

SOUTH FLORIDA COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2011



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2010-11 fiscal year are listed below:

	<u>County</u>
Gary Delatorre, Vice Chair to 7-27-10, Chair from 7-28-10 (1)	Hardee
Timothy D. Backer, Vice Chair from 7-28-10	DeSoto
George David Leidel, Jr., Chair to 7-27-10 (2)	Highlands
Tamela "Tami" C. Cullens (1)	Highlands
Joan H. Hartt (1)	Highlands
Dr. Louis H. Kirschner	DeSoto
Richard L. Maenpaa (2)	Hardee
Anne D. Reynolds (2)	Highlands

Dr. Norman L. Stephens, Jr., President

- Notes: (1) Board member term expired on May 31, 2010, and
Board member continued to serve through June 30, 2011.
(2) Board member term expired on May 31, 2011, and
Board member continued to serve through June 30, 2011.

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

The audit team leader was Youstra M. Shebl, CPA, and the audit was supervised by David A. Blanton, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**SOUTH FLORIDA COMMUNITY COLLEGE
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2011. 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. The results of our operational audit of the College are included in our report No. 2012-052.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent College records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of South Florida Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of South Florida Community College and of its discretely presented component unit as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of South Florida Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Respectfully submitted,



David W. Martin, CPA
February 2, 2012

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, 2011, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activities of the College for fiscal years ended 2010 and 2011 and its component unit, the South Florida Community College Foundation, Inc. (Component Unit), for the fiscal years ended December 31, 2009; and December 31, 2010.

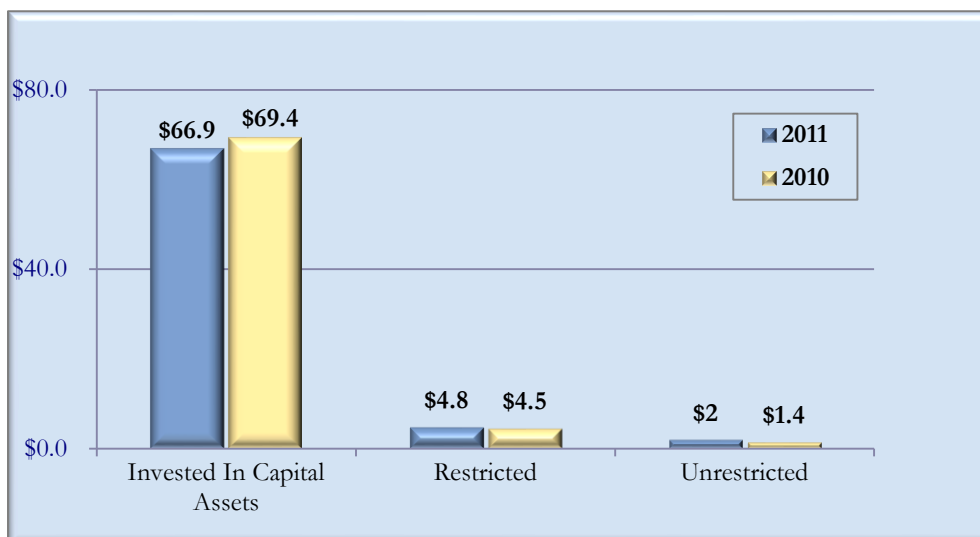
FINANCIAL HIGHLIGHTS

The College’s assets totaled \$77.5 million at June 30, 2011. This balance reflects a \$1.3 million, or 1.7 percent, decrease from the 2009-10 fiscal year, resulting from the depreciation of capital assets. As assets declined, liabilities increased by \$421 thousand, or 12 percent, totaling \$3.9 million at June 30, 2011, compared to \$3.5 million at June 30, 2010. As a result, the College’s net assets decreased by \$1.7 million.

The College’s operating revenues totaled \$4.5 million for the 2010-11 fiscal year, representing a \$42 thousand, or 0.9 percent increase over the 2009-10 fiscal year. While the total operating revenues remained steady overall, there was a \$157 thousand increase in student tuition and fees that was negated in large part by a decline in auxiliary enterprise revenues of \$114 thousand. Nonoperating revenues increased \$1.2 million and capital appropriations decreased by \$4.5 million. Operating expenses totaled \$32.4 million for the 2010-11 fiscal year, representing an increase of 3.5 percent over the 2009-10 fiscal year due mainly to increases in scholarships and waivers, salaries and benefits, and depreciation.

