liabilities decreased from \$4.1 million to \$3.5 million. As a result, the College's net assets increased by \$3 million.

The College's operating revenues totaled \$4.5 million for the 2009-10 fiscal year, representing a \$465 thousand increase from the 2008-09 fiscal year. Despite a \$138 thousand decrease in nongovernmental grants and contracts, the auxiliary enterprises and Federal grants increased by \$373 thousand and \$203 thousand, respectively. Nonoperating revenues increased \$1.5 million and capital appropriations decreased \$42 thousand. Operating expenses totaled \$31.3 million for the 2009-10 fiscal year, representing an increase of 7.6 percent over the 2008-09 fiscal year due mainly to the \$1.2 million increase in scholarships and waivers.

Net assets of the component unit increased \$1.1 million during the year ending December 31, 2009. Assets increased from \$8.5 million at December 31, 2008, to \$9.5 million at December 31, 2009. The change in assets primarily resulted from investment gains as the stock market improved from the prior fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

- South Florida Community College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- South Florida Community College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

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

One of the most important questions asked about the College's finances is, "Is South Florida Community College as a whole, better or worse off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a

way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as South Florida Community College's operating results.

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

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

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

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

	College		Component Unit	
	6-30-10	6-30-09	12-31-09	12-31-08
Assets				
Current Assets	\$ 8,133	\$ 11,848	\$ 3,605	\$ 2,517
Capital Assets, Net	69,434	61,740	1,399	1,469
Other Noncurrent Assets	1,269	2,776	4,520	4,464
Total Assets	<u>78,836</u>	<u>76,364</u>	<u>9,524</u>	<u>8,450</u>
Liabilities				
Current Liabilities	1,312	2,025	122	152
Noncurrent Liabilities	2,175	2,029		
Total Liabilities	<u>3,487</u>	<u>4,054</u>	<u>122</u>	<u>152</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	69,434	61,739	1,399	1,469
Restricted	4,520	9,165	7,611	6,538
Unrestricted	1,395	1,406	392	291
Total Net Assets	<u>\$ 75,349</u>	<u>\$ 72,310</u>	<u>\$ 9,402</u>	<u>\$ 8,298</u>
Increase in Net Assets	<u>\$ 3,039</u>	4.2%	<u>\$ 1,104</u>	13.3%

The College's current assets decreased by \$3.7 million and its noncurrent assets increased by \$6.2 million dollars due to the completion of renovations on the Theatre for the Performing Arts and the addition of generators to the Hardee campus, the DeSoto campus, and the Information Technology areas. There was a \$713 thousand decrease to current liabilities. This was primarily due to a \$1.1 million decrease in accounts payable caused by the cessation of renovation activity on the College's Theatre for the Performing Arts, which was offset by an increase of \$286 thousand of grant related deferred revenue. Noncurrent liabilities increased \$146 thousand primarily from increases in compensated absences and other postemployment benefits.

The component unit's current assets increased \$1.1 million. This increase was primarily the result of stock market investment values increasing \$1 million and scholarships and waivers expense decreasing by \$346 thousand, offset by other nonoperating gifts and grants revenue decreasing \$156 thousand due to the state of the economy. Noncapital noncurrent assets decreased by \$14 thousand. This decrease represents the depreciation of assets exceeding gifts to permanently endowed funds.

