

# TALLAHASSEE COMMUNITY COLLEGE

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2011



## BOARD OF TRUSTEES AND PRESIDENT

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

	<u>County</u>
Eugene Lamb, Chair	Gadsden
Dr. J. Allison DeFoor, II, Vice Chair	Wakulla
Dr. Dana G. Callen	Leon
Bill J. Hebrock	Leon
Frank S. Messersmith	Wakulla
Dr. Kimberle Moon	Gadsden
Karen B. Moore	Leon

Dr. Barbara R. Sloan, President  
to December 31, 2010 (1)

Dr. James T. Murdaugh, President  
from November 15, 2010 (1)

Note: (1) Dr. Murdaugh was officially hired prior to the end of Dr. Sloan's term, and worked with Dr. Sloan during the transition period.

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

This report and other reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://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.

TALLAHASSEE COMMUNITY COLLEGE  
TABLE OF CONTENTS

	PAGE NO.
<b>EXECUTIVE SUMMARY</b> .....	i
<b>INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS</b> .....	1
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets .....	13
Statement of Revenues, Expenses, and Changes in Net Assets.....	15
Statement of Cash Flows.....	16
Notes to Financial Statements .....	18
<b>OTHER REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress – Other Postemployment Benefits Plan.....	37
Notes to Required Supplementary Information.....	38
<b>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></b> .....	39
Internal Control Over Financial Reporting.....	39
Compliance and Other Matters .....	40

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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

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

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

### Audit Objectives and Scope

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

- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; 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. 2012-030.

### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

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

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS, 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  
March 16, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2011, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activities of the College for the fiscal years ended June 30, 2010, and June 30, 2011, and its component units, Tallahassee Community College Foundation, Inc., and Public Safety Academy Housing, Inc., for the fiscal years ended March 31, 2010, and March 31, 2011, and Tallahassee Community College Housing, Inc., for the fiscal years ended June 30, 2010, and June 30, 2011.

### FINANCIAL HIGHLIGHTS

The College's assets totaled \$171.4 million at June 30, 2011. This balance reflects a \$7.7 million, or 4.7 percent, increase from the 2009-10 fiscal year, resulting from increased tuition and fee rates. Liabilities increased by a lesser amount of \$3.9 million, or 13 percent, totaling \$34 million at June 30, 2011, compared to \$30.1 million at June 30, 2010. As a result, the College's net assets increased by \$3.8 million, reaching a year-end balance of \$137.4 million.

The College's operating revenues totaled \$47.1 million for the 2010-11 fiscal year, representing a 17.6 percent increase over the 2009-10 fiscal year due mainly to increased collection of tuition and fees and additional Federal grants and contracts. Operating expenses totaled \$133.5 million for the 2010-11 fiscal year, representing an increase of 9.7 percent over the 2009-10 fiscal year due mainly to increased awards of scholarships and expanded use of contractual services.

### OVERVIEW OF FINANCIAL STATEMENTS

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

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

payment. During the 2010-11 fiscal year, these lease and note transactions accounted for substantially all of the PSAH financial activity.

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

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

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

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

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

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

	College		Component Units (1)	
	6-30-11	6-30-10	2011	2010
<b>Assets</b>				
Current Assets	\$ 43,226	\$ 47,340	\$ 11,123	\$ 5,486
Capital Assets, Net	128,019	116,047	7,013	7,293
Other Noncurrent Assets	165	258	9,651	14,390
<b>Total Assets</b>	<u>171,410</u>	<u>163,645</u>	<u>27,787</u>	<u>27,169</u>
<b>Liabilities</b>				
Current Liabilities	9,768	5,931	6,372	978
Noncurrent Liabilities	24,261	24,174	7,025	13,075
<b>Total Liabilities</b>	<u>34,029</u>	<u>30,105</u>	<u>13,397</u>	<u>14,053</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	114,362	101,517	(220)	(253)
Restricted	15,954	29,891	14,222	12,809
Unrestricted	7,065	2,132	388	560
<b>Total Net Assets</b>	<u>\$ 137,381</u>	<u>\$ 133,540</u>	<u>\$ 14,390</u>	<u>\$ 13,116</u>
<b>Increase in Net Assets</b>	<u>\$ 3,841</u>	2.9%	<u>\$ 1,274</u>	9.7%

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

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

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

	College		Component Units (1)	
	6-30-11	6-30-10	2011	2010
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 18,886	\$ 13,308	\$	\$
Federal Grants and Contracts	14,327	11,884		
State and Local Grants and Contracts	8,673	9,292		
Nongovernmental Grants and Contracts	768	1,560		
Auxiliary Enterprises	4,124	4,019		
Other Operating Revenues	318		2,666	1,955
<b>Total Operating Revenues</b>	<b>47,096</b>	<b>40,063</b>	<b>2,666</b>	<b>1,955</b>
Less, Operating Expenses	133,475	121,693	1,565	2,115
<b>Operating Income (Loss)</b>	<b>(86,379)</b>	<b>(81,630)</b>	<b>1,101</b>	<b>(160)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Noncapital Appropriations	42,598	39,851		
Other Nonoperating Revenues	39,435	34,754	1,118	2,011
Nonoperating Expense	(553)	(738)	(945)	(848)
<b>Net Nonoperating Revenues</b>	<b>81,480</b>	<b>73,867</b>	<b>173</b>	<b>1,163</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
	(4,899)	(7,763)	1,274	1,003
State Capital Appropriations	7,034	4,041		
Capital Grants, Contracts, Gifts, and Fees	1,706	1,569		
<b>Increase (Decrease) in Net Assets</b>	<b>3,841</b>	<b>(2,153)</b>	<b>1,274</b>	<b>1,003</b>
Net Assets, Beginning of Year	133,540	135,693	13,116	12,113
<b>Net Assets, End of Year</b>	<b>\$ 137,381</b>	<b>\$ 133,540</b>	<b>\$ 14,390</b>	<b>\$ 13,116</b>