Graphically displayed, the College’s comparative total net assets by category for the fiscal years ended June 30, 2011, and 2010, are shown below:

**Net Assets at June 30: College
(In Millions)**



The Foundation's net assets increased \$281 thousand during the fiscal year ending December 31, 2010. Assets increased from \$9.5 million at December 31, 2009, to \$9.8 million at December 31, 2010. The change in net assets was primarily caused by the timing of additional expenses made in 2009 from moneys collected in 2010 related to the Foundation's support of the renovation of the College's Theatre of the Performing Arts.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

One of the most important questions asked about the College's finances is, "Is South Florida Community College as a whole, better or worse off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as South Florida Community College's operating results.

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

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

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

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

	College		Component Unit	
	6-30-11	6-30-10	12-31-10	12-31-09
Assets				
Current Assets	\$ 8,799	\$ 8,133	\$ 3,938	\$ 3,605
Capital Assets, Net	66,858	69,434	1,346	1,399
Other Noncurrent Assets	1,872	1,269	4,543	4,520
Total Assets	<u>77,529</u>	<u>78,836</u>	<u>9,827</u>	<u>9,524</u>
Liabilities				
Current Liabilities	1,628	1,312	144	122
Noncurrent Liabilities	2,280	2,175		
Total Liabilities	<u>3,908</u>	<u>3,487</u>	<u>144</u>	<u>122</u>
Net Assets				
Invested in Capital Assets	66,858	69,434	1,346	1,399
Restricted	4,802	4,520	7,844	7,611
Unrestricted	1,961	1,395	493	392
Total Net Assets	<u>\$ 73,621</u>	<u>\$ 75,349</u>	<u>\$ 9,683</u>	<u>\$ 9,402</u>
Increase (Decrease) in Net Assets	<u>\$ (1,728)</u>	(2.3%)	<u>\$ 281</u>	3.0%

The College's current assets increased by \$666 thousand while its capital assets decreased by \$2 million. The increase in current assets was due primarily to the increase in prepaid expenses and receivables from the State of Florida. The decrease in the capital assets reflects the annual depreciation. Current liabilities increased \$316 thousand primarily due to an increase in accounts payable related to network upgrades and increases in salary and payroll taxes payable. Noncurrent liabilities increased \$105 thousand for additions to the liabilities for compensated absences and other postemployment benefits.

The Foundation's current assets increased \$333 thousand primarily as a result of additional investments.

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

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

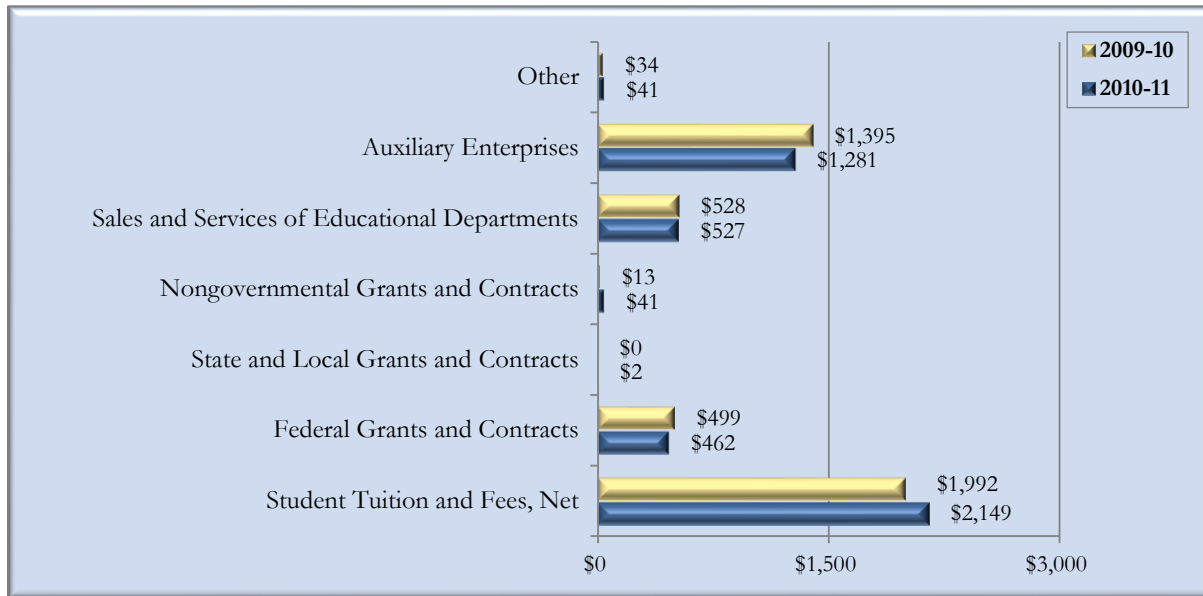
	College		Component Unit	
	6-30-11	6-30-10	12-31-10	12-31-09
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 2,149	\$ 1,992	\$	\$
Federal Grants and Contracts	462	499		
State and Local Grants and Contracts	2			
Nongovernmental Grants and Contracts	41	13		
Sales and Services of Educational Departments	527	528		
Auxiliary Enterprises	1,281	1,395		
Other Operating Revenues	41	34	234	226
Total Operating Revenues	4,503	4,461	234	226
Less, Operating Expenses	32,351	31,257	1,800	1,068
Operating Loss	(27,848)	(26,796)	(1,566)	(842)
Nonoperating Revenues				
State Noncapital Appropriations	15,450	14,863		
Other Nonoperating Revenues	9,077	8,488	1,847	1,946
Net Nonoperating Revenues	24,527	23,351	1,847	1,946
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
State Capital Appropriations	1,237	5,776		
Capital Grants, Contracts, Gifts, and Fees	356	708		
Increase (Decrease) in Net Assets	(1,728)	3,039	281	1,104
Net Assets, Beginning of Year	75,349	72,310	9,402	8,298
Net Assets, End of Year	\$ 73,621	\$ 75,349	\$ 9,683	\$ 9,402

