

SEMINOLE STATE COLLEGE OF FLORIDA

Financial Audit

For the Fiscal Year Ended
June 30, 2011



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

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

Scott D. Howat, Vice Chair to 8-22-10,
Chair from 8-23-10 (1)
Charles W. Gregg, Sr., Vice Chair from 8-23-10 (1)
Lisa M. Greer, Chair to 8-22-10 (2)
Cynthia L. Drago
Vacancy (3)

Dr. E. Ann McGee, President

Notes: (1) Board member served beyond the end
of term, May 31, 2011.
(2) Board member served beyond the end
of term, May 31, 2010.
(3) Position remained vacant from
July 1, 2010, 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 Nancy Heyman, CPA, and the audit was supervised by Keith A. Wolfe, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

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

**SEMINOLE STATE COLLEGE OF FLORIDA
TABLE OF CONTENTS**

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	12
Statement of Revenues, Expenses, and Changes in Net Assets.....	14
Statement of Cash Flows.....	15
Notes to Financial Statements	17
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress – Other Postemployment Benefits Plan.....	35
Notes to Required Supplementary Information	36
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 <i>GOVERNMENT AUDITING STANDARDS</i>.....	37
Internal Control Over Financial Reporting.....	37
Compliance and Other Matters	38

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 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. 2012-074.

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

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Seminole State College of Florida a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 Seminole State College of Florida 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 Seminole State College of Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, 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 29, 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.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$216.7 million at June 30, 2011. This balance reflects a \$14 million, or 6.9 percent, increase from the 2009-10 fiscal year, resulting primarily from an increase in capital assets. Total liabilities remained consistent in dollar amount from the 2009-10 fiscal year to the 2010-11 fiscal year, totaling \$18.7 million for the 2010-11 fiscal year compared to \$18.3 million for the 2009-10 fiscal year. As a result, the College's net assets increased by \$13.7 million, or 7.4 percent, reaching a year-end balance of \$198 million.

The College's revenues totaled \$128.8 million for the 2010-11 fiscal year, representing a 14.1 percent increase over the 2009-10 fiscal year due mainly to increases in Federal and State student aid revenue related to enrollment growth and student fee increases, as well as increases in State appropriations. Operating expenses totaled \$114.6 million for the 2010-11 fiscal year, representing an increase of 8.9 percent over the 2009-10 fiscal year due mainly to increases in personnel costs and scholarship and waiver expenses, offset with a decrease in materials and supplies expenses.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

These two statements report Seminole State College of Florida's net assets and changes in them. You can think of the College's net assets, the difference between assets and liabilities, as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indication of whether its financial health is improving or deteriorating. You will need to consider many other nonfinancial factors, such as

certain trends, student retention, condition of the buildings, and the safety of the 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 as of June 30, 2011, and June 30, 2010, is shown in the following table:

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

	College		Component Unit	
	6-30-11	6-30-10	6-30-11	6-30-10
Assets				
Current Assets	\$ 21,311	\$ 24,575	\$ 3,774	\$ 4,583
Capital Assets, Net	186,220	171,768	894	872
Other Noncurrent Assets	9,168	6,300	8,283	6,418
Total Assets	<u>216,699</u>	<u>202,643</u>	<u>12,951</u>	<u>11,873</u>
Liabilities				
Current Liabilities	4,280	3,742	64	152
Noncurrent Liabilities	14,385	14,579	502	702
Total Liabilities	<u>18,665</u>	<u>18,321</u>	<u>566</u>	<u>854</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	176,328	161,370	370	170
Restricted	9,851	14,750	11,517	10,215
Unrestricted	11,855	8,202	498	634
Total Net Assets	<u>\$ 198,034</u>	<u>\$ 184,322</u>	<u>\$ 12,385</u>	<u>\$ 11,019</u>
Increase in Net Assets	<u>\$ 13,712</u>	7.4%	<u>\$ 1,366</u>	12.4%

The increase in total assets is a result of an increase in capital assets primarily related to the purchases of land with buildings and the renovation of L Building classrooms, offset by a decrease in receivables due from the State for major construction projects. Total liabilities increased only slightly from the prior year with current liabilities increasing slightly more than \$0.5 million due to scholarship and retainage payable increases. However, noncurrent liabilities decreased \$0.2 million due to decreases in bonds, capital lease, and loan payable offset by an increase in the compensated absences accrual. The increase in total net assets is attributable to an increase in the unrestricted fund balance of \$3.7 million as a result of net revenue increases from enrollment, tuition growth, and State support, as well as a \$15 million increase in the invested in capital assets category resulting from property acquisitions. These net asset increases are offset with a \$4.9 million decrease in the restricted net assets that resulted from the purchases of land with buildings and L Building renovation costs.

