

# TALLAHASSEE COMMUNITY COLLEGE

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2010



## BOARD OF TRUSTEES AND PRESIDENT

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

	<u>County</u>
Eugene Lamb, Vice Chair from 8-17-09 to 6-27-10, Chair from 6-28-10	Gadsden
Dr. J. Allison DeFoor, II, from 9-15-09, Vice Chair from 6-28-10	Wakulla
Frank S. Messersmith, Chair to 8-16-09	Wakulla
Karen B. Moore, Vice Chair to 8-16-09, Chair from 8-17-09 to 6-27-10	Leon
Dr. Dana G. Callen from 9-15-09	Leon
Bill J. Hebrock	Leon
Dr. Kimberle Moon	Gadsden
Kathy Shirah to 9-14-09	Wakulla
Lyn Stanfield to 9-14-09	Leon

Dr. William D. Law, Jr., President  
to April 30, 2010

Dr. Barbara R. Sloan, President  
from May 1, 2010

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

The audit team leader was Stellar Lee, CPA, and the audit was supervised by Cheryl B. Pueschel, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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TALLAHASSEE COMMUNITY COLLEGE  
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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

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

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

### Audit Objectives and Scope

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

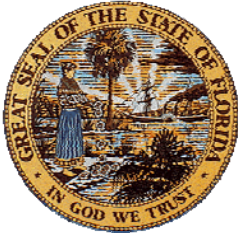
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements; and
- Taken corrective action for the finding included in our report No. 2010-159.

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  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Tallahassee Community College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2010, which collectively comprise the College's basic financial statements as shown on pages 12 through 34. 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 aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component units, are based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Tallahassee Community College and of its aggregate discretely presented component units as of June 30, 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 Tallahassee Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 35 and 36 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  
March 7, 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.

### FINANCIAL HIGHLIGHTS

The College's assets totaled \$163.6 million at June 30, 2010. This balance reflects a \$1.7 million, or 1 percent, decrease from the 2008-09 fiscal year, resulting from reductions in State revenues. While assets decreased, liabilities increased by \$0.4 million, or 1.5 percent, totaling \$30.1 million at June 30, 2010, compared to \$29.7 million at June 30, 2009. As a result, the College's net assets decreased by \$2.2 million, reaching a year-end balance of \$133.5 million.

The College's operating revenues totaled \$40.1 million for the 2009-10 fiscal year, representing a 6.3 percent decrease from the 2008-09 fiscal year due mainly to a decrease in State and local grants and contracts. Operating expenses totaled \$121.7 million for the 2009-10 fiscal year, representing an increase of 4.1 percent over the 2008-09 fiscal year due mainly to an increase in scholarships and waivers.

### OVERVIEW OF FINANCIAL STATEMENTS

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

- Tallahassee Community College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Tallahassee Community College Foundation, Inc. (Component Unit) – Serves as the fund-raising arm of the College and financially supports various academic endeavors of students, faculty, and staff.
- Tallahassee Community College Housing, Inc. (TCCH) (Component Unit) – Established to provide support and assistance to the College through operation of a housing complex for students of the College. On August 31, 2006, TCCH sold the housing complex. Subsequent to the sale, \$7,555,939 was deposited in escrow to in-substance defease the outstanding student housing revenue bonds not redeemable in full until July 1, 2011.
- Public Safety Academy Housing, Inc. (PSAH) (Component Unit) – Established to obtain financing and construct a 200-room housing facility for students at the College's Florida Public Safety Institute. The housing facility was completed on January 4, 2006. Upon completion, PSAH executed an agreement with the College whereby the College leases the housing facility from PSAH and is responsible for operating and maintaining the facility. In exchange, PSAH receives a monthly lease payment in the amount of its mortgage payment. During the 2009-10 fiscal year, these lease and note transactions accounted for substantially all of the PSAH financial activity.

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

One of the most important questions asked about the College's finances is, "Is Tallahassee Community College as a whole, better or worse off as a result of the year's activities?" The statement of net assets and the statement of

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

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

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

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

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

	College		Component Units (1)	
	6-30-10	6-30-09	2010	2009
<b>Assets</b>				
Current Assets	\$ 47,340	\$ 53,667	\$ 5,486	\$ 5,913
Capital Assets, Net	116,047	111,499	7,293	7,638
Other Noncurrent Assets	258	195	14,390	13,463
<b>Total Assets</b>	<u>163,645</u>	<u>165,361</u>	<u>27,169</u>	<u>27,014</u>
<b>Liabilities</b>				
Current Liabilities	5,931	7,972	978	1,133
Noncurrent Liabilities	24,174	21,696	13,075	13,768
<b>Total Liabilities</b>	<u>30,105</u>	<u>29,668</u>	<u>14,053</u>	<u>14,901</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	101,517	94,806	(253)	(227)
Restricted	29,891	38,939	12,809	11,634
Unrestricted	2,132	1,948	560	706
<b>Total Net Assets</b>	<u>\$ 133,540</u>	<u>\$ 135,693</u>	<u>\$ 13,116</u>	<u>\$ 12,113</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ (2,153) -1.6%</u>		<u>\$ 1,003 8.3%</u>	