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

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

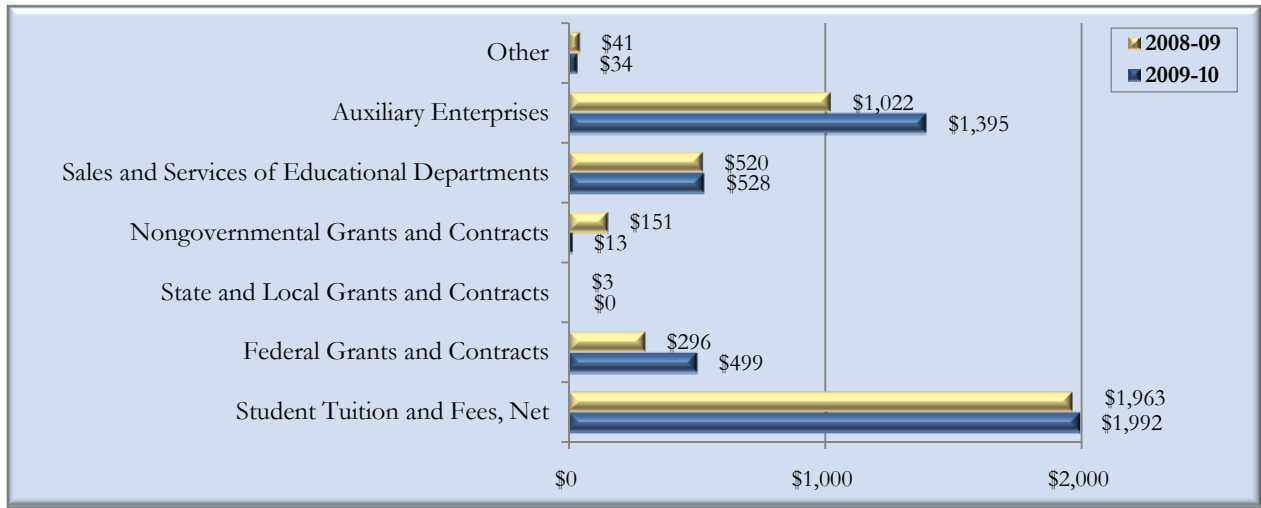
	College		Component Unit	
	6-30-10	6-30-09	12-31-09	12-31-08
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 1,992	\$ 1,963	\$	\$
Federal Grants and Contracts	499	296		
State and Local Grants and Contracts		3		
Nongovernmental Grants and Contracts	13	151		
Sales and Services of Educational Departments	528	520		
Auxiliary Enterprises	1,395	1,022		
Other Operating Revenues	34	41	226	217
Total Operating Revenues	4,461	3,996	226	217
Less, Operating Expenses	31,257	29,040	1,068	1,454
Operating Loss	(26,796)	(25,044)	(842)	(1,237)
Nonoperating Revenues				
State Appropriations	14,863	16,209	964	1,121
Other Nonoperating Revenues (Expenses)	8,488	5,656	982	(1,797)
Net Nonoperating Revenues (Expenses)	23,351	21,865	1,946	(676)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
	(3,445)	(3,179)	1,104	(1,913)
Capital Appropriations	5,776	5,818		
Capital Grants, Contracts, Gifts, and Fees	708	413		
Increase (Decrease) in Net Assets	3,039	3,052	1,104	(1,913)
Net Assets, Beginning of Year	72,310	69,258	8,298	10,211
Net Assets, End of Year	\$75,349	\$72,310	\$ 9,402	\$ 8,298

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:

- Net student tuition increased by \$29 thousand after the scholarship allowances. This small increase in the net tuition is misleading given tuition collection revenues increased by \$698 thousand (16.3 percent) compared to 2008-09 fiscal year. The College, however, awarded increased scholarships and experienced an increased scholarship allowances of \$669 thousand so that the net tuition recognized appears to be negligible. See the chart below for details related to tuition:

Fiscal Year	Tuition Charged	Scholarship Allowances	Net Tuition
2008-09	\$ 4,287	\$ 2,324	\$ 1,963
2009-10	4,985	2,993	1,992
Difference	\$ 698	\$ 669	\$ 29

- Federal grants increased by \$203 thousand. The increase was primarily caused by increased funding of the Summer Youth programs.
- Nongovernmental grants decreased by \$138 thousand. The decrease in nongovernmental grants and support declined primarily due to a change in classification of \$150 thousand in revenues from business organizations, charitable organizations, and individuals. Such sources were reported as nonoperating gifts in the current fiscal year.
- Auxiliary enterprise revenues increased \$373 thousand primarily due to a transfer of funds from the College Foundation to purchase equipment to be used with the College’s Cultural Programs in the newly renovated Theatre for the Performing Arts.

Component unit operating revenue changes were the result of a \$9 thousand increase in rent revenue. A small increase to rental rates for other rental properties and dorm rent contributed to this increase.