Revenues and expenses of the College and its component unit for the 2010-11 and 2009-10 fiscal years are shown in the following table:

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

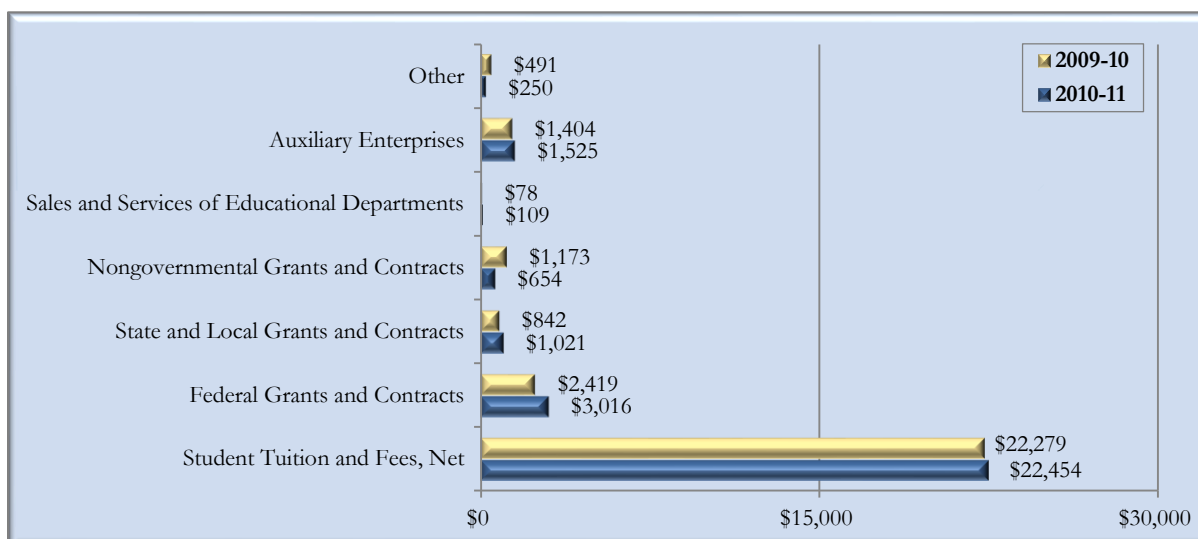
	College		Component Unit	
	6-30-11	6-30-10	6-30-11	6-30-10
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 22,454	\$ 22,279	\$	\$
Federal Grants and Contracts	3,016	2,419		
State and Local Grants and Contracts	1,021	842		
Nongovernmental Grants and Contracts	654	1,173		
Sales and Services of Educational Departments	109	78		
Auxiliary Enterprises	1,525	1,404		
Other Operating Revenues	250	491	1,175	1,733
Total Operating Revenues	29,029	28,686	1,175	1,733
Less, Operating Expenses	114,616	105,290	1,400	2,105
Operating Loss	(85,587)	(76,604)	(225)	(372)
Nonoperating Revenues				
State Noncapital Appropriations	35,897	32,928	58	54
Other Nonoperating Revenues	48,004	38,687	1,533	719
Nonoperating Expenses	(456)	(529)		
Net Nonoperating Revenues	83,445	71,086	1,591	773
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,142)	(5,518)	1,366	401
State Capital Appropriations	12,624	9,751		
Capital Grants, Contracts, Gifts, and Fees	3,230	2,768		
Increase in Net Assets	13,712	7,001	1,366	401
Net Assets, Beginning of Year	184,322	177,321	11,019	10,618
Net Assets, End of Year	<u>\$ 198,034</u>	<u>\$ 184,322</u>	<u>\$ 12,385</u>	<u>\$ 11,019</u>

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:

- Only a slight increase occurred in student tuition and fees categorized as operating revenues. An 8 percent tuition increase was partially offset by the elimination of an access service fee resulting in a net increase in college credit fees of 5.9 percent. This coupled with a 14 percent increase in fee-paying enrollment only resulted in a \$0.2 million, or 0.8 percent, increase in student tuition and fees, since most of the student related increases are reflected in nonoperating revenue growth.
- Federal grants and contracts revenues increased by \$0.6 million, or 24.7 percent, primarily due to increases in Perkins Grants, Federal College Work-study revenues and a new grant for Emergency Notification Technology Equipment.
- State and local grants and contract revenues increased by \$0.2 million, or 21.3 percent, due to increases in contractual revenue from the University of Central Florida, quick response grants, and Workforce Central Florida grants. These increases were partially offset by decreases related to State information technology and medical simulation grants.
- Nongovernmental grants and contract revenue decreased by \$0.5 million, or 44.3 percent, primarily due to decreased revenues from the College's Foundation.
- Auxiliary enterprises revenues increased slightly by \$0.1 million, or 8.6 percent, primarily due to increased revenues generated from bookstore commissions.
- Other revenue decreases of \$0.2 million, or 49 percent, are primarily due to prior year energy rebate checks received from utility companies.