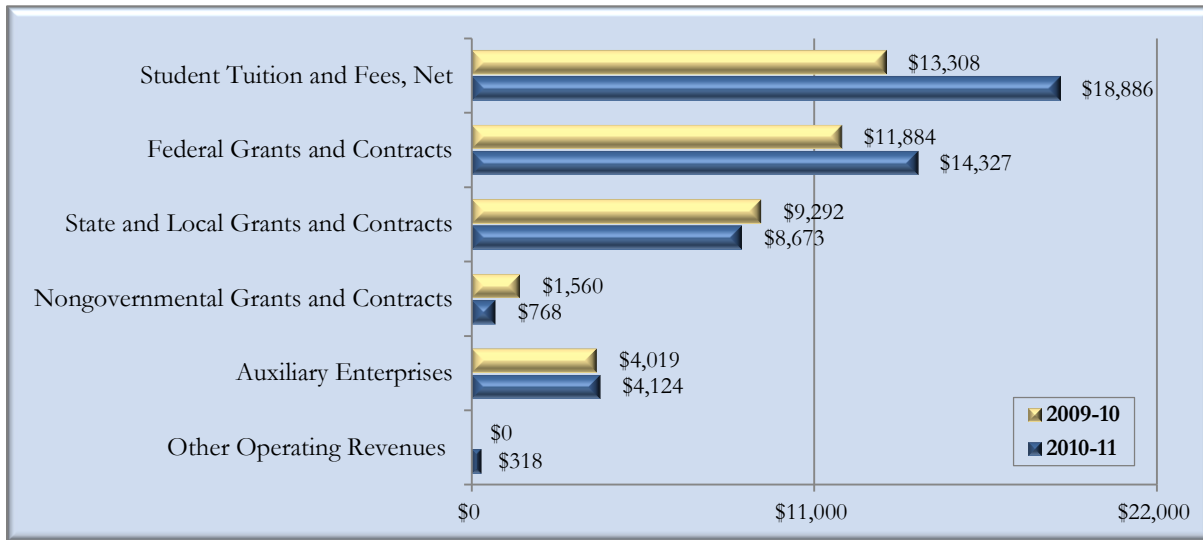
Note: (1) Amounts are for the fiscal year ended March 31, for the Tallahassee Community College Foundation, Inc., and the Public Safety Academy Housing, Inc., and for the fiscal year ended June 30, for the Tallahassee Community College Housing, Inc.

### 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 increased student tuition and fee rates as approved by the Board of Trustees, as well as a modest increase in student enrollment hours. In addition, the amount of Federal grants and contracts received increased \$2.4 million, due in part to an increase of \$1.2 million in a Federal grant disbursed to the College through the Florida Department of Transportation. State, local, and nongovernmental grants and contracts declined slightly.

**Operating Expenses**

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

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

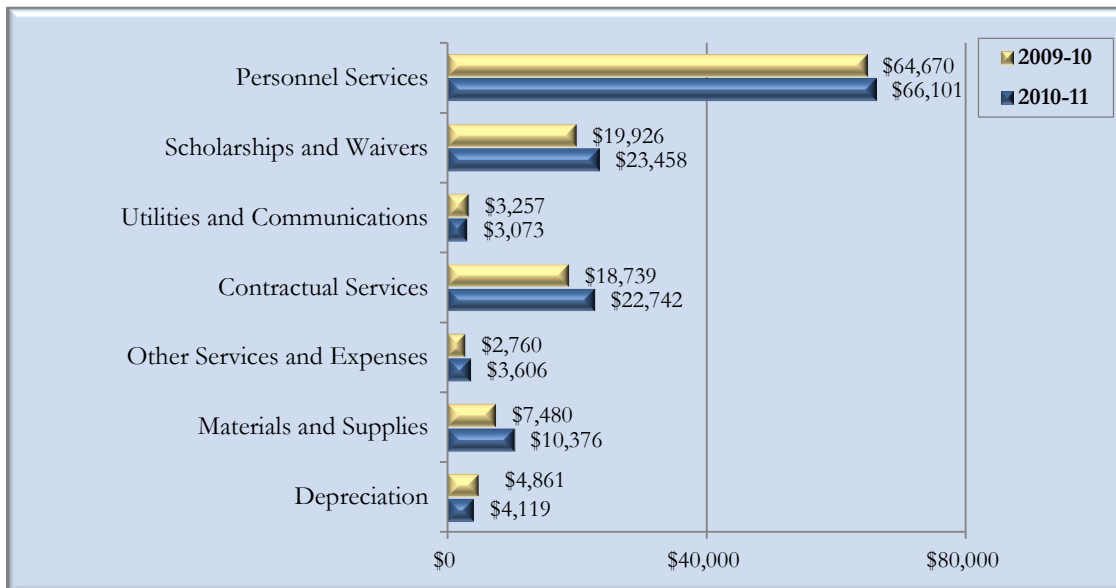
**Operating Expenses  
For the Fiscal Years Ended  
(In Thousands)**