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 2010-11 and 2009-10 fiscal years:

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



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

- Net student tuition increased by \$157 thousand after the scholarship allowance. As noted below, gross tuition revenues increased by \$325 (6.5 percent) as compared to 2009-10 fiscal year. The College also awarded increased scholarships and experienced an increased scholarship allowance of \$168 thousand so that the net tuition recognized by the College increased by \$157. See the chart below for details related to tuition revenues:

**Student Tuition Revenues: College
(In Thousands)**

Fiscal Year	Gross Tuition	Scholarship Allowances	Net Tuition
2010-11	\$ 5,310	\$ 3,161	\$ 2,149
2009-10	4,985	2,993	1,992
Difference	<u>\$ 325</u>	<u>\$ 168</u>	<u>\$ 157</u>

- Federal grants decreased by \$37 thousand and nongovernmental grants increased by \$28 thousand. The Federal grant decrease was primarily caused by the discontinuance in funding for the Summer Youth program. The increase in the nongovernmental grants and contracts was because the College received several small grants to fund health and conservation initiatives.
- Auxiliary enterprise revenues decreased \$114 thousand primarily due to decreased sales related to the College’s auxiliary enterprise operations.

Foundation operating revenue changes were primarily the result of an \$8 thousand increase in rent revenue. A small increase to dormitory rental rates contributed to this increase in operating revenues.

Operating Expenses

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

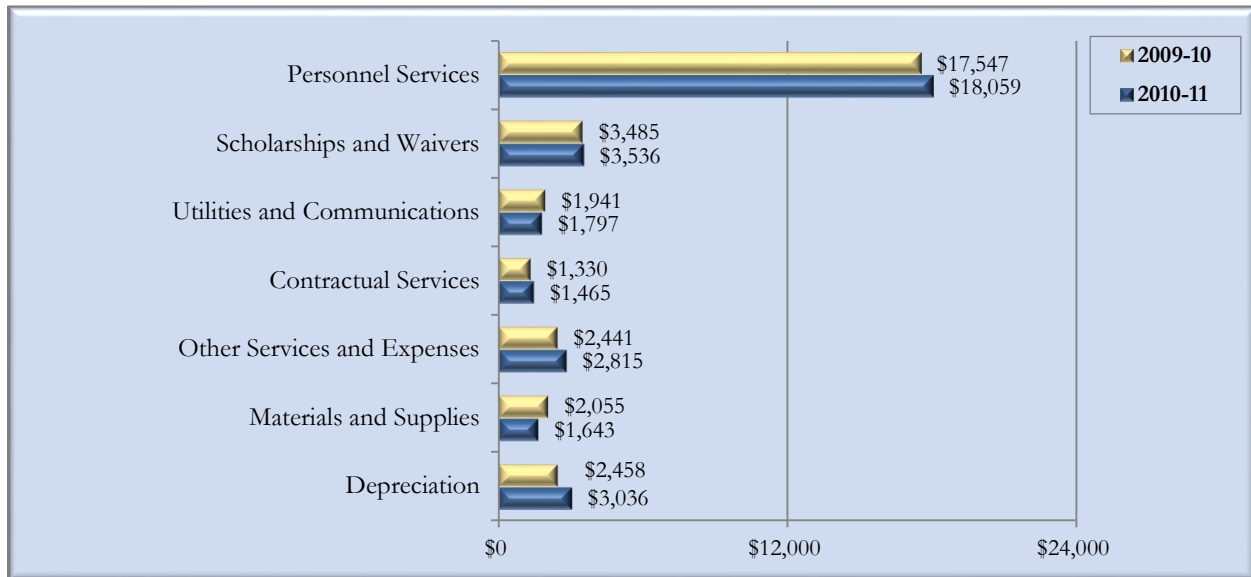
natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