Operating Expenses

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

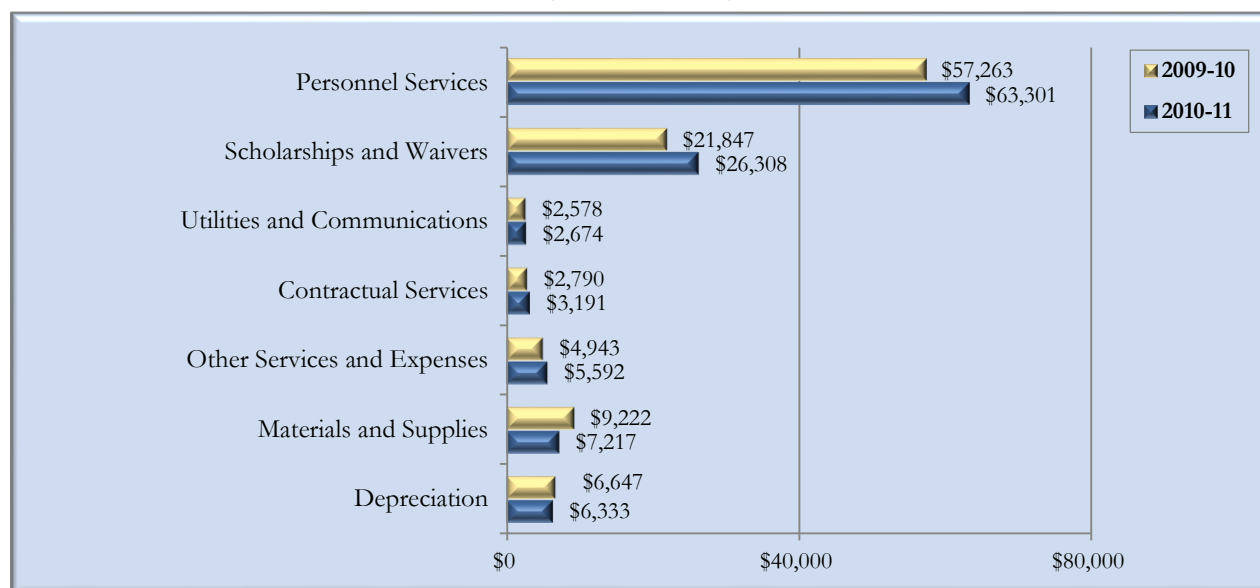
Operating expenses for the College and its component unit for the 2010-11 and 2009-10 fiscal years are presented in the following table:

**Operating Expenses
For the Fiscal Years Ended
(In Thousands)**

	College		Component Unit	
	6-30-11	6-30-10	6-30-11	6-30-10
Operating Expenses				
Personnel Services	\$ 63,301	\$ 57,263	\$ 411	\$ 565
Scholarships and Waivers	26,308	21,847	807	1,140
Utilities and Communications	2,674	2,578		
Contractual Services	3,191	2,790	74	103
Other Services and Expenses	5,592	4,943	77	255
Materials and Supplies	7,217	9,222	31	42
Depreciation	6,333	6,647		
Total Operating Expenses	\$ 114,616	\$105,290	\$ 1,400	\$ 2,105

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:

- Personnel expenses increased \$6 million, or 10.5 percent, due to compensation adjustments and increased staffing levels necessitated by enrollment growth.
- Scholarship expenses increased \$4.5 million, or 20.4 percent, primarily due to increases in Federal Pell Grant and Supplemental Educational Opportunity Grant awards as a result of increased enrollments.
- Materials and supplies expenses decreased \$2 million, or 21.7 percent, over the prior year due to decreases in minor equipment purchases. The prior year contained an extraordinary amount of equipment and furnishings for the new University Partnership building and the renovated Public Safety building.

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)**

	<u>2010-11</u>	<u>2009-10</u>
State Noncapital Appropriations	\$ 35,897	\$ 32,928
Gifts and Grants	47,766	38,500
Investment Income	183	113
Other Nonoperating Revenues	55	74
Interest on Capital Asset-Related Debt	(456)	(499)
Other Nonoperating Expenses	<u> </u>	<u>(30)</u>
Net Nonoperating Revenues	<u>\$ 83,445</u>	<u>\$ 71,086</u>

Nonoperating revenue changes were the result of the following factors:

- State noncapital appropriations increased by \$3 million, or 9 percent, primarily from State funding formula allocations relative to growth and operating costs of new facilities.
- The gifts and grants nonoperating revenue increased \$9.3 million, or 24.1 percent, due to increased Federal Pell grant 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)**

	<u>2010-11</u>	<u>2009-10</u>
State Capital Appropriations	\$12,624	\$ 9,751
Capital Grants, Contracts, Gifts, and Fees	<u>3,230</u>	<u>2,768</u>
Total	<u>\$15,854</u>	<u>\$12,519</u>

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

- State capital appropriations increased by \$2.9 million, or 29.5 percent, due to increased Public Education Capital Outlay funds received from the State for construction projects. These projects are related to the F and L Buildings renovations and the purchase of land with buildings in Altamonte Springs.
- Capital grants, contracts, gifts and fees increased by \$0.5 million, or 16.7 percent, as a result of increased student capital improvement fee revenues.

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 2010-11 and 2009-10 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College
(In Thousands)

	<u>2010-11</u>	<u>2009-10</u>
Cash Provided (Used) by:		
Operating Activities	\$ (80,163)	\$ (70,739)
Noncapital Financing Activities	83,668	71,428
Capital and Related Financing Activities	248	(1,984)
Investing Activities	<u>(86)</u>	<u>117</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,667	(1,178)
Cash and Cash Equivalents, Beginning of Year	<u>18,917</u>	<u>20,095</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 22,584</u></u>	<u><u>\$ 18,917</u></u>

Major sources of funds came from net student tuition and fees (\$21.8 million), State noncapital appropriations (\$35.9 million), Federal Direct loan proceeds (\$44.5 million); noncapital gifts and grants (\$47.8 million), and State capital appropriations (\$18.2 million). Major uses of funds were for payments to suppliers (\$16.1 million), payments to employees (\$50.3 million), payments for employee benefits (\$12.6 million), payments for scholarships (\$26.3 million); Federal Direct loan disbursements (\$44.5 million) and the purchase of capital assets (\$20.3 million).