	College		Component Units (1)	
	6-30-11	6-30-10	2011	2010
<b>Operating Expenses</b>				
Personnel Services	\$ 66,101	\$ 64,670	\$ 377	\$ 385
Scholarships and Waivers	23,458	19,926	351	567
Utilities and Communications	3,073	3,257	5	2
Contractual Services	22,742	18,739	163	99
Other Services and Expenses	3,606	2,760	362	711
Materials and Supplies	10,376	7,480	27	27
Depreciation	4,119	4,861	280	324
<b>Total Operating Expenses</b>	<b>\$ 133,475</b>	<b>\$ 121,693</b>	<b>\$ 1,565</b>	<b>\$ 2,115</b>

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

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

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



College operating expenses increased by \$11.8 million from the 2009-10 fiscal year. Contractual services increased \$4 million, scholarships and waivers increased \$3.5 million, materials and supplies increased \$2.9 million, and personnel services increased \$1.4 million which accounted for the overall increase in operating expenses during the 2010-11 fiscal year. The increase in contractual services was due mainly to maintenance, renovation, and repair services (\$2.3 million), subscription and renewal fees (\$.5 million), and other contractual services (\$1.2 million). Materials and supplies increase was due primarily to the purchase of minor equipment below the College’s capitalization threshold (\$2.5 million). The increase in scholarships and waivers is due to an increase in Federal Pell grant awards. The increase in personnel services was due primarily to faculty and staff receiving a 3 percent raise.

**Nonoperating Revenues and Expenses**

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital 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	\$ 42,598	\$ 39,851
Gifts and Grants	39,276	34,560
Investment Income	159	194
Interest on Capital Asset-Related Debt	<u>(553)</u>	<u>(738)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$ 81,480</u></b>	<b><u>\$ 73,867</u></b>

College net nonoperating revenues increased by \$7.6 million as a result of the following factors. Gifts and grants increased by \$4.7 million due primarily to the increased amounts of \$4.5 million in Federal Pell grants awarded. The College also received an increase of \$2.7 million in State noncapital appropriations.

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

This category is 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	\$ 7,034	\$ 4,041
Capital Grants, Contracts, Gifts, and Fees	<u>1,706</u>	<u>1,569</u>
<b>Total</b>	<b><u>\$ 8,740</u></b>	<b><u>\$ 5,610</u></b>

State capital appropriations increased by \$3 million due to an increase in State Public Education Capital Outlay appropriations for capital projects.

**THE STATEMENT OF CASH FLOWS**

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

- An entity’s ability to generate future net cash flows.
- Its ability to meet its obligations as they come due.
- Its need for external financing.

A summary of the College's cash flows for the 2010-11 and 2009-10 fiscal years is presented in the following table:

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

	2010-11	2009-10
Cash Provided (Used) by:		
Operating Activities	\$ (80,644)	\$ (74,961)
Noncapital Financing Activities	81,875	74,411
Capital and Related Financing Activities	9,875	6,164
Investing Activities	153	127
<b>Net Increase in Cash and Cash Equivalents</b>	11,259	5,741
Cash and Cash Equivalents, Beginning of Year	25,383	19,642
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 36,642</b>	<b>\$ 25,383</b>

Major sources of funds came from State noncapital appropriations (\$42.6 million), State capital appropriations (\$22.8 million), net student tuition and fees (\$18 million), operating grants and contracts (\$24 million), and gifts and grants (\$39.3 million). Major uses of funds were for salaries and benefits (\$64.5 million), supplies (\$33 million), scholarships (\$23.5 million), and purchases of capital assets (\$13.5 million).

Cash and cash equivalents increased by \$11.3 million from the prior period and the changes were the result of the following factors. Cash provided by noncapital financing activities increased by \$7.5 million due to an increase in State noncapital appropriations of \$2.7 million and an increase in gifts and grants of \$4.7 million. Cash provided by capital and related financing activities increased by \$3.7 million. This was due primarily to increased draws of cash from State capital appropriations for construction projects.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### CAPITAL ASSETS

At June 30, 2011, the College had \$185.6 million in capital assets, less accumulated depreciation of \$57.6 million, for net capital assets of \$128 million. Depreciation charges for the current fiscal year totaled \$4.1 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	\$ 10,563	\$ 10,563
Construction in Progress	21,765	8,701
Buildings	129,111	129,111
Other Structures and Improvements	10,498	10,229
Furniture, Machinery, and Equipment	9,979	8,172
Assets Under Capital Leases	<u>3,693</u>	<u>3,693</u>
<b>Total</b>	<u>185,609</u>	<u>170,469</u>
Less, Accumulated Depreciation:		
Buildings	39,273	36,173
Other Structures and Improvements	9,491	9,173
Furniture, Machinery, and Equipment	6,753	7,274
Assets Under Capital Leases	<u>2,073</u>	<u>1,802</u>
<b>Total Accumulated Depreciation</b>	<u>57,590</u>	<u>54,422</u>
<b>Capital Assets, Net</b>	<u>\$ 128,019</u>	<u>\$ 116,047</u>

The College had \$3.9 million in major construction commitments at June 30, 2011. The commitments were for construction of the Ghazvini Center for Healthcare Education. State capital appropriations, together with local funds, are expected to finance the construction completion of this facility. More information about the College's capital assets is presented in the notes to financial statements.