Operating Expenses

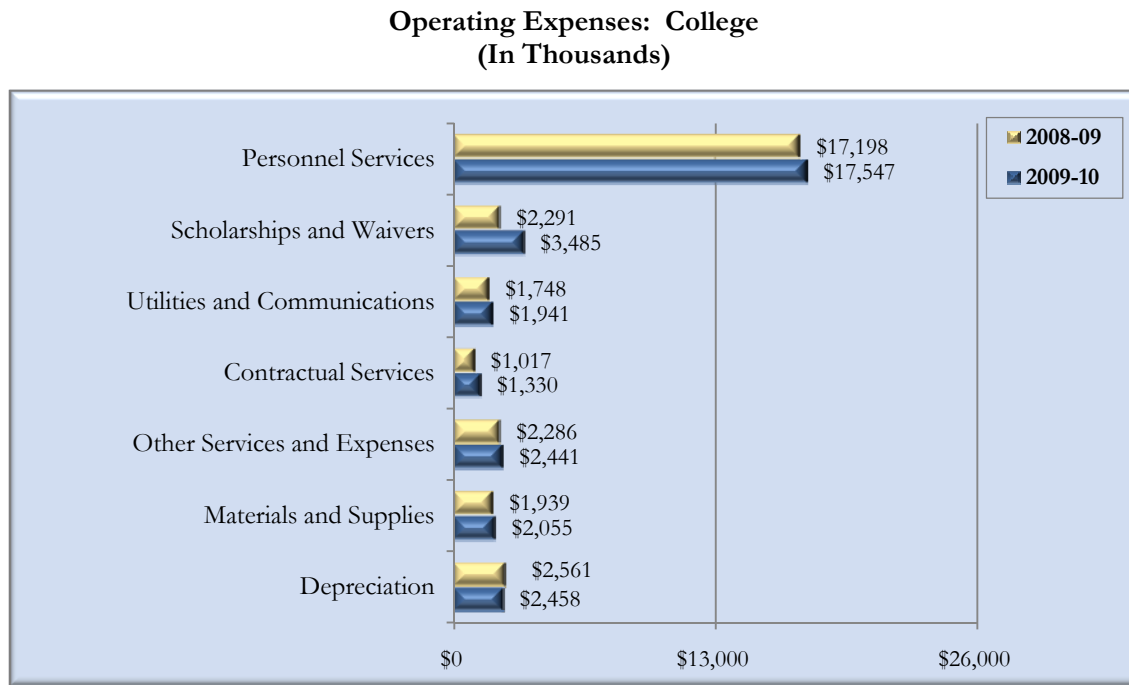
Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen to report the expenses in their

natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

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

Operating Expenses	Operating Expenses (In Thousands)			
	College		Component Unit	
	6-30-10	6-30-09	12-31-09	12-31-08
Personnel Services	\$ 17,547	\$ 17,198	\$	\$
Scholarships and Waivers	3,485	2,291	495	841
Utilities and Communications	1,941	1,748		
Contractual Services	1,330	1,017		
Other Services and Expenses	2,441	2,286	303	320
Materials and Supplies	2,055	1,939	200	223
Depreciation	2,458	2,561	70	70
Total Operating Expenses	\$ 31,257	\$ 29,040	\$ 1,068	\$ 1,454

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



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

- Personnel services increased by \$349 thousand. This was caused by increases in salaries of \$207 thousand and an increase in benefit payments of \$142 thousand. The increased salary and benefit payments were due to a one time nonrecurring increase of \$500 for full-time employees and \$300 for part-time employees as well as an increase in health insurance premiums.
- Scholarships and waivers increased by \$1.2 million. The amount presented for scholarships and waivers is reduced by the scholarship allowances. As such, the College actually awarded \$6.5 million in the 2009-10 fiscal year as compared to the \$4.6 million in scholarships and grants it awarded in the 2008-09 fiscal year.

This is a 41 percent overall increase in gross scholarships and grants awarded to students, primarily due to increases in Pell grants.

- Utilities and communication charges increased by \$193 thousand primarily due to increases in the electrical rates and due to the annualization of costs associated with the new sewer connection to the Lake Placid Center. Additional bandwidth was also put into operation to enhance the College network.
- Contractual services increased by \$313 thousand, other expenses increased by \$155 thousand, and materials and supplies increased by \$116 thousand. These increases can be primarily attributed to the increased activities associated with the renovation of the Theatre for the Performing Arts.

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

- The Foundation awarded \$495 thousand in scholarships, a decrease of \$346 thousand. The decline is caused primarily by decreased grants received by the Foundation and a low level of investment revenue in the calendar year 2009. The Foundation’s spending policy restricted the level of scholarship spending based upon lower endowment values.
- Other services and expenses decreased by \$17 thousand and materials and supplies expense decreased by \$23 thousand as the Foundation had performed renovation work in the Hotel Jacaranda to enhance its commercial rental spaces in the calendar year 2008.