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

Operating Expenses	College			Component Unit		
	6-30-11	6-30-10	Increase/ (Decrease)	12-31-10	12-31-09	Increase
Personnel Services	\$ 18,059	\$ 17,547	\$ 512	\$	\$	\$
Scholarships and Waivers	3,536	3,485	51	1,210	495	715
Utilities and Communications	1,797	1,941	(144)			
Contractual Services	1,465	1,330	135			
Other Services and Expenses	2,815	2,441	374	303	303	
Materials and Supplies	1,643	2,055	(412)	217	200	17
Depreciation	3,036	2,458	578	70	70	
Total Operating Expenses	\$ 32,351	\$ 31,257	\$ 1,094	\$ 1,800	\$ 1,068	\$ 732

The following chart presents the College’s operating expenses for the 2010-11 and 2009-10 fiscal years:

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



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

- There was an overall increase to personnel services of \$512 thousand primarily due to a 2.5 percent raise for all eligible full and part-time employees as well as adding four employee positions.
- Utilities and communication charges decreased \$144 thousand primarily due to conservation efforts and leaner energy management practices.

- Contractual services increased by \$135 thousand and other services and expenses increased by \$374 thousand primarily due to repairs and maintenance activity. Materials and supplies decreased by \$412 thousand primarily because of increased expenses in the prior year to furnish the Theatre for the Performing Arts.

Changes in Foundation operating expenses were the result of the following factors:

- The Foundation awarded approximately \$1.2 million in scholarships and grants, an increase of \$715 thousand. This increase is attributable in large part to \$488 thousand granted to the College for the support and renovation of the Theatre for the Performing Arts. This transfer resulted from a long-term capital campaign established to raise funds for the auditorium renovation. The Foundation’s spending policy was also changed so that slightly higher levels of scholarships were able to be awarded. As well, better returns on investment increased amounts available to spend on scholarships.

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 2010-11 and 2009-10 fiscal years:

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

	2010-11	2009-10
State Noncapital Appropriations	\$ 15,451	\$ 14,863
Gifts and Grants	9,043	8,472
Investment Income	21	17
Other Nonoperating Revenues	12	
Nonoperating Expenses		(1)
Net Nonoperating Revenues	\$ 24,527	\$ 23,351

- State noncapital appropriations increased in total by \$588 thousand. This increase was primarily caused by increases in the College Program Fund and Lottery appropriations. The State funding was still being subsidized by \$1.2 million of Federal stimulus money in the 2010-11 fiscal year as compared to \$1.3 million in the 2009-10 fiscal year.
- Gifts and grants increased by \$571 thousand, or 6.7 percent. This was mainly attributable to increases in Pell grant awards and increases to other Federal grants.

Foundation nonoperating revenues decreased as a result of the following factors:

- Gifts and grants received by the Foundation increased \$27 thousand as compared to the prior year. This can be attributed to increased donations received during the year.
- Investment income decreased \$136 thousand, or 13.9 percent, in the 2010-11 fiscal year as the investments decreased in value.
- Other nonoperating revenues decreased \$10 thousand due to a reduction in vending commissions and other miscellaneous revenue.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2010-11 and 2009-10 fiscal years:

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

	2010-11	2009-10
State Capital Appropriations	\$ 1,237	\$ 5,776
Capital Grants, Contracts, Gifts, and Fees	356	708
Total	\$ 1,593	\$ 6,484

State capital appropriations decreased primarily due to the decrease in Public Education Capital Outlay funding from the State.