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

- Operating activities used \$9.4 million more cash compared to the previous fiscal year. The majority of this increase was related to an increase of \$4.5 million in scholarship disbursements compared to the prior fiscal year, a \$4.4 million increase in salary payments to employees, and a \$1.6 million increase in employee benefit payments.
- Noncapital financing activities increased the College's cash position by \$12.2 million. This increase is mainly due to a \$9.3 million increase in cash inflows for Federal Pell grants and State scholarships, and \$2.9 million more in State noncapital appropriations.
- Cash inflows from capital and related financing activities increased primarily due to increases in State capital appropriations and capital grants and gifts of \$6.5 million and \$0.5 million, respectively, and the proceeds from the sale of bonds of \$0.3 million. These inflows were offset with a \$5.1 million increase in capital outflows for the purchase of capital assets related to the L Building renovation and the Altamonte Springs property acquisitions, providing a net increase in capital related cash flows of \$2.2 million.
- The cash flows from investing activities decreased the College's cash position by \$0.2 million due to the purchase of investments of \$0.3 million, offset by a \$0.1 million increase in interest income earned on the College's demand deposits in the bank and with the State's Special Purpose Investment Account, and the proceeds from the maturities of investments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2011, the College had \$243.4 million in capital assets, less accumulated depreciation of \$57.2 million, for net capital assets of \$186.2 million. Depreciation charges for the current fiscal year totaled \$6.3 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	\$ 34,445	\$ 21,269
Buildings	168,956	168,608
Other Structures and Improvements	12,147	11,842
Furniture, Machinery, and Equipment	10,278	10,591
Assets Under Capital Lease	1,585	1,585
Leasehold Improvements	3,097	3,097
Other Capital Assets	3,778	3,778
Construction in Progress	9,179	2,678
Total	243,465	223,448
Less, Accumulated Depreciation:		
Buildings	35,523	31,575
Other Structures and Improvements	6,814	6,151
Furniture, Machinery, and Equipment	8,665	8,538
Assets Under Capital Lease	1,305	1,165
Leasehold Improvements	1,380	1,094
Other Capital Assets	3,558	3,157
Total Accumulated Depreciation	57,245	51,680
Capital Assets, Net	\$ 186,220	\$ 171,768

The College has \$1.2 million in a major construction commitment at June 30, 2011. The commitment is for renovations for the F and L Buildings. State capital appropriations and local funds are expected to finance these capital projects. More information about the College's capital assets is presented in the notes to the financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$9.9 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2011, and June 30, 2010:

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

	<u>2011</u>	<u>2010</u>
Bonds Payable	\$ 6,830	\$ 6,990
Loan Payable	2,777	2,989
Capital Lease Payable	285	418
Total	\$ 9,892	\$ 10,397

The State Board of Education issues capital outlay bonds and capital improvement revenue bonds on behalf of the College. During the 2010-11 fiscal year, the State Board of Education issued \$53.4 million of State Board of Education Capital Outlay Bonds, Series 2010A, of which a portion of these bonds, will be used to advance refund \$17.2 million of the State Board of Education Capital Outlay Bonds, Series 2002A bonds. The College's portion of the Series 2010A bonds totaled \$0.3 million, and will be used to refund \$0.3 million outstanding of the Series 2002A bonds. Debt repayments during the 2010-11 fiscal year totaled \$0.8 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Seminole State College of Florida's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, a decrease in State funding was anticipated for the 2011-12 fiscal year. In response to the anticipated decrease in State noncapital appropriations, the Board of Trustees increased the tuition rate by 8 percent to take effect beginning with the Fall 2011 term. Approximately 46 percent of the College's operating funds were received through State noncapital appropriations. Initial appropriations for the 2011-12 fiscal year are approximately 7.5 percent less than the 2010-11 fiscal year appropriations since the 2010-11 appropriations included \$2.9 million in nonrecurring federal stimulus funds. These nonrecurring appropriations represented approximately 3.7 percent of the prior year operating resources. Therefore, the College designated reserves in excess of the statutory level sufficient to minimize the impact if these reductions on future years.

High levels of unemployment in the State are correlated to increased enrollments in State colleges. Summer and Fall Term enrollment at Seminole State College of Florida continued to exceed the budgeted 4 percent increase as State unemployment rates remained high. In addition, the College anticipates increases in enrollments throughout the year. The College also anticipates the commencement of four new baccalaureate degrees for the Spring 2012 term. Resources from this enrollment increase are augmented by an 8 percent increase in tuition rates which began in the Fall 2011 term. Therefore, the projected increases in enrollment and tuition rates provide additional resources for the College to maintain and grow programs throughout the next year.