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

Revenues and expenses of the College and its component units 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 Units (1)	
	6-30-10	6-30-09	2010	2009
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 13,308	\$ 15,268	\$	\$
Federal Grants and Contracts	11,884	11,071		
State and Local Grants and Contracts	9,292	12,066		
Nongovernmental Grants and Contracts	1,560	1,702		
Auxiliary Enterprises	4,019	2,643		
Other Operating Revenues			1,955	2,592
<b>Total Operating Revenues</b>	<b>40,063</b>	<b>42,750</b>	<b>1,955</b>	<b>2,592</b>
Less, Operating Expenses	121,693	116,950	2,115	2,244
<b>Operating Income (Loss)</b>	<b>(81,630)</b>	<b>(74,200)</b>	<b>(160)</b>	<b>348</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	39,851	42,600		
Other Nonoperating Revenues	34,754	21,566	2,011	
Nonoperating Expenses	(738)	(714)	(848)	(2,847)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>73,867</b>	<b>63,452</b>	<b>1,163</b>	<b>(2,847)</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
Capital Appropriations	4,041	7,301		
Capital Grants, Contracts, Gifts, and Fees	1,569	1,561		
<b>Increase (Decrease) in Net Assets</b>	<b>(2,153)</b>	<b>(1,886)</b>	<b>1,003</b>	<b>(2,499)</b>
Net Assets, Beginning of Year	135,693	137,579	12,113	14,465
Adjustment to Beginning Net Assets (2)				147
<b>Net Assets, Beginning of Year, as Restated</b>	<b>135,693</b>	<b>137,579</b>	<b>12,113</b>	<b>14,612</b>
<b>Net Assets, End of Year</b>	<b>\$ 133,540</b>	<b>\$ 135,693</b>	<b>\$ 13,116</b>	<b>\$ 12,113</b>

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

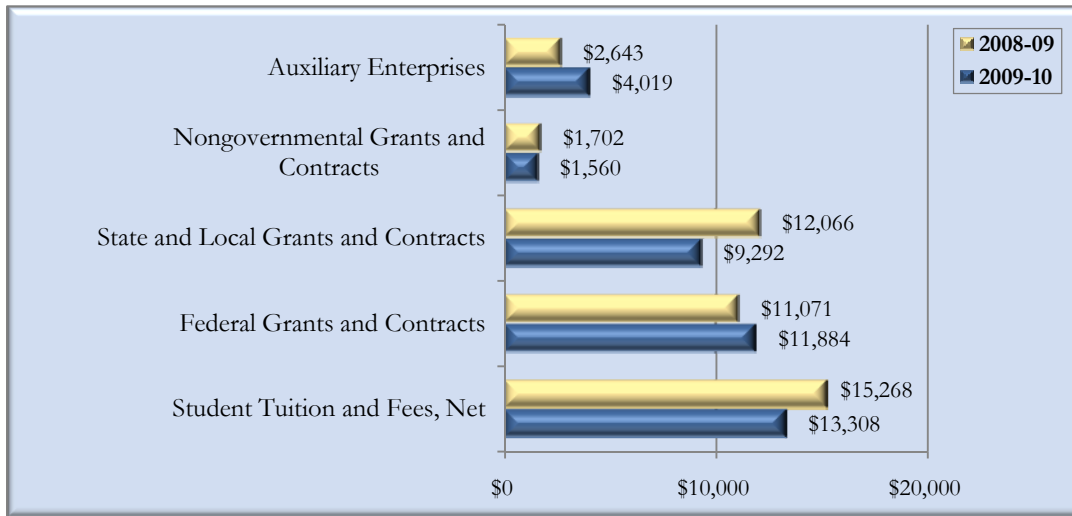
(2) Adjustment is to correct for a prior period omission of reporting certain donated assets.

### Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

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

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



College operating revenue changes were primarily the result of reduced State and local grants and contracts revenue and tuition and fees, net of scholarship allowances. Gross student tuition and fees revenue increased by \$2.2 million for the 2009-10 fiscal year primarily due to increased fee rates; however, net student tuition and fees decreased by \$2 million for the fiscal year. The decrease in net student fees resulted from increases in scholarship allowances, which include payments from Federal Title IV student aid programs (i.e., Federal Pell and Federal Supplemental Education Opportunity Grants), Florida Bright Futures Scholarships, and other institutional scholarships. Scholarship allowances totaled \$14 million in the 2009-10 fiscal year compared to \$9.8 million for the 2008-09 fiscal year primarily due to increases in Federal Pell grants. The decrease in State and local grants and contracts of \$2.8 million was a result of reduced State funding.