**DEBT ADMINISTRATION**

At fiscal year-end, the College had \$17.8 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>
SBA Capital Improvement Revenue Bonds	\$ 11,680	\$ 12,135
SBE Capital Outlay Bonds	4,095	3,710
Capital Leases	<u>2,062</u>	<u>2,360</u>
<b>Total</b>	<u>\$ 17,837</u>	<u>\$ 18,205</u>

During the 2010-11 fiscal year, the State Board of Education (SBE) issued \$53.4 million of Capital Outlay Bonds, Series 2010A. Proceeds from the College's portion of the bonds, \$0.6 million, were used to fund construction projects identified on the approved project priority list. Debt repayments during the 2010-11 fiscal year totaled \$0.7 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

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### **ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

Tallahassee Community College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, the College cannot rely on any increase in State funding in the coming years. In response to these factors, the Board of Trustees increased the tuition rate 10.5 percent to take effect beginning with the Fall 2011 term. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

### **REQUESTS FOR INFORMATION**

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

**BASIC FINANCIAL STATEMENTS**

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

	College	Component Units
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 17,042,663	\$ 407,180
Restricted Cash and Cash Equivalents	19,599,738	
Investments		4,609,263
Restricted Investments		5,763,415
Accounts Receivable, Net	2,623,309	338,765
Notes Receivable, Net	49,847	
Due from Other Governmental Agencies	3,836,355	
Inventories	71,762	
Prepaid Expenses	2,666	4,188
<b>Total Current Assets</b>	<b>43,226,340</b>	<b>11,122,811</b>
Noncurrent Assets:		
Restricted Investments	164,699	7,958,648
Depreciable Capital Assets, Net	95,691,702	7,013,331
Nondepreciable Capital Assets	32,327,504	
Other Assets		1,692,611
<b>Total Noncurrent Assets</b>	<b>128,183,905</b>	<b>16,664,590</b>
<b>TOTAL ASSETS</b>	<b>\$ 171,410,245</b>	<b>\$ 27,787,401</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 3,562,100	\$ 321,790
Salary and Payroll Taxes Payable	671,327	
Retainage Payable	1,509,601	
Deferred Revenue	440,817	
Deposits Held for Others	1,629,198	
Long-Term Liabilities - Current Portion:		
Bonds Payable	685,000	5,710,000
Notes Payable		340,314
Capital Leases Payable	243,447	
Special Termination Benefits Payable	244,266	
Compensated Absences Payable	669,220	
Deposits Held for Others	113,030	
<b>Total Current Liabilities</b>	<b>9,768,006</b>	<b>6,372,104</b>
Noncurrent Liabilities:		
Bonds Payable	15,090,000	
Notes Payable		7,025,380
Capital Leases Payable	1,818,867	
Special Termination Benefits Payable	342,761	
Compensated Absences Payable	5,154,401	
Other Postemployment Benefits Payable	1,479,967	
Deposits Held for Others	374,889	
<b>Total Noncurrent Liabilities</b>	<b>24,260,885</b>	<b>7,025,380</b>
<b>TOTAL LIABILITIES</b>	<b>34,028,891</b>	<b>13,397,484</b>

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

	<b>College</b>	<b>Component Units</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 114,362,016	\$ (220,054)
Restricted:		
Nonexpendable:		
Endowment		4,389,666
Expendable:		
Grants and Loans	9,053,180	
Scholarships	146,080	9,831,991
Capital Projects	6,170,376	
Debt Service	584,290	
Unrestricted	7,065,412	388,314
<b>Total Net Assets</b>	137,381,354	14,389,917
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 171,410,245</b>	<b>\$ 27,787,401</b>

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

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

	<b>College</b>	<b>Component Units</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$14,629,802	\$ 18,885,605	\$
Federal Grants and Contracts	14,327,001	
State and Local Grants and Contracts	8,673,450	
Nongovernmental Grants and Contracts	768,134	
Auxiliary Enterprises	4,124,154	
Other Operating Revenues	317,882	2,666,047
<b>Total Operating Revenues</b>	<b>47,096,226</b>	<b>2,666,047</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	66,101,191	376,765
Scholarships and Waivers	23,457,612	350,603
Utilities and Communications	3,072,986	5,411
Contractual Services	22,742,513	163,488
Other Services and Expenses	3,605,583	362,267
Materials and Supplies	10,375,692	26,723
Depreciation	4,119,530	279,887
<b>Total Operating Expenses</b>	<b>133,475,107</b>	<b>1,565,144</b>
<b>Operating Income (Loss)</b>	<b>(86,378,881)</b>	<b>1,100,903</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	42,598,427	
Gifts and Grants	39,276,054	
Investment Income	158,924	1,117,933
Interest on Capital Asset-Related Debt	(553,545)	(944,967)
<b>Net Nonoperating Revenues</b>	<b>81,479,860</b>	<b>172,966</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(4,899,021)</b>	<b>1,273,869</b>
State Capital Appropriations	7,034,071	
Capital Grants, Contracts, Gifts, and Fees	1,706,135	
<b>Total Other Revenues</b>	<b>8,740,206</b>	
<b>Increase in Net Assets</b>	<b>3,841,185</b>	<b>1,273,869</b>
Net Assets, Beginning of Year	133,540,169	13,116,048
<b>Net Assets, End of Year</b>	<b>\$ 137,381,354</b>	<b>\$ 14,389,917</b>