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)**

	2009-10	2008-09
State Appropriations	\$14,863	\$16,209
Gifts and Grants	8,472	5,501
Investment Income	17	80
Gain on Disposal of Capital Assets		75
Nonoperating Expenses	(1)	
Net Nonoperating Revenues	\$23,351	\$21,865

Nonoperating revenues changes were the result of the following factors:

- State appropriations decreased in total by \$1.3 million, or 8.3 percent. This decrease in State funding was stabilized by Federal American Recovery and Reinvestment Act (ARRA) funds of \$1.3 million accounted in other gifts and grants.
- Gifts and grants in total increased by \$3 million, or 54 percent. Gifts and grants related to student aid increased by \$1.7 million. This was mainly attributable to increases in Pell grant awards and disbursements. Other gifts and grants increased by \$1.3 million, primarily due to the addition of the ARRA funds to the College budget.
- College investment income decreased by \$63 thousand as a result of earning lower interest rates. The College only invests in low risk, cash equivalents that have been earning minimal returns.

Component unit nonoperating revenues and expense changes can be summarized as follows:

- Gifts and grants received by the Foundation declined by \$156 thousand as compared to the calendar year 2008. This can be attributed to decreased donations received during the year.

- Investment income increased from a \$1.8 million loss in calendar year 2008 to a \$980 thousand gain in calendar year 2009 as the investments increased in value.

Other Revenues, Expenses, Gains, or Losses

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

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

	2009-10	2008-09
Capital Appropriations	\$ 5,776	\$ 5,818
Capital Grants, Contracts, Gifts, and Fees	708	413
Total	\$ 6,484	\$ 6,231

Capital appropriations revenue is primarily attributable to Public Education Capital Outlay appropriations and these appropriations decreased by \$42 thousand (1 percent). The \$295 thousand increase in capital grants, contracts and fees is mainly attributable to the receipt of a State grant to provide emergency generators for the Hardee and DeSoto campuses. In addition, student capital improvement fee collections increased by 8 percent for the 2009-10 fiscal year.

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	\$ (24,600)	\$ (21,951)
Noncapital Financing Activities	23,264	21,730
Capital and Related Financing Activities	1,489	(348)
Investing Activities	17	79
Net Increase (Decrease) in Cash and Cash Equivalents	170	(490)
Cash and Cash Equivalents, Beginning of Year	7,310	7,800
Cash and Cash Equivalents, End of Year	\$ 7,480	\$ 7,310

Major sources of funds came from State appropriations (\$14.9 million), capital appropriations (\$11.1 million), gifts and grants (\$8.5 million), and net student tuition and fees (\$1.9 million). Major uses of funds were for payments to employees (\$13.6 million) and purchases of capital assets (\$10.3 million).

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

- The College’s liquidity was enhanced during the fiscal year. Cash used by operating activities increased approximately \$2.6 million. Net tuition and fees provided approximately \$171 thousand more in cash while scholarships and grants used \$1.2 million more of cash. Payments to suppliers increased \$587 thousand with completion of the renovation of the Theatre for the Performing Arts. The decrease in cash of \$1.5 million resulted primarily from cash paid out for the renovation of the Theatre for the Performing Arts. The auxiliary enterprises provided \$785 thousand more due to collections from two show seasons in one fiscal year and the transfer of \$488 thousand from the Foundation to purchase equipment for the newly renovated Theatre for the Performing Arts. Payments for utilities and communication increased by \$193 thousand and payments for salaries and benefits increased by \$163 thousand.
- The \$1.5 million increase in cash from noncapital financing activities resulted from the \$1.3 million decrease in State appropriations and an increase in gifts and grants of \$3 million. As the \$1.3 million loss in State funding was stabilized by the receipt of ARRA funds of approximately the same amount. The College also received an additional \$294 thousand in grants in the 2008-09 fiscal year.
- Net cash provided from capital activities was \$1.5 million. The positive cash flow for capital financing activities reflects that moneys received for construction exceeded capital expenses of \$10.3 million in the 2009-10 fiscal year.
- Cash flows from investing activity decreased \$62 thousand as interest rates have diminished.