**Operating Expenses**

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

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

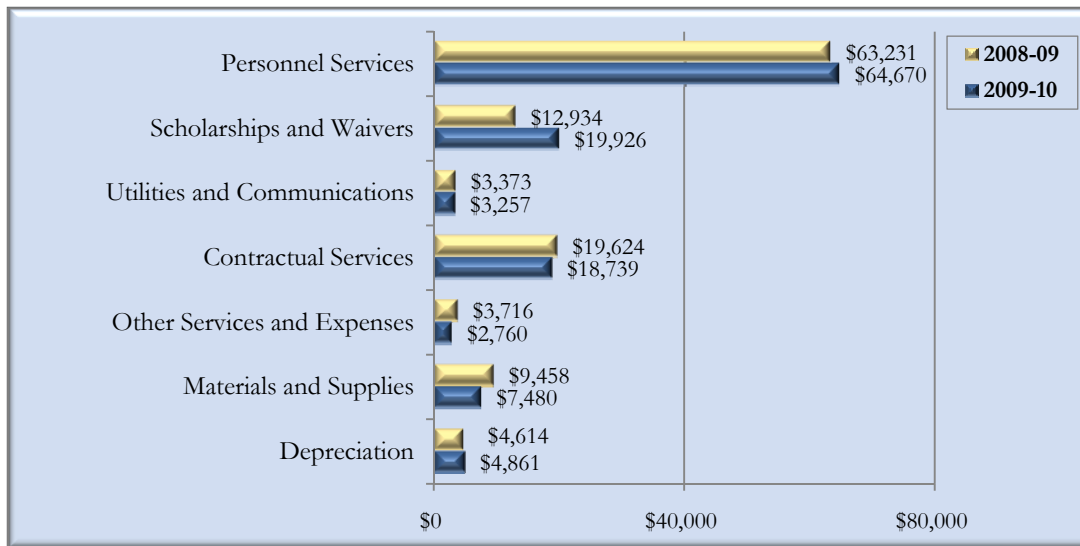
**Operating Expenses  
(In Thousands)**

	College		Component Units (1)	
	6-30-10	6-30-09	2010	2009
<b>Operating Expenses</b>				
Personnel Services	\$ 64,670	\$ 63,231	\$ 385	\$ 389
Scholarships and Waivers	19,926	12,934	567	488
Utilities and Communications	3,257	3,373	2	3
Contractual Services	18,739	19,624	99	112
Other Services and Expenses	2,760	3,716	711	885
Materials and Supplies	7,480	9,458	27	40
Depreciation	4,861	4,614	324	327
<b>Total Operating Expenses</b>	<b>\$ 121,693</b>	<b>\$ 116,950</b>	<b>\$ 2,115</b>	<b>\$ 2,244</b>

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

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 expenses increased by \$4.7 million from the 2008-09 fiscal year. Increases in scholarships and waivers were the largest contributor to the overall increase as more and larger awards were made in the 2009-10 fiscal year. Disbursements of Federal Pell grants increased by more than \$11 million in the 2009-10 fiscal year while the scholarship allowance increased by approximately \$4 million resulting in a net increase in scholarships and waivers of \$7 million. Materials and supplies expenses decreased as a result of a reduced level of spending in anticipation of a reduction to State funding for the 2009-10 fiscal year. Also, personnel services expenses increased mainly as a result of retirement incentive payments during the 2009-10 fiscal year and filling of vacancies previously frozen in the 2008-09 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	\$ 39,851	\$ 42,600
Gifts and Grants	34,560	21,338
Investment Income	194	228
Interest on Capital Asset-Related Debt	<u>(738)</u>	<u>(714)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$ 73,867</u></b>	<b><u>\$ 63,452</u></b>

College net nonoperating revenues increased by \$10.4 million resulting from the following factors. Gifts and grants increased by \$13.2 million due primarily to the increased amounts of \$11 million awarded as Federal Pell grants, and the receipt of American Recovery and Reinvestment Act (ARRA) Federal funds of \$2.4 million. The increase was offset by \$2.7 million decrease in State appropriations, due primarily to reduced College Program Funds appropriated by the Legislature.

**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)**

	<u>2009-10</u>	<u>2008-09</u>
Capital Appropriations	\$ 4,041	\$ 7,301
Capital Grants, Contracts, Gifts, and Fees	<u>1,569</u>	<u>1,561</u>
<b>Total</b>	<b><u>\$ 5,610</u></b>	<b><u>\$ 8,862</u></b>

Capital appropriations decreased by \$3.3 million due to a decrease in State Public Education Capital Outlay appropriations for capital projects.

**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)**

	<u>2009-10</u>	<u>2008-09</u>
Cash Provided (Used) by:		
Operating Activities	\$ (74,961)	\$ (66,801)
Noncapital Financing Activities	74,411	63,938
Capital and Related Financing Activities	6,164	(1,097)
Investing Activities	127	317
	<u>5,741</u>	<u>(3,643)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>5,741</b>	<b>(3,643)</b>
Cash and Cash Equivalents, Beginning of Year	<u>19,642</u>	<u>23,285</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 25,383</u></b>	<b><u>\$ 19,642</u></b>

Major sources of funds came from State appropriations (\$39.9 million), net student tuition and fees (\$14.4 million), operating grants and contracts (\$25.4 million), and gifts and grants (\$34.6 million). Major uses of funds were for salaries and benefits (\$63.1 million), supplies (\$29.1 million) and scholarships (\$19.9 million).

Cash and cash equivalents increased by \$5.7 million from the prior year and the changes were the result of the following factors. The net cash used by operating activities increased by \$8.2 million, primarily due to increases in scholarship payments of \$7 million. The net cash provided by noncapital financing activities increased by \$10.5 million due primarily to an increase of \$13.2 million in Federal student financial aid and ARRA funds, which was offset by a reduction in State appropriation of \$2.7 million. Cash provided by capital and related financing activities increased by \$7.3 million as a result of new capital outlay bonds proceeds of \$2.8 million and previous year State capital outlay appropriations received in the current fiscal year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2010, the College had \$170.5 million in capital assets, less accumulated depreciation of \$54.4 million, for net capital assets of \$116 million. Depreciation charges for the current fiscal year totaled \$4.9 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	\$ 10,563	\$ 10,427
Buildings	129,111	125,986
Other Structures and Improvements	10,229	10,042
Furniture, Machinery, and Equipment	8,172	8,827
Assets Under Capital Leases	3,693	3,693
Construction in Progress	<u>8,701</u>	<u>3,083</u>
<b>Total</b>	<u>170,469</u>	<u>162,058</u>
Less, Accumulated Depreciation:		
Buildings	36,173	32,514
Other Structures and Improvements	9,173	8,882
Furniture, Machinery, and Equipment	7,274	7,750
Assets Under Capital Leases	<u>1,802</u>	<u>1,413</u>
<b>Total Accumulated Depreciation</b>	<u>54,422</u>	<u>50,559</u>
<b>Capital Assets, Net</b>	<u>\$ 116,047</u>	<u>\$ 111,499</u>

The College has \$16.1 million in construction commitments at June 30, 2010. The construction commitments are for Ghazvini Center for Healthcare Education. State appropriations, together with local funds, are expected to finance the construction, renovation, and purchase of land and facilities. More information about the College’s capital assets is presented in the notes to financial statements.