During July 2011, the College completed the acquisition of approximately 30 acres of land and 80,000 square feet of buildings adjacent to the existing Altamonte Springs campus. The purchase will enable the College to meet the future demand for healthcare and other general educational program offerings.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

SEMINOLE STATE COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS June 30, 2011

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 11,335,050	\$ 3,664,110
Restricted Cash and Cash Equivalents	2,158,110	
Accounts Receivable, Net	4,390,004	99,870
Notes Receivable, Net	53,093	
Due from Other Governmental Agencies	2,395,890	
Due from Component Unit	220	
Prepaid Expenses	652,467	
Deposit with Escrow Agent	326,318	
Other Assets		9,835
Total Current Assets	21,311,152	3,773,815
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	9,091,186	
Endowment Investments		8,250,194
Restricted Investments	77,024	
Depreciable Capital Assets, Net	142,596,124	
Nondepreciable Capital Assets	43,624,132	894,346
Other Assets		32,945
Total Noncurrent Assets	195,388,466	9,177,485
TOTAL ASSETS	\$ 216,699,618	\$ 12,951,300
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,263,312	\$ 19,136
Salary and Payroll Taxes Payable	1,166,360	
Retainage Payable	491,894	
Due to Other Governmental Agencies	3,057	
Due to College		220
Deferred Revenue	36,897	
Deposits Held for Others	338,344	44,658
Long-Term Liabilities - Current Portion:		
Bonds Payable	455,000	
Loan Payable	221,515	
Capital Lease Payable	139,369	
Compensated Absences Payable	164,508	
Total Current Liabilities	4,280,256	64,014
Noncurrent Liabilities:		
Bonds Payable	6,375,000	
Loan Payable	2,555,477	
Notes Payable		502,104
Capital Lease Payable	145,884	
Compensated Absences Payable	5,215,089	
Other Postemployment Benefits Payable	93,716	
Total Noncurrent Liabilities	14,385,166	502,104
TOTAL LIABILITIES	18,665,422	566,118

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

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 176,328,011	\$ 370,067
Restricted:		
Nonexpendable:		
Endowment		4,821,619
Expendable:		
Grants and Loans	2,750,395	
Scholarships	377,830	6,695,261
Capital Projects	6,330,660	
Debt Service	391,950	
Unrestricted	11,855,350	498,235
Total Net Assets	<u>198,034,196</u>	<u>12,385,182</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 216,699,618</u>	<u>\$ 12,951,300</u>

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

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

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$20,203,466	\$ 22,454,258	\$
Federal Grants and Contracts	3,015,796	
State and Local Grants and Contracts	1,021,464	
Nongovernmental Grants and Contracts	653,463	
Sales and Services of Educational Departments	109,219	
Auxiliary Enterprises	1,524,452	
Other Operating Revenues	250,350	1,175,016
Total Operating Revenues	29,029,002	1,175,016
EXPENSES		
Operating Expenses:		
Personnel Services	63,300,848	411,178
Scholarships and Waivers	26,307,684	807,648
Utilities and Communications	2,673,823	
Contractual Services	3,190,466	74,088
Other Services and Expenses	5,592,359	76,869
Materials and Supplies	7,216,933	31,000
Depreciation	6,333,495	
Total Operating Expenses	114,615,608	1,400,783
Operating Loss	(85,586,606)	(225,767)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	35,897,408	58,313
Gifts and Grants	47,765,913	108,848
Investment Income	182,504	267,384
Net Realized and Unrealized Gain on Investments		1,157,202
Other Nonoperating Revenues	54,646	
Interest on Capital Asset-Related Debt	(455,524)	
Net Nonoperating Revenues	83,444,947	1,591,747
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,141,659)	1,365,980
State Capital Appropriations	12,623,578	
Capital Grants, Contracts, Gifts, and Fees	3,229,782	
Total Other Revenues	15,853,360	
Increase in Net Assets	13,711,701	1,365,980
Net Assets, Beginning of Year	184,322,495	11,019,202
Net Assets, End of Year	\$ 198,034,196	\$ 12,385,182

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

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

	<u>College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 21,783,572
Grants and Contracts	4,289,385
Payments to Suppliers	(16,095,464)
Payments for Utilities and Communications	(2,642,294)
Payments to Employees	(50,303,498)
Payments for Employee Benefits	(12,585,107)
Payments for Scholarships	(26,307,684)
Loans Issued to Students	(141,022)
Collection on Loans to Students	132,427
Auxiliary Enterprises	1,421,242
Sales and Service of Educational Departments	112,380
Other Receipts	172,805
Net Cash Used by Operating Activities	<u>(80,163,258)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	35,897,408
Gifts and Grants Received for Other Than Capital or Endowment Purposes	47,765,913
Direct Loan Program Receipts	44,542,915
Direct Loan Program Disbursements	<u>(44,537,389)</u>
Net Cash Provided by Noncapital Financing Activities	<u>83,668,847</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	18,241,587
Capital Grants and Gifts	3,229,782
Proceeds from Sale of Refunding Bonds	326,318
Proceeds from Sale of Capital Assets	2,801
Purchases of Capital Assets	(20,311,465)
Principal Paid on Capital Debt and Lease	(785,570)
Interest Paid on Capital Debt and Lease	<u>(455,524)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>247,929</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	55,429
Purchase of Investments	(326,318)
Investment Income	<u>184,926</u>
Net Cash Used by Investing Activities	<u>(85,963)</u>
Net Increase in Cash and Cash Equivalents	3,667,555
Cash and Cash Equivalents, Beginning of Year	<u>18,916,791</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 22,584,346</u></u>