These factors contributed to an overall increase in cash and cash equivalents of \$170 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2010, the College had \$99 million in capital assets, less accumulated depreciation of \$30 million, for net capital assets of \$69 million. Depreciation charges for the current fiscal year totaled \$2.5 million. The following table summarizes the College’s capital assets at June 30:

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

<u>Capital Assets</u>	<u>2010</u>	<u>2009</u>
Land	\$ 2,478	\$ 2,478
Artwork	421	421
Buildings	80,860	68,869
Other Structures and Improvements	12,551	12,452
Furniture, Machinery, and Equipment	2,656	2,819
Construction in Progress		<u>2,243</u>
Total	<u>98,966</u>	<u>89,282</u>
Less, Accumulated Depreciation:		
Buildings	18,578	16,900
Other Structures and Improvements	8,669	8,265
Furniture, Machinery, and Equipment	<u>2,285</u>	<u>2,378</u>
Total Accumulated Depreciation	<u>29,532</u>	<u>27,543</u>
Capital Assets, Net	<u>\$ 69,434</u>	<u>\$ 61,739</u>

The renovation work performed at the Theatre for the Performing Arts totaled approximately \$12 million. Additions to Other Structures and Improvements resulted from the addition of generators to the Hardee campus, the DeSoto campus, and the Information Technology department on the Highlands campus. Reductions to Other Structures and Improvements as well as to Furniture, Machinery and Equipment were the result of disposals approved by the District Board of Trustees. These items were all fully depreciated except for one piece of equipment that experienced a loss of

approximately \$1 thousand. Detail of additions and reductions can be found in the notes to the financial statements. College Trustees have approved a \$3.4 million budget for capital projects for the 2010-11 fiscal year.

DEBT ADMINISTRATION

At fiscal year-end, the College was debt free. At June 30, 2010, long-term liabilities consist of accrued liabilities for compensated absences payable and other postemployment benefits payable. Additional information about the College's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

South Florida Community College's economic condition is closely tied to that of the State of Florida. Because of the limited economic growth, the downturn of State revenues, and the demand for State resources, level to slightly diminished funding is anticipated in the 2010-11 fiscal year. Only a modest increase, if any at all, in State funding is anticipated in the following year as the State will still need to fill the shortfall in State revenues without the Federal stimulus moneys. The College's current financial and capital plans are reliant upon future State appropriations at or near current levels along with inflation-adjusted tuition rates to maintain its present level of services.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, financial statements and notes thereto, or requests for additional financial information should be addressed to the Controller, South Florida Community College, 600 West College Drive, Avon Park, Florida 33825.

BASIC FINANCIAL STATEMENTS

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

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 3,879,215	\$ 865,158
Restricted Cash and Cash Equivalents	2,332,831	
Investments		2,651,409
Accounts Receivable	492,872	74,799
Due from Other Governmental Agencies	1,284,224	
Due from Component Unit	62,399	
Inventories	31,038	
Prepaid Expenses	50,917	13,998
Total Current Assets	<u>8,133,496</u>	<u>3,605,364</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,268,310	800,997
Restricted Investments		3,719,223
Depreciable Capital Assets, Net	66,535,529	1,081,468
Nondepreciable Capital Assets	2,898,731	317,720
Total Noncurrent Assets	<u>70,702,570</u>	<u>5,919,408</u>
TOTAL ASSETS	<u>\$ 78,836,066</u>	<u>\$ 9,524,772</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 61,464	\$ 106,695
Salary and Payroll Taxes Payable	142,534	
Due to Other Governmental Agencies	93,110	
Deferred Revenue	341,781	9,257
Deposits Held for Others	513,370	6,300
Long-Term Liabilities - Current Portion:		
Compensated Absences Payable	159,180	
Total Current Liabilities	<u>1,311,439</u>	<u>122,252</u>
Noncurrent Liabilities:		
Compensated Absences Payable	2,090,553	
Other Postemployment Benefits Payable	84,753	
Total Noncurrent Liabilities	<u>2,175,306</u>	
TOTAL LIABILITIES	<u>3,486,745</u>	<u>122,252</u>