**DEBT ADMINISTRATION**

At fiscal year-end, the College had \$18.2 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>
SBA Capital Improvement Revenue Bonds	\$ 12,135	\$ 12,575
SBE Capital Outlay Bonds	3,710	1,120
Capital Leases	<u>2,360</u>	<u>2,857</u>
<b>Total</b>	<u>\$ 18,205</u>	<u>\$ 16,552</u>

During the 2009-10 fiscal year, the State Board of Education issued Capital Outlay Bonds, Series 2009A, on behalf of the College, in the amount of \$2,765,000. Additional information about the College’s long-term debt is presented in the notes to financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

Tallahassee Community College’s economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, a decrease in State funding is anticipated in the coming year. In response to a decrease in State appropriations, the Board of Trustees increased the tuition rate 12 percent to take effect beginning with the Fall 2010 term. The College’s current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

**REQUESTS FOR INFORMATION**

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

**BASIC FINANCIAL STATEMENTS**

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

	<u>College</u>	<u>Component Units</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 11,348,354	\$ 149,850
Restricted Cash and Cash Equivalents	14,034,853	
Investments		4,583,058
Restricted Investments		476,633
Accounts Receivable, Net	1,744,076	276,561
Notes Receivable, Net	56,537	
Due from Other Governmental Agencies	20,050,448	
Inventories	103,482	
Prepaid Expenses	2,666	
<b>Total Current Assets</b>	<u>47,340,416</u>	<u>5,486,102</u>
Noncurrent Assets:		
Restricted Investments	257,743	13,038,683
Depreciable Capital Assets, Net	96,783,198	7,293,218
Nondepreciable Capital Assets	19,264,069	
Other Assets		1,351,150
<b>Total Noncurrent Assets</b>	<u>116,305,010</u>	<u>21,683,051</u>
<b>TOTAL ASSETS</b>	<u>\$ 163,645,426</u>	<u>\$ 27,169,153</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 347,737	\$ 284,798
Salary and Payroll Taxes Payable	632,628	
Retainage Payable	545,681	
Deferred Revenue	598,361	
Deposits Held for Others	1,967,077	
Long-Term Liabilities - Current Portion:		
Bonds Payable	640,000	370,000
Notes Payable		323,186
Capital Leases Payable	297,702	
Special Termination Benefits Payable	148,329	
Compensated Absences Payable	700,352	
Deposits Held for Others	53,508	
<b>Total Current Liabilities</b>	<u>5,931,375</u>	<u>977,984</u>
Noncurrent Liabilities:		
Bonds Payable	15,205,000	5,710,000
Notes Payable		7,365,121
Capital Leases Payable	2,062,314	
Special Termination Benefits Payable	445,878	
Compensated Absences Payable	5,129,386	
Deposits Held for Others	354,950	
Other Postemployment Benefits Payable	835,842	
Estimated Arbitrage Rebate Payable	140,512	
<b>Total Noncurrent Liabilities</b>	<u>24,173,882</u>	<u>13,075,121</u>
<b>TOTAL LIABILITIES</b>	<u>30,105,257</u>	<u>14,053,105</u>

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

	College	Component Units
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 101,517,377	\$ (253,328)
Restricted:		
Nonexpendable:		
Endowment		4,273,024
Expendable:		
Grants and Loans	10,051,797	
Scholarships		8,536,274
Capital Projects	19,001,081	
Debt Service	838,433	
Unrestricted	2,131,481	560,078
<b>Total Net Assets</b>	133,540,169	13,116,048
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 163,645,426	\$ 27,169,153

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

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

	<b>College</b>	<b>Component Units</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$13,962,072	\$ 13,308,499	\$
Federal Grants and Contracts	11,883,767	
State and Local Grants and Contracts	9,291,860	
Nongovernmental Grants and Contracts	1,559,835	
Auxiliary Enterprises	4,018,996	
Other Operating Revenues		1,955,333
<b>Total Operating Revenues</b>	<b>40,062,957</b>	<b>1,955,333</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	64,669,630	385,054
Scholarships and Waivers	19,926,551	566,800
Utilities and Communications	3,257,281	2,680
Contractual Services	18,738,885	98,758
Other Services and Expenses	2,760,580	711,280
Materials and Supplies	7,479,800	26,958
Depreciation	4,860,656	323,848
<b>Total Operating Expenses</b>	<b>121,693,383</b>	<b>2,115,378</b>
<b>Operating Loss</b>	<b>(81,630,426)</b>	<b>(160,045)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	39,850,979	
Gifts and Grants	34,560,553	
Investment Income	193,695	2,010,695
Interest on Capital Asset-Related Debt	(738,383)	(848,093)
<b>Net Nonoperating Revenues</b>	<b>73,866,844</b>	<b>1,162,602</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(7,763,582)</b>	<b>1,002,557</b>
Capital Appropriations	4,041,291	
Capital Grants, Contracts, Gifts, and Fees	1,569,093	
<b>Total Other Revenues</b>	<b>5,610,384</b>	
<b>Increase (Decrease) in Net Assets</b>	<b>(2,153,198)</b>	<b>1,002,557</b>
Net Assets, Beginning of Year	135,693,367	12,113,491
<b>Net Assets, End of Year</b>	<b>\$ 133,540,169</b>	<b>\$ 13,116,048</b>