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 cash flows for the College and Foundation, for the respective fiscal years, is presented in the following table:

Condensed Statement of Cash Flows
For the Fiscal Years Ended
(In Thousands)

	College		Component Unit	
	6-30-11	6-30-10	12-31-10	12-31-09
Cash Provided (Used) by:				
Operating Activities	\$(24,602)	\$(24,600)	\$ (351)	\$ 290
Noncapital Financing Activities	24,460	23,264	83	55
Capital and Related Financing Activities	844	1,489		
Investing Activities	21	17	22	(391)
Net Increase (Decrease) in Cash and Cash Equivalents	723	170	(246)	(46)
Cash and Cash Equivalents, Beginning of Year	7,480	7,310	865	911
Cash and Cash Equivalents, End of Year	\$ 8,203	\$ 7,480	\$ 619	\$ 865

The College's liquidity was enhanced during the reporting year. These factors contributed to an overall increase in cash and cash equivalents of \$723 thousand.

- The increase of \$1.2 million from noncapital financing activities was primarily caused by increases in State appropriations and gifts and grants.
- Net cash provided from capital and related financing activities decreased \$645 thousand primarily due to reduced capital construction and related funding.

The Foundation's liquidity or overall cash decreased by \$246 thousand. Net cash from operating activities used \$641 thousand more than in 2009 for operations. This use was mainly the result of the Foundation awarding \$715 thousand more in grants and scholarships. Cash provided by investing activities increased \$413 thousand as a result of the Foundation's more successful portfolio investment management.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2011, the College had \$99 million in capital assets, less accumulated depreciation of \$32 million, for net capital assets of \$67 million. Depreciation charges for the current fiscal year totaled \$3 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>2011</u>	<u>2010</u>
Land	\$ 2,478	\$ 2,478
Artwork	447	421
Buildings	80,860	80,860
Other Structures and Improvements	12,741	12,551
Furniture, Machinery, and Equipment	2,711	2,656
Construction in Progress	174	
Total	<u>99,411</u>	<u>98,966</u>
Less, Accumulated Depreciation:		
Buildings	20,443	18,578
Other Structures and Improvements	9,678	8,669
Furniture, Machinery, and Equipment	2,432	2,285
Total Accumulated Depreciation	<u>32,553</u>	<u>29,532</u>
Capital Assets, Net	<u>\$ 66,858</u>	<u>\$ 69,434</u>

The additions to other structures and improvements included upgrades to the Highlands campus chiller system and network. Approximately \$26 thousand of artwork was donated and the College was in the process of renovating the roof structures on two buildings at the Lake Placid Center and had expensed \$174 thousand to date at year-end. Although furniture, machinery, and equipment increased over the prior year, there were reductions to furniture, machinery and equipment that represent the value of disposals approved by the District Board of Trustees. These items were all fully depreciated. Detail of additions and reductions can be found in the notes to the financial statements. College Trustees have approved a \$5.1 million budget for capital projects for the 2011-12 fiscal year.

DEBT ADMINISTRATION

At fiscal year-end, the College was debt free. As June 30, 2011, long-term liabilities consisted of accrued liabilities for compensated absences payable and other postemployment benefits payable. Additional information about the College’s long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

South Florida Community College’s economic condition is closely tied to that of the State of Florida. Because of the limited economic growth, the downturn of State resources, and the increased demand for State resources, diminished funding is anticipated in the 2011-12 fiscal year. Only a modest increase, if any at all, in State funding is anticipated in the 2012-13 fiscal year as the State will still need to fill the shortfall in State revenues without the Federal stimulus moneys. The Board of Trustees increased the tuition rate eight percent to take effect beginning with the Fall 2011 term. The College’s current financial and capital plans are reliant upon future State appropriations at or near current levels along with inflation-adjusted tuition rates to maintain its present level of services.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2011**

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 4,553,594	\$ 618,952
Restricted Cash and Cash Equivalents	1,777,407	
Investments		3,272,797
Accounts Receivable	382,599	32,940
Due from Other Governmental Agencies	1,745,519	
Due from Component Unit	83,568	
Inventories	27,931	
Prepaid Expenses	228,385	13,240
Total Current Assets	<u>8,799,003</u>	<u>3,937,929</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,872,018	722,590
Restricted Investments		3,820,805
Depreciable Capital Assets, Net	63,759,216	1,011,539
Nondepreciable Capital Assets	3,098,577	334,528
Total Noncurrent Assets	<u>68,729,811</u>	<u>5,889,462</u>
TOTAL ASSETS	<u>\$ 77,528,814</u>	<u>\$ 9,827,391</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 382,153	\$ 136,256
Salary and Payroll Taxes Payable	258,609	
Retainage Payable	17,402	
Deferred Revenue	295,469	2,340
Deposits Held for Others	479,946	6,000
Long-Term Liabilities - Current Portion:		
Compensated Absences Payable	194,198	
Total Current Liabilities	<u>1,627,777</u>	<u>144,596</u>
Noncurrent Liabilities:		
Compensated Absences Payable	2,172,689	
Other Postemployment Benefits Payable	107,196	
Total Noncurrent Liabilities	<u>2,279,885</u>	
TOTAL LIABILITIES	<u>3,907,662</u>	<u>144,596</u>

SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2011

	<u>College</u>	<u>Component Unit</u>
NET ASSETS		
Invested in Capital Assets	\$ 66,857,793	\$ 1,346,067
Restricted:		
Nonexpendable:		
Endowment		4,549,567
Expendable:		
Grants and Loans	114,338	3,294,652
Scholarships	91,281	
Capital Projects	4,596,416	
Unrestricted	<u>1,961,324</u>	<u>492,509</u>
Total Net Assets	<u>73,621,152</u>	<u>9,682,795</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 77,528,814</u>	<u>\$ 9,827,391</u>

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

SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2011

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$3,160,966	\$ 2,148,768	\$
Federal Grants and Contracts	462,385	
State and Local Grants and Contracts	2,100	
Nongovernmental Grants and Contracts	40,886	
Sales and Services of Educational Departments	526,854	
Auxiliary Enterprises	1,280,799	
Other Operating Revenues	41,055	233,484
	4,502,847	233,484
Total Operating Revenues		
EXPENSES		
Operating Expenses:		
Personnel Services	18,059,549	
Scholarships and Waivers	3,536,241	1,209,685
Utilities and Communications	1,796,763	
Contractual Services	1,465,543	
Other Services and Expenses	2,814,908	303,382
Materials and Supplies	1,642,980	216,936
Depreciation	3,035,632	69,929
	32,351,616	1,799,932
Total Operating Expenses		
Operating Loss		
	(27,848,769)	(1,566,448)
NONOPERATING REVENUES		
State Noncapital Appropriations	15,450,552	
Gifts and Grants	9,043,168	991,263
Investment Income	21,218	843,843
Other Nonoperating Revenues	12,247	11,617
	24,527,185	1,846,723
Net Nonoperating Revenues		
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses		
	(3,321,584)	280,275
State Capital Appropriations	1,237,599	
Capital Grants, Contracts, Gifts, and Fees	355,816	
	1,593,415	
Total Other Revenues		
Increase (Decrease) in Net Assets		
Net Assets, Beginning of Year	75,349,321	9,402,520
	(1,728,169)	280,275
Net Assets, End of Year		
	\$ 73,621,152	\$ 9,682,795

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

**SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2011**

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 2,158,944
Grants and Contracts	403,389
Payments to Suppliers	(5,920,324)
Payments for Utilities and Communications	(1,796,763)
Payments to Employees	(13,902,622)
Payments for Employee Benefits	(3,901,255)
Payments for Scholarships	(3,536,241)
Auxiliary Enterprises	1,274,383
Sales and Service of Educational Departments	526,854
Other Receipts	91,165
	(24,602,470)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	15,450,552
Gifts and Grants Received for Other Than Capital or Endowment Purposes	9,043,168
Direct Loan Program Receipts	552,713
Direct Loan Program Disbursements	(552,713)
Other Nonoperating Disbursements	(33,142)
	24,460,578
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	917,317
Capital Grants and Gifts	330,616
Proceeds from Sale of Capital Assets	11,966
Purchases of Capital Assets	(416,562)
	843,337
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	21,218
	21,218
Net Increase in Cash and Cash Equivalents	722,663
Cash and Cash Equivalents, Beginning of Year	7,480,356
	\$ 8,203,019

**SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2011**

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (27,848,769)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,035,632
Changes in Assets and Liabilities:	
Receivables	(51,910)
Inventories	3,107
Prepaid Expenses	(177,468)
Accounts Payable	227,578
Salary and Payroll Taxes Payable	116,075
Deferred Revenue	(46,312)
Compensated Absences Payable	117,154
Other Postemployment Benefits Payable	22,443
NET CASH USED BY OPERATING ACTIVITIES	\$ (24,602,470)

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

**SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *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 activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2010, on file in the College's administrative office.