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

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (85,586,606)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,333,495
Changes in Assets and Liabilities:	
Accounts Receivable, Net	(1,146,205)
Notes Receivable, Net	(8,596)
Due from Other Governmental Agencies	(385,728)
Prepaid Expenses	83,743
Accounts Payable	209,716
Salary and Payroll Taxes Payable	27,547
Deferred Revenue	(30,485)
Deposits Held for Others	(44,036)
Compensated Absences Payable	344,532
Other Postemployment Benefits Payable	39,365
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (80,163,258)</u>

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (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 Foundation for Seminole State College of Florida, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit. This organization provides funding and services to support and foster the pursuit of higher education at the College.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2011.

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 college 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 general 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

SEMINOLE STATE COLLEGE OF FLORIDA
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 GASB standards of accounting and financial reporting.

The College follows GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless the FASB pronouncements conflict with GASB pronouncements. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary 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.

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College determines its scholarship allowance by identifying those student transactions where the student's classes were paid by an applicable financial aid resource. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fees revenues.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash held with the State Treasury. For reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury Special Purpose Investment Account (SPIA) to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2011, the College reported as cash equivalents at fair value \$4,113,138 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 2.13 years at June 30, 2011. 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 SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

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

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

structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

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

2. INVESTMENTS

The College's Board of Trustees 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 investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; 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 \$77,024 at June 30, 2011, 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

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

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.

Component Unit Investments

Investments of the Foundation for Seminole State College of Florida, Inc. (Foundation), consist of obligations of United States government agencies and instrumentalities, domestic bonds, foreign government bonds, domestic and international equities, real estate investment trusts, commodities, hedge funds, and managed futures. Investments held by the College's component unit at June 30, 2011, are reported at fair value as follows:

Investment	Average Maturity	Credit Quality Rating	Fair Value
United States Treasury Bonds	4.50 years	AAA	\$1,078,190
Corporate Bonds	5.58 years	AAA to B+	2,171,416
Foreign Government Bonds	1.88 years	AAA	77,852
United States Mortgage Backed Securities	25.63 years	(1)	113,902
Domestic Equities	N/A	(2)	1,592,276
International Equities	N/A	(2)	1,877,103
Real Estate Investment Trusts	N/A	(2)	282,918
Commodities	N/A	(2)	362,403
Hedge Funds	N/A	(2)	468,095
Managed Futures	N/A	(2)	226,039
Total			<u>\$8,250,194</u>

Notes: (1) Disclosure of credit quality is not required for these investment types.

(2) Disclosure of interest rate risk, maturity date, and credit quality rating is not applicable to this investment type.

The goal of the Foundation's investment program for endowments is set forth in the investment policy as approved by the Foundation's Board of Directors and Finance Committee. The objective is to provide a steady growing income stream to support the Foundation's mission while providing sufficient reinvestment to protect the endowment from inflation. The investment policy includes target allocations of 55 percent equities, with an allowable range of 15-95 percent, (25 percent of the total managed portfolio can be international), a target allocation of 30 percent fixed income, with an allowable range of 30 to 85 percent, and a target allocation of 15 percent metals and other alternative investments, with a maximum of 25 percent. The Foundation is in compliance with its investment policy for the year ended June 30, 2011.

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

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

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

Custodial Credit Risk: The Foundation maintains investment accounts with stock brokerage firms. The accounts contain cash and securities. At June 30, 2011, \$2,788,324 of cash in these accounts was not insured. The Florida Security for Public Deposits Act establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under the Act, Foundation deposits in qualified public depositories are totally insured. The qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer.

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

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates between the United States dollar and foreign currencies could adversely affect an investment's fair value. The Foundation's investment policy limits its foreign investments to stocks and bonds of non-United States companies not to exceed 25 percent of the total managed portfolio.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, returned checks, various student services provided by the College, uncollected commissions for bookstore, food service and vending machine sales, interest receivable, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$1,230,642 allowance for doubtful accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the short-term loan program of \$72,876. Notes receivable are reported net of a \$19,783 allowance for uncollectible notes.

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

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount consists of \$889,720 of Public Education Capital Outlay allocations due from the State for renovation and remodeling of College facilities, and \$1,506,170 due from federal, state, and local agencies for student fees or other contractual obligations.