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

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

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 14,403,666
Grants and Contracts	25,357,483
Payments to Suppliers	(29,067,110)
Payments for Utilities and Communications	(3,053,138)
Payments to Employees	(52,569,620)
Payments for Employee Benefits	(10,511,630)
Payments for Scholarships	(19,926,551)
Loans Issued to Students	(70,718)
Collection of Loans to Students	69,180
Auxiliary Enterprises	407,056
	<b>(74,961,382)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	39,850,979
Gifts and Grants Received for Other Than Capital or Endowment Purposes	34,560,553
	<b>74,411,532</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt	2,815,321
Capital Appropriations	13,138,395
Capital Grants and Gifts	1,569,093
Purchases of Capital Assets	(9,494,297)
Principal Paid on Capital Debt and Leases	(1,085,932)
Interest Paid on Capital Debt and Leases	(778,892)
	<b>6,163,688</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	189,722
Purchase of Investments	(62,584)
	<b>127,138</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>5,740,976</b>
Cash and Cash Equivalents, Beginning of Year	19,642,231
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 25,383,207</b>

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

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (81,630,426)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,860,656
Changes in Assets and Liabilities:	
Receivables, Net	2,965,029
Inventories	(11,777)
Accounts Payable	(1,424,660)
Salaries and Payroll Taxes Payable	103,310
Deferred Revenue	586,729
Deposits Held for Others	(1,028,453)
Compensated Absences Payable	(190,270)
Special Termination Benefits Payable	134,347
Other Postemployment Benefits Payable	674,133
	<u>674,133</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b><u>\$ (74,961,382)</u></b>

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

- The Tallahassee Community College Foundation, Inc.: This organization provides funding and services to support and foster the pursuit of higher education at the College.
- Tallahassee Community College Housing, Inc. (TCCH): This organization provides support and assistance to the College through the operation of a housing complex for students of the College. On August 31, 2006, TCCH sold the housing complex. Subsequent to the sale, \$7,555,939 was deposited in escrow to in-substance defease the outstanding student housing revenue bonds not redeemable in full until July 1, 2011.
- Public Safety Academy Housing, Inc. (PSAH): This organization was established to obtain financing and construct a 200-room housing facility for students at the College's Florida Public Safety Institute. The housing facility was completed on January 4, 2006. Upon completion, PSAH executed an agreement with the College whereby the College leases the housing facility from PSAH and is responsible for operating and maintaining the facility. In exchange, PSAH receives a monthly lease payment in the amount of its mortgage payment. During the 2009-10 fiscal year, these lease and note transactions accounted for substantially all of the PSAH financial activity.

The College's component units are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The component units' audited financial statements are available to the public at the College. The financial data of the Tallahassee Community College Foundation, Inc., the Tallahassee Community College Housing, Inc., and the Public Safety Academy Housing, Inc., reported on the accompanying financial statements was derived from the audited financial statements for the fiscal year ended March 31, 2010,

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

June 30, 2010, and March 31, 2010, respectively. Additional condensed financial statements for the College's component units are included in a subsequent note.

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

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

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
  - Notes to Financial Statements
- 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 units use the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Tallahassee Community College Foundation, Inc., and Tallahassee Community College Housing, Inc., follow FASB standards of accounting and financial reporting for not-for-profit organizations. The Public Safety Academic Housing, Inc. follows GASB pronouncements

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

and FASB pronouncements issued after November 30, 1989, unless the FASB pronouncements conflict with GASB pronouncements.

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

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

**Cash and Cash Equivalents.** The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts; investments with the State Board of Administration (SBA) Florida PRIME investment pool, formerly known as Local Government Surplus Funds Trust Fund Investment Pool; and the State Treasury Special Purpose Investment Account (SPIA). 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 SPIA and 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

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

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 \$84,132 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.

At June 30, 2010, the College reported as cash equivalents at fair value \$10,021 of moneys held in Florida PRIME investment pool administered by 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; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and assets under capital leases. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

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

Land, buildings, and equipment of the College's component units are stated at cost except for donated property which is stated at fair market value at the date of donation and is net of accumulated depreciation of \$1,383,492. The College's component units depreciate buildings and equipment over estimated life of 39 years for buildings and improvements and from 3 to 10 years for furniture and equipment.

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

## 2. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

### **State Board of Administration Debt Service Accounts**

The College reported investments at fair value totaling \$117,231 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 \$140,512 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 2006A. The College's

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

investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Rebate Accounts are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

**Component Units Investments**

Investments reported by the College’s component units consisted of those held by the Tallahassee Community College Foundation, Inc., at March 31, 2010, and the Tallahassee Community College Housing, Inc., at June 30, 2010, and are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
United States Treasury Notes	\$ 6,240,048
Mutual Funds	5,519,442
Money Market Funds	5,278,728
Certificates of Deposit	961,404
State Board of Administration Fund B	<u>98,752</u>
<b>Total Investments</b>	<b><u>\$ 18,098,374</u></b>

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferments, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$551,215 allowance for uncollectible accounts.

**4. NOTES RECEIVABLE**

Notes receivable represent student loans for veteran students’ fees of \$85,444 and for the short-term loan program of \$9,349. Notes receivable are reported net of a \$38,256 allowance for uncollectible notes.