**SOUTH FLORIDA COMMUNITY COLLEGE
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	\$ 69,434,260	\$ 1,399,188
Restricted:		
Nonexpendable:		
Endowment		4,469,720
Expendable:		
Grants and Loans	208,451	3,141,530
Scholarships	61,791	
Capital Projects	4,250,276	
Unrestricted	1,394,543	392,082
Total Net Assets	75,349,321	9,402,520
TOTAL LIABILITIES AND NET ASSETS	\$ 78,836,066	\$ 9,524,772

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

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

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$2,992,995	\$ 1,992,285	\$
Federal Grants and Contracts	499,069	
Nongovernmental Grants and Contracts	13,141	
Sales and Services of Educational Departments	528,240	
Auxiliary Enterprises	1,395,294	
Other Operating Revenues	33,308	225,860
Total Operating Revenues	4,461,337	225,860
EXPENSES		
Operating Expenses:		
Personnel Services	17,546,914	
Scholarships and Waivers	3,484,931	495,009
Utilities and Communications	1,940,709	
Contractual Services	1,330,583	
Other Services and Expenses	2,440,782	303,643
Materials and Supplies	2,055,498	199,722
Depreciation	2,458,133	69,929
Total Operating Expenses	31,257,550	1,068,303
Operating Loss	(26,796,213)	(842,443)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	14,863,412	
Gifts and Grants	8,472,030	964,752
Investment Income	17,290	979,895
Other Nonoperating Revenues (Expenses)	(1,118)	2,072
Net Nonoperating Revenues	23,351,614	1,946,719
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(3,444,599)	1,104,276
Capital Appropriations	5,775,765	
Capital Grants, Contracts, Gifts, and Fees	707,843	
Total Other Revenues	6,483,608	
Increase in Net Assets	3,039,009	1,104,276
Net Assets, Beginning of Year	72,310,312	8,298,244
Net Assets, End of Year	\$ 75,349,321	\$ 9,402,520

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

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

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 1,926,042
Grants and Contracts	499,732
Payments to Suppliers	(5,833,833)
Payments for Utilities and Communications	(1,940,709)
Payments to Employees	(13,593,931)
Payments for Employee Benefits	(3,624,891)
Payments for Scholarships	(3,484,931)
Auxiliary Enterprises	1,590,078
Sales and Service of Educational Departments	528,240
Other Payments	(666,627)
	(24,600,830)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	14,863,412
Gifts and Grants Received for Other Than Capital or Endowment Purposes	8,472,030
Other Nonoperating Disbursements	(71,376)
	23,264,066
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	11,085,904
Capital Grants and Gifts	707,843
Purchases of Capital Assets	(10,304,259)
	1,489,488
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	17,290
	17,290
Net Increase in Cash and Cash Equivalents	170,014
Cash and Cash Equivalents, Beginning of Year	7,310,342
Cash and Cash Equivalents, End of Year	\$ 7,480,356

**SOUTH FLORIDA COMMUNITY COLLEGE
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	\$ (26,796,213)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,458,133
Changes in Assets and Liabilities:	
Receivables	(157,360)
Due from Other Governmental Agencies	58,756
Inventories	(6,969)
Prepaid Expenses	260,051
Accounts Payable	(1,053,096)
Salary and Payroll Taxes Payable	6,625
Deferred Revenue	286,282
Due to Other Governmental Agencies	(26,521)
Deposits Held for Others	183,925
Compensated Absences Payable	156,288
Other Postemployment Benefits Payable	29,269
NET CASH USED BY OPERATING ACTIVITIES	\$ (24,600,830)

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the South Florida Community College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2009.

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

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected

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

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 FASB standards of accounting and financial reporting for not-for-profit organizations.

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 Fund 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.

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

The statement of net assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs,

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

it is the College's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenues.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and funds invested with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool. 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 Florida PRIME investment pool to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to 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 \$2,606,792 of moneys held in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 46 days as of June 30, 2010. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

Capital Assets. College capital assets consist of land; artwork; buildings; other structures and improvements; and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and

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

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

Land, buildings, and equipment of the College's component unit are stated at cost except for donated property which is stated at fair market value at the date of the donation, and is net of accumulated depreciation of \$650,394. The College's component unit depreciates buildings and equipment using the straight-line method.

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

2. INVESTMENTS

Investments held by the College's component unit (Foundation) totaled \$6,370,632 at December 31, 2009. The investments are reported at fair value and consist of equity investments, money market funds, United States Treasury securities, corporate bonds and mutual funds.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected vending machine commissions, unused credit memos, and grant reimbursements due from third parties. These receivables are expected to be collected in full.