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

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 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

SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

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

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

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

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

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

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

SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

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

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and funds invested with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the Florida PRIME investment pool to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2011, the College reported as cash equivalents at fair value \$4,000,628 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2011, 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 31 days as of June 30, 2011. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

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

**SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

Land, buildings, and equipment of the College's component unit are stated at cost except for donated property which is stated at fair market value at the date of the donation, and is net of accumulated depreciation of \$720,322. The College's component unit depreciates buildings and equipment using the straight-line method.

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

2. INVESTMENTS

Investments held by the College's component unit (Foundation) totaled \$7,093,602 at December 31, 2010. The investments are reported at fair value and consist of equity investments, money market funds, United States government securities, corporate bonds, common stocks, and mutual funds.

3. ACCOUNTS RECEIVABLE

Accounts receivable of \$382,599 represent amounts for student fee deferments, various student services provided by the College, uncollected vending machine commissions, unused credit memos, and grant reimbursements due from third parties. These receivables are expected to be collected in full.

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$1,526,552 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

5. DUE FROM COMPONENT UNIT

The College recorded a due from component unit of \$83,568, which represents expenses made by the College that will be reimbursed by the Foundation. The College's financial statements are reported for the fiscal year ended June 30, 2011. The component unit's financial statements are reported for the fiscal year ended December 31, 2010. Accordingly, although the College reported an amount due from the component unit on the statement of net assets, the component unit did not report an amount due to the College.

**SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

6. INVENTORIES

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

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2011, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 2,477,518	\$	\$	\$ 2,477,518
Artwork	421,213	25,825		447,038
Construction in Progress		174,021		174,021
Total Nondepreciable Capital Assets	\$ 2,898,731	\$ 199,846		\$ 3,098,577
Depreciable Capital Assets:				
Buildings	\$ 80,860,588	\$	\$	\$ 80,860,588
Other Structures and Improvements	12,550,590	190,179		12,740,769
Furniture, Machinery, and Equipment	2,656,032	69,140	13,824	2,711,348
Total Depreciable Capital Assets	96,067,210	259,319	13,824	96,312,705
Less, Accumulated Depreciation:				
Buildings	18,577,845	1,865,082		20,442,927
Other Structures and Improvements	8,668,535	1,009,561		9,678,096
Furniture, Machinery, and Equipment	2,285,301	160,989	13,824	2,432,466
Total Accumulated Depreciation	29,531,681	3,035,632	13,824	32,553,489
Total Depreciable Capital Assets, Net	\$ 66,535,529	\$ (2,776,313)	\$	\$ 63,759,216

8. ART COLLECTIONS

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

9. DEFERRED REVENUE

Deferred revenue includes prepayments of cultural program sales and donations as well as grant moneys for which expenses have yet to be incurred. As of June 30, 2011, the College reported the following amounts as deferred revenue:

**SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Description	Amount
Cultural Program - Advance Sales & Donations	\$ 290,754
Grant Related	4,715
Total Deferred Revenue	\$ 295,469

10. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2011, include compensated absences payable and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2011, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	\$ 2,249,733	\$ 311,352	\$ 194,198	\$ 2,366,887	\$ 194,198
Other Postemployment Benefits Payable	84,753	58,891	36,448	107,196	
Total Long-Term Liabilities	\$ 2,334,486	\$ 370,243	\$ 230,646	\$ 2,474,083	\$ 194,198

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2011, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$2,366,887. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and represents anticipated payments for employees in the final year of the Deferred Retirement Option Program.

Other Postemployment Benefits Payable. The College follows 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 the Consortium. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College’s healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The College does

**SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

Funding Policy. The Board of Trustees can amend plan 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 2010-11 fiscal year, 39 retirees received postemployment healthcare benefits, and 32 retirees received postemployment life insurance benefits. The College provided required contributions of \$36,448 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$220,879.

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:

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 42,066
Amortization of Unfunded Actuarial Accrued Liability	17,107
Annual Required Contribution	59,173
Interest on Net OPEB Obligation	2,543
Adjustment to Annual Required Contribution	(2,825)
Annual OPEB Cost (Expense)	58,891
Contribution Toward the OPEB Cost	(36,448)
Increase in Net OPEB Obligation	22,443
Net OPEB Obligation, Beginning of Year	84,753
Net OPEB Obligation, End of Year	\$ 107,196

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2011, and for the two preceding years, were as follows:

**SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 64,517	60.7%	\$ 55,484
2009-10	58,933	50.3%	84,753
2010-11	58,891	61.9%	107,196

Funded Status and Funding Progress. As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$498,262 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$498,262 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$12,468,515 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2011, and the College’s 2010-11 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 7.8 percent for the 2010-11 fiscal year, reduced to an ultimate rate of 4.5 percent in 2027. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years. The remaining amortization period at June 30, 2011, was 26 years.

**SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

11. RETIREMENT PROGRAMS

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

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, 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 2010-11 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Senior Management Service	0.00	14.57
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
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 0.03 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

**SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled \$957,183, \$942,119, and \$1,082,997, 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 79 College participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled \$261,284.

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

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

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

There were 9 College participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled \$74,291.

12. OPERATING LEASE COMMITMENTS

The College leased a mail machine and several copy machines under operating leases, with various expiration dates through 2016. These leased assets and the related commitments are not reported on the College's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred.

**SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2012	\$ 67,213
2013	56,544
2014	15,514
2015	4,783
2016	3,188
Total Minimum Payments Required	\$ 147,242

13. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$150 million. Insurance coverage obtained through the Consortium included health and hospitalization, life, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage.

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

14. SCHEDULE OF STATE REVENUE SOURCES

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

**SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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	\$ 13,304,365
Education Enhancement Trust Fund (Lottery)	1,927,024
Gross Receipts Tax (Public Education Capital Outlay)	1,096,127
Bright Futures Scholarship Program	478,906
Florida Student Assistance Grants	446,697
Restricted Contracts and Grants	236,557
Adults with Disabilities	206,172
Motor Vehicle License Tax (Capital Outlay and Debt Service)	141,472
2+2 Partnership - Special Appropriation	<u>12,991</u>
Total	<u><u>\$ 17,850,311</u></u>

15. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 8,682,791
Academic Support	2,268,936
Student Services	3,585,440
Institutional Support	4,652,840
Operation and Maintenance of Plant	5,821,445
Scholarships and Fellowships	3,219,765
Depreciation	3,035,632
Auxiliary Enterprises	<u>1,084,767</u>
Total Operating Expenses	<u><u>\$ 32,351,616</u></u>

**SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

16. CURRENT UNRESTRICTED FUNDS

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

Statement of Current Unrestricted Funds Net Assets

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 4,290,295
Accounts Receivable	244,802
Due from Other Governmental Agencies	84,864
Due from Component Unit	38,882
Inventories	27,931
Prepaid Expenses	<u>226,809</u>

TOTAL ASSETS	<u>\$ 4,913,583</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	\$ 187,424
Deferred Revenue	290,752
Compensated Absences Payable	<u>194,198</u>

Total Current Liabilities	<u>672,374</u>
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Noncurrent Liabilities:

Compensated Absences Payable	2,172,689
Other Postemployment Benefits Payable	<u>107,196</u>

Total Noncurrent Liabilities	<u>2,279,885</u>
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TOTAL LIABILITIES	<u>2,952,259</u>
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TOTAL NET ASSETS	<u>1,961,324</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,913,583</u>
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**SOUTH FLORIDA COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

REVENUES

Operating Revenues:	
Student Tuition and Fees (Note 1)	\$ 4,747,355
State and Local Grants and Contracts	2,100
Sales and Services of Educational Departments	526,854
Auxiliary Enterprises	1,280,799
Other Operating Revenues	<u>40,433</u>
Total Operating Revenues	<u>6,597,541</u>

EXPENSES

Operating Expenses:	
Personnel Services	16,585,037
Scholarships and Waivers	56,405
Utilities and Communications	1,796,763
Contractual Services	1,197,466
Other Services and Expenses	1,870,683
Materials and Supplies	<u>1,302,204</u>
Total Operating Expenses	<u>22,808,558</u>
Operating Loss	<u>(16,211,017)</u>

NONOPERATING REVENUES

State Noncapital Appropriations	15,246,502
Gifts and Grants	1,440,172
Investment Income	10,566
Other Nonoperating Revenues	<u>12,247</u>
Net Nonoperating Revenues	<u>16,709,487</u>

Income Before Other Revenues,

Expenses, Gains, or Losses	498,470
Transfers from Other Funds, Net	<u>68,311</u>

Increase in Net Assets	566,781
Net Assets, Beginning of Year	<u>1,394,543</u>
Net Assets, End of Year	<u>\$ 1,961,324</u>

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

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

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

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

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

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

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



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

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

We have audited the financial statements of South Florida Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2011, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to College management in our operational audit report No. 2012-052.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
February 2, 2012