**5. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount consists of \$17,777,430 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$2,273,018 due from State and Federal agencies for contract and grant reimbursements.

**6. INVENTORIES**

Inventories consist of items for resale by the Florida Public Safety Institute bookstore, 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.

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

**7. CAPITAL ASSETS**

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 10,427,211	\$ 135,649	\$	\$ 10,562,860
Construction in Progress	3,082,831	8,833,642	3,215,264	8,701,209
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 13,510,042</b>	<b>\$ 8,969,291</b>	<b>\$ 3,215,264</b>	<b>\$ 19,264,069</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 125,986,302	\$ 3,205,410	\$ 80,351	\$ 129,111,361
Other Structures and Improvements	10,041,661	187,652		10,229,313
Furniture, Machinery, and Equipment	8,826,702	395,384	1,050,399	8,171,687
Assets Under Capital Lease	3,693,246			3,693,246
<b>Total Depreciable Capital Assets</b>	<b>148,547,911</b>	<b>3,788,446</b>	<b>1,130,750</b>	<b>151,205,607</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	32,514,288	3,708,251	49,617	36,172,922
Other Structures and Improvements	8,881,932	291,151		9,173,083
Furniture, Machinery, and Equipment	7,749,862	471,895	947,850	7,273,907
Assets Under Capital Lease	1,413,138	389,359		1,802,497
<b>Total Accumulated Depreciation</b>	<b>50,559,220</b>	<b>4,860,656</b>	<b>997,467</b>	<b>54,422,409</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 97,988,691</b>	<b>\$ (1,072,210)</b>	<b>\$ 133,283</b>	<b>\$ 96,783,198</b>

**8. DEFERRED REVENUE**

Deferred revenue includes advance funding for contracts and grants and student tuition and fees received prior to fiscal year-end related to a subsequent accounting period. As of June 30, 2010, the College reported the following amounts as deferred revenue:

Description	Amount
Contracts and Grants	\$ 473,312
Student Tuition and Fees	125,049
<b>Total Deferred Revenue</b>	<b>\$ 598,361</b>

**9. LONG-TERM LIABILITIES**

Long-term liabilities of the College at June 30, 2010, include bonds payable, capital leases payable, special termination benefits payable, compensated absences payable, deposits held for others, other postemployment benefits payable, and estimated arbitrage rebate payable. Long-term liabilities activity for the fiscal year ended June 30, 2010, is shown below:

**TALLAHASSEE COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
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Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 13,695,000	\$ 2,765,000	\$ 615,000	\$ 15,845,000	\$ 640,000
Capital Leases Payable	2,856,989		496,973	2,360,016	297,702
Special Termination Benefits Payable	459,860	354,916	220,569	594,207	148,329
Compensated Absences Payable	6,020,008	795,730	986,000	5,829,738	700,352
Deposits Held for Others	423,782		15,324	408,458	53,508
Other Postemployment Benefits Payable	161,709	875,476	201,343	835,842	
Estimated Arbitrage Rebate Payable	140,512			140,512	
<b>Total Long-Term Liabilities</b>	<b>\$ 23,757,860</b>	<b>\$ 4,791,122</b>	<b>\$ 2,535,209</b>	<b>\$ 26,013,773</b>	<b>\$ 1,839,891</b>

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

- Capital Outlay Bonds. State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College’s portion of the State-assessed motor vehicle license tax and by the State’s full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.
- Capital Improvement Revenue Bonds, Series 2006A. 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 bonds payable at June 30, 2010:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education:			
Capital Outlay Bonds:			
Series 2005A	\$ 1,005,000	5.0	2017
Series 2009A	2,705,000	3.0 - 5.0	2029
Florida Department of Education:			
Capital Improvement Revenue Bonds:			
Series 2006A	12,135,000	3.5 - 5.0	2028
<b>Total</b>	<b>\$ 15,845,000</b>		

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On August 15, 2009, the State Board of Education issued \$52,915,000 of State Board of Education Capital Outlay Bonds, Series 2009A. The College's portion of the bonds, \$2,815,321, which includes a premium of \$73,724, less issuance costs of \$23,403, will be used to finance various infrastructure improvements and life safety correction projects.

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

Fiscal Year Ending June 30	Capital Outlay and Capital Improvement Bonds		
	Principal	Interest	Total
2011	\$ 640,000	\$ 697,463	\$ 1,337,463
2012	670,000	670,913	1,340,913
2013	700,000	642,413	1,342,413
2014	730,000	612,613	1,342,613
2015	765,000	580,863	1,345,863
2016-2020	3,850,000	2,373,088	6,223,088
2021-2025	4,690,000	1,372,160	6,062,160
2026-2028	3,800,000	265,562	4,065,562
<b>Total</b>	<b>\$ 15,845,000</b>	<b>\$ 7,215,075</b>	<b>\$ 23,060,075</b>

**Bonds Payable – Component Unit.** Bonds payable, issued by Tallahassee Community College Housing, Inc., consists of Series 1990A Student Housing Revenue Bonds issued May 1, 1990. The bonds are not general obligations of Tallahassee Community College Housing, Inc., but are limited obligations payable solely from revenue and other amounts derived from the operation of the housing facility. At June 30, 2010, the scheduled maturities of bonds payable were as follows.