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

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

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 17,990,743
Grants and Contracts	24,011,013
Payments to Suppliers	(32,970,263)
Payments for Utilities and Communications	(2,839,785)
Payments to Employees	(53,099,637)
Payments for Employee Benefits	(11,388,986)
Payments for Scholarships	(23,457,612)
Loans Issued to Students	(50,298)
Collection on Loans to Students	52,232
Auxiliary Enterprises, Net	790,984
Other Receipts	317,882
	<b>(80,643,727)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	42,598,427
Gifts and Grants Received for Other Than Capital or Endowment Purposes	39,276,054
Direct Loan Program Receipts	32,563,100
Direct Loan Program Disbursements	(32,563,100)
	<b>81,874,481</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt	625,098
State Capital Appropriations	22,824,080
Capital Grants and Gifts	1,706,135
Purchases of Capital Assets	(13,527,231)
Principal Paid on Capital Debt and Leases	(952,702)
Interest Paid on Capital Debt and Leases	(800,324)
	<b>9,875,056</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	161,456
Sale of Investments, Net	(8,072)
	<b>153,384</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>11,259,194</b>
Cash and Cash Equivalents, Beginning of Year	25,383,207
	<b>\$ 36,642,401</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 36,642,401</b>

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

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (86,378,881)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,119,530
Changes in Assets and Liabilities:	
Receivables, Net	(424,639)
Inventories	31,720
Accounts Payable	1,790,861
Salary and Payroll Taxes Payable	38,699
Deferred Revenue	(154,032)
Deposits Held for Others	(297,813)
Compensated Absences Payable	(6,117)
Other Postemployment Benefits Payable	644,125
Special Termination Benefits Payable	(7,180)
	\$ (80,643,727)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	

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

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (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 Units.** Based on the application of the criteria for determining component units, the following component units are included within the College's reporting entity:

- The Tallahassee Community College Foundation, Inc.: This organization provides funding and services to support and foster the pursuit of higher education at the College.
- The Tallahassee Community College Housing, Inc. (TCCH): This organization provides support and assistance to the College through the operation of a housing complex for students of the College. On August 31, 2006, TCCH sold the housing complex. Subsequent to the sale, \$7,555,939 was deposited in escrow to in-substance defease the outstanding student housing revenue bonds not redeemable in full until July 1, 2011. As further discussed in Note 16, TCCH was dissolved subsequent to fiscal year end after the redemption of the revenue bonds.
- Public Safety Academy Housing, Inc. (PSAH): This organization was established to obtain financing and construct a 200-room housing facility for students at the College's Florida Public Safety Institute. The housing facility was completed on January 4, 2006. Upon completion, PSAH executed an agreement with the College whereby the College leases the housing facility from PSAH and is responsible for operating and maintaining the facility. In exchange, PSAH receives a monthly lease payment in the amount of its mortgage payment and operating expenses. During the 2010-11 fiscal year, these lease and note transactions accounted for substantially all of the PSAH financial activity.

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

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

statements was derived from the audited financial statements for the fiscal year ended March 31, 2011, June 30, 2011, and March 31, 2011, respectively. Additional condensed financial statements for the College's component units are included in a subsequent note.

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

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

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

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

The College's component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. Tallahassee Community College Foundation, Inc., and Tallahassee Community College Housing, Inc., follow FASB standards of accounting and financial reporting for not-for-profit organizations. The Public Safety

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

Academic Housing, Inc., follows GASB pronouncements, and FASB pronouncements issued after November 30, 1989, unless the FASB pronouncements conflict with GASB pronouncements.

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

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

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

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

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

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

**Cash and Cash Equivalents.** The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, funds invested with the State Board of Administration (SBA) Florida PRIME investment pool, and the State Treasury Special Purpose Investment Account (SPIA). For reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in SPIA and Florida PRIME investment pools 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

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

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 \$25,476 in the 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 SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2011, the College reported as cash equivalents \$10,113 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2011, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 31 days as of June 30, 2011. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

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

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

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

Land, buildings, and equipment of the College's component units are stated at cost except for donated property which is stated at fair market value at the date of donation and is net of accumulated depreciation of \$1,663,379. The College's component units depreciate buildings and equipment over an estimated life of 39 years for buildings and improvements and from 5 to 7 years for furniture and equipment.

**Noncurrent Liabilities.** Noncurrent liabilities include bonds payable, capital leases payable, special termination benefits payable, compensated absences payable, deposits held for others, 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; 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 \$164,699 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 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 Units Investments**

Investments reported by the College's component units consisted of those held by the Tallahassee Community College Foundation, Inc., at March 31, 2011, and the Tallahassee Community College Housing, Inc., at June 30, 2011, and are reported at fair value as follows:

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

Investment Type	Amount
United States Treasury Notes	\$ 5,763,415
Mutual Funds	7,879,062
Money Market Funds	4,109,921
Certificates of Deposit	483,333
State Board of Administration Fund B	95,595
<b>Total Investments</b>	<b>\$ 18,331,326</b>

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferrals, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$871,373 allowance for doubtful accounts.