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$1,206,270 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

5. DUE FROM COMPONENT UNIT

The College recorded a due from component unit of \$62,399 which represents operational expenses made by the College that will be reimbursed by the Foundation. The College's financial statements are reported for the fiscal year ended June 30, 2010. The component unit's financial statements are reported for the fiscal year ended December 31, 2009. Accordingly, although the College reported an amount due from the component unit on the statement of net assets, the component unit did not report an amount due to the College.

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

6. INVENTORIES

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

7. CAPITAL ASSETS

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 2,477,518	\$	\$	\$ 2,477,518
Artwork	421,213			421,213
Construction in Progress	2,243,232	9,748,056	11,991,288	
Total Nondepreciable Capital Assets	\$ 5,141,963	\$ 9,748,056	\$ 11,991,288	\$ 2,898,731
Depreciable Capital Assets:				
Buildings	\$ 68,869,300	\$ 11,991,288	\$	\$ 80,860,588
Other Structures and Improvements	12,451,575	387,807	288,792	12,550,590
Furniture, Machinery, and Equipment	2,819,264	104,758	267,990	2,656,032
Total Depreciable Capital Assets	84,140,139	12,483,853	556,782	96,067,210
Less, Accumulated Depreciation:				
Buildings	16,899,573	1,678,272		18,577,845
Other Structures and Improvements	8,264,813	606,472	202,750	8,668,535
Furniture, Machinery, and Equipment	2,378,544	173,389	266,632	2,285,301
Total Accumulated Depreciation	27,542,930	2,458,133	469,382	29,531,681
Total Depreciable Capital Assets, Net	\$ 56,597,209	\$ 10,025,720	\$ 87,400	\$ 66,535,529

8. ART COLLECTIONS

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

9. DEFERRED REVENUE

Deferred revenue includes prepayments of cultural program sales and donations as well as grant moneys for which expenses have yet to be incurred. As of June 30, 2010, the College reported the following amounts as deferred revenue:

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

Description	Amount
Cultural Program - Advance Sales & Donations Grant Related	\$ 307,116 34,665
Total Deferred Revenue	\$ 341,781

10. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2010, include 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
Compensated Absences Payable	\$ 2,093,445	\$ 315,468	\$ 159,180	\$ 2,249,733	\$ 159,180
Other Postemployment Benefits Payable	55,484	58,933	29,664	84,753	
Total Long-Term Liabilities	\$ 2,148,929	\$ 374,401	\$ 188,844	\$ 2,334,486	\$ 159,180

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 \$2,249,733. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and represents anticipated payments for employees in the final year of the Deferred Retirement Option Program.

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

Plan Description. The College contributes to an agent, multiple-employer defined-benefit plan administered by the Consortium. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College’s healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. The College and the Consortium do

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

not issue stand-alone annual reports for the plan and the plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. 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 Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 45 retirees received postemployment healthcare benefits, and 35 retirees received postemployment life insurance benefits. The College provided required contributions of \$29,664 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 \$266,338.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 42,066
Amortization of Unfunded Actuarial Accrued Liability	<u>17,107</u>
Annual Required Contribution	59,173
Interest on Net OPEB Obligation	1,665
Adjustment to Annual Required Contribution	<u>(1,905)</u>
Annual OPEB Cost (Expense)	58,933
Contribution Toward the OPEB Cost	<u>(29,664)</u>
Increase in Net OPEB Obligation	29,269
Net OPEB Obligation, Beginning of Year	<u>55,484</u>
Net OPEB Obligation, End of Year	<u><u>\$ 84,753</u></u>

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2010, and for the transition and preceding years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Beginning Balance, July 1, 2007	\$		\$
2007-08	64,617	53.4%	30,131
2008-09	64,517	60.7%	55,484
2009-10	58,933	50.3%	84,753

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

Funded Status and Funding Progress. As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$498,262 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$498,262 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$11,899,341 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.2 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.

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 under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent initially for the 2009-10 fiscal year, reduced gradually to an ultimate rate of 4.5 percent in 2027. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years. The remaining amortization period at June 30, 2010, was 27 years.

11. 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

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

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.

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 PEORP.