Fiscal Year Ending June 30	Student Housing Revenue Bonds		
	Principal	Interest	Total
2011	\$ 370,000	\$ 378,288	\$ 748,288
2012	340,000	355,763	695,763
2013	415,000	328,269	743,269
2014	420,000	300,444	720,444
2015	465,000	269,638	734,638
2016-2020	2,515,000	868,207	3,383,207
2021-2023	1,555,000	78,506	1,633,506
<b>Total</b>	<b>\$ 6,080,000</b>	<b>\$ 2,579,115</b>	<b>\$ 8,659,115</b>

**Mortgage Notes Payable – Component Unit.** The Public Safety Academy Housing, Inc., executed a mortgage note payable on May 21, 2004, to construct a housing facility to provide short-term lodging for students of the College's Florida Public Safety Institute. The amount of the note is \$9 million and bears interest at a variable rate, currently 5.45 percent. The note is collateralized by a leasehold mortgage in real estate, a first priority security interest in all personal property located at the facility, and the assignment of rents derived from the operation of the housing facility. Annual requirements to amortize the mortgage note at March 31, 2010, are as follows:

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Fiscal Year Ending March 31	Mortgage Note Payable		
	Principal	Interest	Total
2011	\$ 323,186	\$ 416,840	\$ 740,026
2012	340,316	399,597	739,913
2013	360,672	379,241	739,913
2014	381,115	358,798	739,913
2015	402,715	337,198	739,913
2016-2020	2,381,379	1,318,186	3,699,565
2021-2025	3,138,592	560,973	3,699,565
2026	360,332	4,182	364,514
<b>Total</b>	<b>\$ 7,688,307</b>	<b>\$ 3,775,015</b>	<b>\$ 11,463,322</b>

**Capital Leases Payable.** Networking hardware and energy saving equipment in the amount of \$3,693,246 are being acquired under capital lease agreements. The stated interest rates range from 3.50 to 6.25 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	Amount
2011	\$ 395,219
2012	325,649
2013	332,578
2014	342,274
2015	352,255
2016-2018	1,032,055
<b>Total Minimum Payments</b>	2,780,030
Less, Amount Representing Interest	(420,014)
<b>Present Value of Minimum Payments</b>	<b>\$ 2,360,016</b>

**Special Termination Benefits Payable.** Under a Board-established Retirement Incentive Program, employees who were hired prior to July 1, 1995, and elect to retire within 36 months from the achievement of normal retirement, as defined in Section 121.091 Florida Statutes, receive an incentive payment of 10 percent based on their annualized salary at retirement. In addition, the employee receives payment for a maximum of 1,440 hours of sick leave. The College reported a special termination benefits payable of \$594,207 as of June 30, 2010, for 23 employees who gave notice to retire under the Retirement Incentive Program, of which \$148,329 represents the current portion.

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording

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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 \$5,829,738. Of this amount, \$700,352 is considered a current liability as this is expected to be paid in the coming fiscal year and is calculated as a percentage of total liability, based on the average ratio of employees who terminated service to total number of authorized positions, for each of the preceding five years.

**Deposits Held for Others.** Under a Board-established policy, new employees in executive/administrative, managerial/professional, and classified staff positions have six days of pay withheld from the first pay period until their employment at the College is concluded. The six days of pay is paid in the employee's last paycheck. At June 30, 2010, the College reported a total liability of \$408,458 for salaries withheld from employees. Of this amount, \$53,508 is considered a current liability as this is expected to be paid in the coming fiscal year.

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

**Other Postemployment Benefits Payable.** The College follows Governmental Accounting Standards Board (GASB) Statement 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 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. Neither the College nor the Consortium issue a stand-alone annual report for the plan and the plan is not included in the annual report of a public employees' 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, 147 retirees received postemployment healthcare benefits, and 89 retirees received postemployment life insurance benefits. The College provided required contributions of \$201,343 toward the annual OPEB cost,

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comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$702,871.

*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)	\$ 600,621
Amortization of Unfunded Actuarial Accrued Liability	<u>275,556</u>
<b>Annual Required Contribution</b>	876,177
Interest on Net OPEB Obligation	4,851
Adjustment to Annual Required Contribution	<u>(5,552)</u>
<b>Annual OPEB Cost (Expense)</b>	875,476
Contribution Toward the OPEB Cost	<u>(201,343)</u>
<b>Increase in Net OPEB Obligation</b>	674,133
Net OPEB Obligation, Beginning of Year	<u>161,709</u>
<b>Net OPEB Obligation, End of Year</b>	<u><u>\$ 835,842</u></u>

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for each fiscal year from transition through June 30, 2010, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Beginning Balance, July 1, 2007	\$		\$
2007-08	237,866	66.0%	80,783
2008-09	237,596	65.9%	161,709
2009-10	875,476	23.0%	835,842

*Funded Status and Funding Progress.* As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$8,025,892 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$8,025,892 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$39,111,832 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20.5 percent.

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. 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 by 0.1 - 0.2 percent per year thereafter, to an ultimate rate of 4.5 percent after 18 years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years. The remaining amortization period at June 30, 2010, was 27 years.

## **10. RETIREMENT PROGRAMS**

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

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

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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
Florida Retirement System, Special Risk	0.00	20.92
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 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 \$3,626,278, \$3,663,732, and \$3,508,971, 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 194 College participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$742,649.

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

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

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

There were 44 College participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled \$347,781.