**4. NOTES RECEIVABLE**

Notes receivable represent student loans for veteran students' fees of \$71,549 and short-term loan program of \$7,414. Notes receivable are reported net of a \$29,116 allowance for doubtful notes.

**5. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount consists of \$1,578,531 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$2,257,824 due from Federal and State agencies for contracts and grants.

**6. INVENTORIES**

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

**7. CAPITAL ASSETS**

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

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 10,562,860	\$	\$	\$ 10,562,860
Construction in Progress	8,701,209	13,063,435		21,764,644
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 19,264,069</b>	<b>\$ 13,063,435</b>	<b>\$</b>	<b>\$ 32,327,504</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 129,111,361	\$	\$	\$ 129,111,361
Other Structures and Improvements	10,229,313	268,985		10,498,298
Furniture, Machinery, and Equipment	8,171,687	2,773,009	966,061	9,978,635
Assets Under Capital Leases	3,693,246			3,693,246
<b>Total Depreciable Capital Assets</b>	<b>151,205,607</b>	<b>3,041,994</b>	<b>966,061</b>	<b>153,281,540</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	36,172,922	3,100,439		39,273,361
Other Structures and Improvements	9,173,083	318,050		9,491,133
Furniture, Machinery, and Equipment	7,273,907	430,934	952,101	6,752,740
Assets Under Capital Leases	1,802,497	270,107		2,072,604
<b>Total Accumulated Depreciation</b>	<b>54,422,409</b>	<b>4,119,530</b>	<b>952,101</b>	<b>57,589,838</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 96,783,198</b>	<b>\$ (1,077,536)</b>	<b>\$ 13,960</b>	<b>\$ 95,691,702</b>

**8. DEFERRED REVENUE**

Deferred revenue includes advance funding for contracts and grants and student tuition and fees receivable prior to fiscal year-end related to a subsequent accounting period. As of June 30, 2011, the College reported the following amounts as deferred revenue:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 401,042
Student Tuition and Fees	39,775
<b>Total Deferred Revenue</b>	<b>\$ 440,817</b>

**9. LONG-TERM LIABILITIES**

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

**TALLAHASSEE COMMUNITY COLLEGE  
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	\$ 15,845,000	\$ 585,000	\$ 655,000	\$ 15,775,000	\$ 685,000
Capital Leases Payable	2,360,016		297,702	2,062,314	243,447
Special Termination Benefits Payable	594,207	172,066	179,246	587,027	244,266
Compensated Absences Payable	5,829,738	627,122	633,239	5,823,621	669,220
Deposits Held for Others	408,458	79,461		487,919	113,030
Other Postemployment Benefits Payable	835,842	873,391	229,266	1,479,967	
Estimated Arbitrage Rebate Payable	140,512		140,512		
<b>Total Long-Term Liabilities</b>	<b>\$ 26,013,773</b>	<b>\$ 2,337,040</b>	<b>\$ 2,134,965</b>	<b>\$ 26,215,848</b>	<b>\$ 1,954,963</b>

**Bonds Payable - College.** 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 (SBE) 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 Series 2006A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2006A bonds. The Series 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.

The College had the following bonds payable at June 30, 2011:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education			
Capital Outlay Bonds:			
Series 2005A	\$ 885,000	5.0	2017
Series 2009A	2,640,000	4.0 - 5.0	2029
Series 2010A	570,000	3.5 - 5.0	2030
Florida Department of Education			
Capital Improvement Revenue Bonds:			
Series 2006A	11,680,000	3.5 - 5.0	2027
<b>Total</b>	<b>\$ 15,775,000</b>		

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

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

Fiscal Year Ending June 30	<u>Capital Outlay and Capital Improvement Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 685,000	\$ 695,438	\$ 1,380,438
2013	715,000	666,338	1,381,338
2014	745,000	635,788	1,380,788
2015	780,000	603,288	1,383,288
2016	815,000	569,238	1,384,238
2017-2021	4,010,000	2,279,287	6,289,287
2022-2026	5,140,000	1,201,060	6,341,060
2027-2030	2,885,000	155,025	3,040,025
<b>Total</b>	<b><u>\$ 15,775,000</u></b>	<b><u>\$ 6,805,462</u></b>	<b><u>\$ 22,580,462</u></b>

On October 14, 2010, the SBE issued \$53,405,000 of SBE Capital Outlay Bonds, Series 2010A. The College’s portion of the bonds, \$625,098, which includes a premium of \$45,254 less issuance costs of \$5,156, will be used to finance various infrastructure improvements and life safety correction projects.