(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 \$946,332, \$957,183, and \$942,119, 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

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

79 College participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$207,842.

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

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

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

There were 9 College participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled \$68,155.

12. OPERATING LEASE COMMITMENTS

The College leased a mail machine and several copy machines under operating leases, with various expiration dates through 2013. These leased assets and the related commitments are not reported on the College’s statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2011	\$ 50,379
2012	23,059
2013	12,665
Total Minimum Payments Required	\$ 86,103

**SOUTH FLORIDA COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

13. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and 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 up to \$150 million starting March 1, 2010. Insurance coverage obtained through the Consortium included health and hospitalization and life, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

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

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:

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

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 12,837,286
Gross Receipts Tax (Public Education Capital Outlay)	5,634,293
Education Enhancement Trust Fund (Lottery)	1,811,091
Bright Futures Scholarship Program	520,385
Florida Student Assistance Grants	441,901
Adults with Disabilities	215,035
Motor Vehicle License Tax (Capital Outlay and Debt Service)	141,472
Restricted Contracts and Grants	111,888
Florida Workforce	101,539
Other State Sources	202,546
Total	\$ 22,017,436

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, 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	\$ 8,298,568
Academic Support	2,547,850
Student Services	3,280,344
Institutional Support	4,445,292
Operation and Maintenance of Plant	5,524,838
Scholarships and Fellowships	3,173,773
Depreciation	2,458,133
Auxiliary Enterprises	1,528,752
Total Operating Expenses	\$ 31,257,550

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:

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

Statement of Current Unrestricted Funds Net Assets

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 3,718,150
Accounts Receivable	203,143
Due from Other Governmental Agencies	15,884
Due from Component Unit	40,370
Inventories	31,038
Prepaid Expenses	50,917

TOTAL ASSETS \$ 4,059,502

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 23,358
Deferred Revenue	307,115
Compensated Absences Payable	159,180

Total Current Liabilities 489,653

Noncurrent Liabilities:

Compensated Absences Payable	2,090,553
Other Postemployment Benefits Payable	84,753

TOTAL LIABILITIES 2,664,959

TOTAL NET ASSETS 1,394,543

TOTAL LIABILITIES AND NET ASSETS \$ 4,059,502

**SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
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 (Note 1)	\$ 4,617,057
Sales and Services of Educational Departments	528,240
Auxiliary Revenues	1,395,294
Other Operating Revenues	<u>33,308</u>

Total Operating Revenues 6,573,899

EXPENSES

Operating Expenses:

Personnel Services	16,270,543
Scholarships and Waivers	54,793
Utilities and Communications	1,940,709
Contractual Services	992,793
Other Services and Expenses	1,750,831
Materials and Supplies	<u>1,213,126</u>

Total Operating Expenses 22,222,795

Operating Loss (15,648,896)

NONOPERATING REVENUES

State Appropriations	14,654,405
Gifts and Grants	1,438,572
Investment Income	7,465
Other Nonoperating Revenues	<u>240</u>

Net Nonoperating Revenues 16,100,682

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

	451,786
Transfers to/from Other Funds	<u>(463,791)</u>

Decrease in Net Assets (12,005)

Net Assets, Beginning of Year 1,406,548

Net Assets, End of Year \$ 1,394,543

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

**SOUTH FLORIDA COMMUNITY COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN**

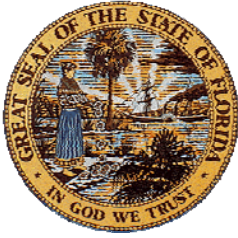
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 537,140	\$ 537,140	0%	\$ 12,037,972	4.5%
7/1/2009	\$	\$ 498,262	\$ 498,262	0%	\$ 11,899,341	4.2%

Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the actuarial accrued liability.

**SOUTH FLORIDA COMMUNITY COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The July 1, 2009, unfunded actuarial liability of \$498,262 is 7.2 percent lower than the July 1, 2007, liability of \$537,140. The reduction is primarily due to changes in assumed participation (\$31,000 reduction) and a combination of lower than expected claims costs and higher contributions (\$104,000 reduction). This was partially offset by the expected increase in the actuarial accrued liability (AAL) due to increased service and age of the group and demographic changes (\$57,000 increase) and the updated healthcare cost trend rate assumption (\$39,000 increase).



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

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

We have audited the financial statements of South Florida Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 22, 2011