**11. CONSTRUCTION COMMITMENTS**

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

Project Description	Total Committed	Completed to Date	Balance Committed
Ghazvini Center for Healthcare Education:			
General Contractor	\$ 18,613,903	\$ 4,979,837	\$ 13,634,066
Architect / Others	6,221,296	3,721,372	2,499,924
<b>Total</b>	<b>\$ 24,835,199</b>	<b>\$ 8,701,209</b>	<b>\$ 16,133,990</b>

**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

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

**13. SCHEDULE OF STATE REVENUE SOURCES**

Revenue from State sources for current operations is primarily from the College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college’s apportionment considering the following components: base budget, which includes the State appropriation to the College Program Fund in the current year plus the related student tuition and fees assigned in the current General Appropriations Act; the cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation 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	\$ 23,890,268
College Center for Library Automation	12,590,260
Restricted Contracts and Grants	9,291,860
Gross Receipts Tax (Public Education Capital Outlay)	3,530,491
Education Enhancement Trust Fund (Lottery)	3,370,451
Bright Futures Scholarship Program	2,908,658
Florida Student Assistance Grants	2,541,321
Motor Vehicle License Tax (Capital Outlay and Debt Service)	510,800
Other State Sources	33,239
<b>Total</b>	<b><u><u>\$ 58,667,348</u></u></b>

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**14. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 33,344,910
Public Services	6,803,876
Academic Support	17,844,091
Student Services	12,512,249
Institutional Support	16,099,754
Operation and Maintenance of Plant	7,589,656
Scholarships and Fellowships	19,365,035
Depreciation	4,860,656
Auxiliary Enterprises	3,273,156
<b>Total Operating Expenses</b>	<b>\$ 121,693,383</b>

**15. COMPONENT UNITS**

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

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	Direct-Support Organizations			Total
	Tallahassee Community College Foundation, Inc. 3-31-10	Tallahassee Community College Housing, Inc. 6-30-10	Public Safety Academy Housing, Inc. 3-31-10	
<b>Condensed Statement of Net Assets</b>				
Assets:				
Current Assets	\$ 4,750,953	\$ 663,733	\$ 71,416	\$ 5,486,102
Capital Assets, Net			7,293,218	7,293,218
Other Noncurrent Assets	<u>8,333,628</u>	<u>5,914,444</u>	<u>141,761</u>	<u>14,389,833</u>
<b>Total Assets</b>	<u>13,084,581</u>	<u>6,578,177</u>	<u>7,506,395</u>	<u>27,169,153</u>
Liabilities:				
Current Liabilities	47,176	571,400	359,408	977,984
Noncurrent Liabilities		<u>5,710,000</u>	<u>7,365,121</u>	<u>13,075,121</u>
<b>Total Liabilities</b>	<u>47,176</u>	<u>6,281,400</u>	<u>7,724,529</u>	<u>14,053,105</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt			(253,328)	(253,328)
Restricted	12,809,298			12,809,298
Unrestricted	<u>228,107</u>	<u>296,777</u>	<u>35,194</u>	<u>560,078</u>
<b>Total Net Assets</b>	<u>\$ 13,037,405</u>	<u>\$ 296,777</u>	<u>\$ (218,134)</u>	<u>\$ 13,116,048</u>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>				
Operating Revenues	\$ 1,215,351	\$ 69	\$ 739,913	\$ 1,955,333
Operating Expenses	<u>(1,769,455)</u>	<u>(6,086)</u>	<u>(339,837)</u>	<u>(2,115,378)</u>
<b>Operating Income (Loss)</b>	(554,104)	(6,017)	400,076	(160,045)
Net Nonoperating Revenues (Expenses)	<u>1,715,533</u>	<u>(120,224)</u>	<u>(432,707)</u>	<u>1,162,602</u>
<b>Increase (Decrease) in Net Assets</b>	1,161,429	(126,241)	(32,631)	1,002,557
Net Assets, Beginning of Year	<u>11,875,976</u>	<u>423,018</u>	<u>(185,503)</u>	<u>12,113,491</u>
<b>Net Assets, End of Year</b>	<u>\$ 13,037,405</u>	<u>\$ 296,777</u>	<u>\$ (218,134)</u>	<u>\$ 13,116,048</u>

## 16. SUBSEQUENT EVENTS

On October 14, 2010, State Board of Education Capital Outlay Bonds, Series 2010A, were issued, with an average interest rate of 4.38 percent. The College's share of the net proceeds totaled \$625,098 (\$585,000 plus net premium of \$45,254 less underwriting fees and other issuance costs of \$5,156) and will be used to fund construction projects identified on the approved project priority list.

**TALLAHASSEE 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	\$	\$ 2,312,907	\$ 2,312,907	0%	\$ 50,538,709	4.6%
7/1/2009	\$	\$ 8,025,892	\$ 8,025,892	0%	\$ 39,111,832	20.5%

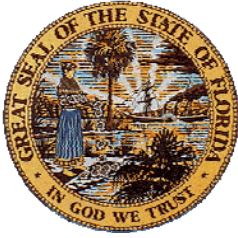
Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the acutuarial accrued liability.

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**TALLAHASSEE COMMUNITY COLLEGE  
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 (AAL) of \$8,025,892 was significantly higher than the July 1, 2007, liability of \$2,312,907. The reasons for the increase are primarily due to the assumed continuation of medical coverage to retirees over the age 65 in the plan due to the low required contributions for the Florida College System Risk Management Consortium plan after age 65, an increase attributed to expected growth of liabilities and demographic changes, updated medical and life participation assumptions, changes in the mortality and trend assumptions, updated claims costs, and required retiree contributions.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

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

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

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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  
March 7, 2011

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**PRIOR AUDIT FOLLOW-UP**

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The College had taken corrective actions for the finding included in our report No. 2010-159.