6. 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	\$ 21,268,578	\$ 13,176,265	\$	\$ 34,444,843
Construction in Progress	2,677,806	7,160,597	659,114	9,179,289
Total Nondepreciable Capital Assets	\$ 23,946,384	\$ 20,336,862	\$ 659,114	\$ 43,624,132
Depreciable Capital Assets:				
Buildings	\$ 168,608,218	\$ 347,831	\$	\$ 168,956,049
Other Structures and Improvements	11,842,140	304,454		12,146,594
Furniture, Machinery, and Equipment	10,590,927	455,710	768,367	10,278,270
Assets Under Capital Lease	1,585,050			1,585,050
Leasehold Improvements	3,097,419			3,097,419
Other Capital Assets	3,778,448			3,778,448
Total Depreciable Capital Assets	199,502,202	1,107,995	768,367	199,841,830
Less, Accumulated Depreciation:				
Buildings	31,574,538	3,948,765		35,523,303
Other Structures and Improvements	6,150,733	663,069		6,813,802
Furniture, Machinery, and Equipment	8,538,229	895,508	768,367	8,665,370
Assets Under Capital Lease	1,165,657	139,660		1,305,317
Leasehold Improvements	1,094,239	286,168		1,380,407
Other Capital Assets	3,157,182	400,325		3,557,507
Total Accumulated Depreciation	51,680,578	6,333,495	768,367	57,245,706
Total Depreciable Capital Assets, Net	\$ 147,821,624	\$ (5,225,500)	\$	\$ 142,596,124

7. LONG-TERM LIABILITIES

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

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 6,990,000	\$ 280,000	\$ 440,000	\$ 6,830,000	\$ 455,000
Loan Payable	2,989,418		212,426	2,776,992	221,515
Capital Lease Payable	418,397		133,144	285,253	139,369
Compensated Absences Payable	5,035,065	774,205	429,673	5,379,597	164,508
Other Postemployment Benefits Payable	54,351	96,002	56,637	93,716	
Total Long-Term Liabilities	\$ 15,487,231	\$ 1,150,207	\$ 1,271,880	\$ 15,365,558	\$ 980,392

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

- State Board of Education Capital Outlay Bonds. The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.
- 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 are 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 2006A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the 2006A bonds. The 2006A 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.

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds:			
Series 2002A	\$ 320,000	4.1 - 5.0	2022
Series 2002B	515,000	4.0 - 5.375	2015
Series 2005A	450,000	5.0	2017
Series 2005B	95,000	5.0	2018
Series 2006A	860,000	4.0 - 5.0	2026
Series 2010A	280,000	4.0 - 5.0	2022
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2006A	4,310,000	3.5 - 5.0	2027
Total	\$ 6,830,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2012	\$ 455,000	\$ 299,670	\$ 754,670
2013	500,000	280,655	780,655
2014	515,000	258,361	773,361
2015	475,000	235,349	710,349
2016	410,000	214,950	624,950
2017-2021	1,940,000	821,156	2,761,156
2022-2026	2,165,000	357,419	2,522,419
2027	370,000	12,950	382,950
Total	\$ 6,830,000	\$ 2,480,510	\$ 9,310,510

Refunding Debt. On October 14, 2010, the State Board of Education issued \$53,405,000 of State Board of Education Capital Outlay Bonds, Series 2010A. A portion of these bonds, totaling \$22,955,000, will be used to advance refund \$17,185,000 State Board of Education Capital Outlay Bonds, Series 2002A bonds. The College's portion of the Series 2010A bonds, totaled \$280,000, and will be used to advance refund \$305,000 of outstanding State Board of Education Capital Outlay Bonds, Series 2002A. The College's proceeds of the Series 2010A bonds were placed in a trust account to refund the Series 2002A bonds that mature on or after January 1, 2013, and are scheduled to be called on January 1, 2012. As a result of the refunding, the College will have a reduction in total debt service of \$38,867 and an economic gain of \$33,279.

Loan Payable. The College borrowed \$3,635,177 from a bank on January 3, 2006, for the purpose of entering into a lease agreement for the financing of an Energy Management System. This Energy Management System includes adding new equipment as well as various repairs and retrofits to existing buildings and equipment to improve energy efficiency at the Sanford/Lake Mary and Oviedo campuses.

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

The stated interest rate is 4.21 percent. The College is to make quarterly payments of \$83,749 for a term of 15 years commencing on October 1, 2006.

Annual requirements to amortize the outstanding notes as of June 30, 2011, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 221,515	\$ 113,482	\$ 334,997
2013	230,992	104,005	334,997
2014	240,874	94,123	334,997
2015	251,180	83,817	334,997
2016	261,927	73,070	334,997
2017-2021	1,487,628	187,358	1,674,986
2022	82,876	872	83,748
Total	\$ 2,776,992	\$ 656,727	\$ 3,433,719

Capital Lease Payable. Telephone equipment in the amount of \$698,299 is being acquired under a capital lease agreement. The stated interest rate is 4.67 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2011, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2012	\$ 152,704
2013	152,704
Total Minimum Payments	305,408
Less, Amount Representing Interest	20,155
Present Value of Minimum Payments	\$ 285,253

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 \$5,379,597. Of this amount, \$164,508 is considered a current liability as this amount is expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program.

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 benefits provided by the Florida College System Risk Management Consortium (Consortium) and life insurance benefits through purchased commercial insurance.

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

Plan Description. The College contributes to an agent, multiple-employer, defined-benefit plan administered by the Consortium for postemployment healthcare benefits and has a single-employer defined-benefit plan for life insurance benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the 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 employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to provisions of Section 112.0801, Florida Statutes, and 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, 75 retirees received postemployment benefits, and 28 retirees received postemployment life insurance benefits. The College provided required contributions of \$56,637 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$517,628.