**Bonds Payable- Component Unit.** Bonds payable, issued by Tallahassee Community College Housing, Inc., consists of Series 1990A Student Housing Revenue Bonds issued May 1, 1990. The bonds are not general obligations of Tallahassee Community College Housing, Inc., but are limited obligations payable solely from revenue and other amounts derived from the operation of the housing facility. On August 31, 2006, TCCH sold the housing complex and deposited in escrow to in-substance defease the outstanding bond redeemable on July 1, 2011. At June 30, 2011, the scheduled maturities of bonds payable were as follows:

Fiscal Year Ending June 30	<u>Student Housing Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<b><u>\$ 5,710,000</u></b>	<b><u>\$ 189,144</u></b>	<b><u>\$ 5,899,144</u></b>

**Mortgage Note Payable- Component Unit.** The Public Safety Academy Housing, Inc., executed a mortgage note payable on May 21, 2004, to construct a housing facility to provide short-term lodging for students of the College’s Florida Public Safety Institute. The amount of the note is \$9 million and bears interest at a variable rate, currently 5.45 percent. The note is collateralized by a leasehold mortgage in real estate, a first priority security interest in all personal property located at the facility, and the assignment of rents derived from the operation of the housing facility. Annual requirements to amortize the outstanding note at March 31, 2011, are as follows:

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

Fiscal Year Ending March 31	Mortgage Note Payable		
	Principal	Interest	Total
2012	\$ 340,314	\$ 399,599	\$ 739,913
2013	360,672	379,241	739,913
2014	381,115	358,798	739,913
2015	402,715	337,198	739,913
2016	424,709	315,204	739,913
2017-2021	2,517,182	1,182,383	3,699,565
2022-2026	2,938,987	385,754	3,324,741
<b>Total</b>	<b>\$ 7,365,694</b>	<b>\$ 3,358,177</b>	<b>\$ 10,723,871</b>

**Capital Leases Payable.** Networking hardware and energy savings equipment in the amount of \$3,693,246 is being acquired under capital lease agreements. The stated interest rates range from 3.5 to 5.77 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	Amount
2012	\$ 325,649
2013	332,578
2014	342,274
2015	352,255
2016	362,530
2017-2018	669,525
<b>Total Minimum Payments</b>	<b>2,384,811</b>
Less, Amount Representing Interest	(322,497)
<b>Present Value of Minimum Payments</b>	<b>\$ 2,062,314</b>

**Special Termination Benefits Payable.** Under a Board-established Retirement Incentive Program, employees who were hired prior to July 1, 1995, and elect to retire within 36 months from the achievement of normal retirement, as defined in Sections 121.091, Florida Statutes, receive an incentive payment of 10 percent based on their annualized salary at retirement. In addition, the employee receives payment for a maximum of 1,440 hours of sick leave. The College reported a special termination benefits payable of \$587,027 as of June 30, 2011, for 26 employees who gave notice to retire under the Retirement Incentive Program, of which \$244,266 represents the current portion.

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital 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

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

compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$5,823,621. Of this amount, \$669,220 is considered a current liability as this is expected to be paid in the coming fiscal year and is calculated as a percentage of total liability, based on the average ratio of employees who terminated service to total number of authorized positions for each of the preceding five years.

**Deposits Held for Others.** Under a Board-established policy, new employees in executive/administrative, managerial/professional, and classified staff positions have six days of pay withheld from the first pay period until their employment at the College is concluded. The six days of pay is paid in the employee's last paycheck. At June 30, 2011, the College reported a total liability of \$448,524 for salaries withheld from employees. In addition, the College reported other deposit held for others totaling \$39,395. Of these amounts, \$113,030 is considered a current liability as this is expected to be paid in the coming year.

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

*Plan Description.* The College contributes to an agent, multiple-employer, defined-benefit plan administered by the Consortium. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's health 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 coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the Plan and the Plan is not included in the annual report of a public employees' retirement system or another entity.

*Funding Policy.* Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend 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, 157 retirees received other postemployment healthcare benefits and 97 retirees received postemployment life insurance benefits. The College provided required contributions of \$229,266 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 \$749,882.

*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

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

period not to exceed 30 years. The following table shows the College’s annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the College’s net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 600,621
Amortization of Unfunded Actuarial Accrued Liability	275,556
<b>Annual Required Contribution</b>	876,177
Interest on Net OPEB Obligation	25,075
Adjustment to Annual Required Contribution	(27,861)
<b>Annual OPEB Cost (Expense)</b>	873,391
Contribution Toward the OPEB Cost	(229,266)
<b>Increase in Net OPEB Obligation</b>	644,125
Net OPEB Obligation, Beginning of Year	835,842
<b>Net OPEB Obligation, End of Year</b>	\$ 1,479,967

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 237,596	65.9%	\$ 161,709
2009-10	875,476	23.0%	835,842
2010-11	873,391	26.3%	1,479,967

*Funded Status and Funding Progress.* As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$8,025,892, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$8,025,892 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$38,004,974 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 21.1 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.

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

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2009, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, and the College's 2010-11 fiscal year ARC. This method was selected because it is the same method used in the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 7.8 percent for the 2010-11 fiscal year, reduced by decrements to an ultimate rate of 4.5 percent after 16 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years. The remaining amortization period at June 30, 2011, was 26 years.

## 10. RETIREMENT PROGRAMS

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

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for 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.

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

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2010-11 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Senior Management Service	0.00	14.57
Florida Retirement System, Special Risk	0.00	23.25
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 \$3,663,732, \$3,508,971, and \$3,675,082, 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 196 College participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled \$786,346.

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

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

designed to aid colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

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

There were 43 College participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled \$350,526.