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

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 67,961
Amortization of Unfunded Actuarial Accrued Liability	<u>28,222</u>
Annual Required Contribution	96,183
Interest on Net OPEB Obligation	1,631
Adjustment to Annual Required Contribution	<u>(1,812)</u>
Annual OPEB Cost (Expense)	96,002
Contribution Toward the OPEB Cost	<u>(56,637)</u>
Increase in Net OPEB Obligation	39,365
Net OPEB Obligation, Beginning of Year	<u>54,351</u>
Net OPEB Obligation, End of Year	<u><u>\$ 93,716</u></u>

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

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008-09	\$ 86,905	78.8%	\$ 38,022
2009-10	96,056	83.0%	54,351
2010-11	96,002	59.0%	93,716

Funded Status and Funding Progress. As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$822,003, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$822,003 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$37,176,539 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.2 percent.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs

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

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. 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 by 0.1 to 0.3 percent per year, to an ultimate rate of 4.5 percent after sixteen 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, 2011, was 26 years.

8. 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:

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

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 years ended June 30, 2009, June 30, 2010, and June 30, 2011, totaled \$2,465,460, \$2,578,287, and \$3,044,283, 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 139 College participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled \$648,163.

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.

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

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 80 College participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled \$589,135.

Senior Management Service Class Local Annuity Program. Section 121.055, Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the Florida Retirement System, Senior Management Service Class, may elect to withdraw from the FRS altogether and participate in a lifetime monthly annuity program offered by the local agency. Pursuant thereto, the College, during the 1997-98 fiscal year established a Senior Management Service Class Local Annuity Program. Employees in eligible positions are allowed to make an irrevocable election to participate in the program, rather than in the FRS. Under the program, the College contributes the same percentage of the participant's salary as would have been contributed to the FRS, Senior Management Service Class, toward an annuity provided by approved fund sponsors. The participant does not make contributions to the Plan. As of June 30, 2011, one College employee had opted to participate in the Program. Contributions made by the College to the Program totaled \$13,006 during the 2010-11 fiscal year.

9. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2011, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
L & F Building Renovation:			
Architect	\$ 1,035,923	\$ 879,317	\$ 156,606
Construction	6,098,749	5,043,484	1,055,265
Total	\$ 7,134,672	\$ 5,922,801	\$ 1,211,871

10. OPERATING LEASE COMMITMENTS

Leased assets and the related commitments are not reported on the College's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments

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

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

- Land utilized for a Public Safety Training Center is leased under an operating lease that expires in 2052. Annual lease payments total \$11,146 and continue until 2023; thereafter, payments are reduced to \$1 annually until the expiration of the lease term.
- Computers and related equipment are leased under operating leases. These leases are for three and four years and the equipment is returned to the lessor upon expiration of the lease.
- College vehicles, primarily used by the maintenance department and security department, are leased for five years under an operating lease that began in fiscal year 2008-09.
- College copiers are leased for four years under an operating lease that began in fiscal year 2010-11.

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2012	\$ 1,244,033
2013	887,357
2014	687,181
2015	224,443
2016	11,146
2017-2021	55,730
2022-2023	22,295
Total Minimum Payments Required	<u><u>\$ 3,132,185</u></u>

11. 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, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

Life insurance coverage for employees is provided through purchased commercial insurance.

12. 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

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

accordance with Section 1011.84, Florida Statutes, the Legislature determines each college's apportionment considering the following components: base budget, which includes the State noncapital 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	\$ 31,162,378
Gross Receipts Tax (Public Education Capital Outlay)	12,072,778
Education Enhancement Trust Fund (Lottery)	4,487,352
Bright Futures Scholarship Program	2,679,254
Florida Student Assistance Grants	1,114,134
Restricted Contracts and Grants	763,425
Motor Vehicle License Tax (Capital Outlay and Debt Service)	550,800
Other State Sources	528,399
Total	<u><u>\$ 53,358,520</u></u>

13. 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:

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 37,075,140
Academic Support	7,485,277
Student Services	10,463,157
Institutional Support	13,624,835
Operation and Maintenance of Plant	12,244,538
Scholarships and Fellowships	26,665,734
Depreciation	6,333,495
Auxiliary Enterprises	<u>723,432</u>
Total Operating Expenses	<u>\$ 114,615,608</u>

14. SUBSEQUENT EVENTS

During the 2011 legislative session, Public Education Capital Outlay funds to complete the purchase of approximately 30 acres of land with buildings adjacent to the existing Altamonte Springs campus were vetoed by the Governor. As a result, in July 2011 the College entered into a short-term loan agreement with SunTrust bank for \$7,500,000 to partially finance the land purchase. The College, using the loan proceeds and other operating reserves made the final payment to the seller at the July 28, 2011, closing, in the amount of \$9,938,674, which included interest and closing costs of \$380,000 and \$58,674, respectively. The College has pledged a portion of its capital improvement fees over the next five years for the repayment of the SunTrust loan.

In July 2011, the College entered into a new lease purchase agreement with Key Government Finance, Inc., to upgrade the voice over internet protocol (VoIP) telephone system. Principal and interest payments will total \$879,793 with annual payments for five years.

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

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

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

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

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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

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

We have audited the financial statements of Seminole State College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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. 2012-074.

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 29, 2012