**11. CONSTRUCTION COMMITMENTS**

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

Project Description	Total Committed	Completed to Date	Balance Committed
Ghazvini Center for Healthcare Education:			
General Contractor	\$ 17,966,305	\$ 14,674,478	\$ 3,291,827
Architect / Others	7,714,072	7,090,166	623,906
<b>Total</b>	<b>\$ 25,680,377</b>	<b>\$ 21,764,644</b>	<b>\$ 3,915,733</b>

**12. RISK MANAGEMENT PROGRAMS**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a 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 fire and extended property, general and automobile liability, workers’ compensation, health and life, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

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

**13. SCHEDULE OF STATE REVENUE SOURCES**

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

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

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

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 25,665,702
College Center for Library Automation	13,215,267
Restricted Contracts and Grants	8,677,490
Gross Receipts Tax (Public Education Capital Outlay)	6,484,763
Education Enhancement Trust Fund (Lottery)	3,717,458
Bright Futures Scholarship Program	2,673,933
Florida Student Assistance Grants	2,554,396
Motor Vehicle License Tax (Capital Outlay and Debt Service)	549,308
Other State Sources	23,898
<b>Total</b>	<b>\$ 63,562,215</b>

**14. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

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

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

Functional Classification	Amount
Instruction	\$ 33,804,382
Public Services	7,197,676
Academic Support	21,530,314
Student Services	16,303,811
Institutional Support	16,211,761
Operation and Maintenance of Plant	7,961,756
Scholarships and Wavers	22,789,879
Depreciation	4,119,530
Auxiliary Enterprises	3,555,998
<b>Total Operating Expenses</b>	<b>\$ 133,475,107</b>

**15. COMPONENT UNITS**

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

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

	Direct-Support Organizations			Total
	Tallahassee Community College Foundation, Inc. 3-31-11	Tallahassee Community College Housing, Inc. 6-30-11	Public Safety Academy Housing, Inc. 3-31-11	
<b>Condensed Statement of Net Assets</b>				
Assets:				
Current Assets	\$ 5,120,453	\$ 5,934,344	\$ 68,014	\$ 11,122,811
Capital Assets, Net			7,013,331	7,013,331
Other Noncurrent Assets	9,518,950		132,309	9,651,259
<b>Total Assets</b>	<u>14,639,403</u>	<u>5,934,344</u>	<u>7,213,654</u>	<u>27,787,401</u>
Liabilities:				
Current Liabilities	98,074	5,899,144	374,886	6,372,104
Noncurrent Liabilities			7,025,380	7,025,380
<b>Total Liabilities</b>	<u>98,074</u>	<u>5,899,144</u>	<u>7,400,266</u>	<u>13,397,484</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt			(220,054)	(220,054)
Restricted	14,221,657			14,221,657
Unrestricted	319,672	35,200	33,442	388,314
<b>Total Net Assets</b>	<u>\$ 14,541,329</u>	<u>\$ 35,200</u>	<u>\$ (186,612)</u>	<u>\$ 14,389,917</u>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>				
Operating Revenues	\$ 1,922,287	\$ 346	\$ 743,414	\$ 2,666,047
Operating Expenses	(1,263,609)	(5,293)	(296,242)	(1,565,144)
<b>Operating Income (Loss)</b>	658,678	(4,947)	447,172	1,100,903
Net Nonoperating Revenues (Expenses)	845,246	(256,630)	(415,650)	172,966
<b>Increase (Decrease) in Net Assets</b>	<u>1,503,924</u>	<u>(261,577)</u>	<u>31,522</u>	<u>1,273,869</u>
Net Assets, Beginning of Year	<u>13,037,405</u>	<u>296,777</u>	<u>(218,134)</u>	<u>13,116,048</u>
<b>Net Assets, End of Year</b>	<u>\$ 14,541,329</u>	<u>\$ 35,200</u>	<u>\$ (186,612)</u>	<u>\$ 14,389,917</u>

**16. SUBSEQUENT EVENTS**

On June 29, 2011, the Board unanimously approved the dissolution of Tallahassee Community College Housing, Inc., to take place after the outstanding bonds were redeemed in their entirety in accordance with the escrow deposit agreement on July 1, 2011, and all outstanding professional services were settled. The remaining net assets were to be contributed to Tallahassee Community College Foundation in accordance with its Articles of Incorporation and within 31 days of its fiscal year end of June 30, 2011. The following is a summary of the Statement of Activities reflecting the distribution of assets after the outstanding bonds and accrued interest were redeemed in their entirety through the date of dissolution on August 1, 2011:

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

**Statement of Revenues, Expenses, and Changes in Net Assets**  
**For the Period Ended August 1, 2011**  
**(In Thousands)**

<b>Operating Income</b>	
Investment Income	\$ 62
 <b>Expenses</b>	
Contribution to TCC Foundation	30,277
Professional fees	4,950
Administrative expenses	35
<b>Total Expenses</b>	<u>35,262</u>
<b>Decrease in Unrestricted Net Assets</b>	(35,200)
Net Assets, Beginning of Year	<u>35,200</u>
<b>Net Assets, End of Year</b>	<u><u>\$</u></u>

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 2,312,907	\$ 2,312,907	0%	\$ 50,538,709	4.6%
7/1/2009	\$	\$ 8,025,892	\$ 8,025,892	0%	\$ 39,111,832	20.5%

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

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**TALLAHASSEE COMMUNITY COLLEGE  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**

The July 1, 2009, unfunded actuarial accrued liability (AAL) of \$8,025,892 was significantly higher than the July 1, 2007, liability of \$2,312,907. The reasons for the increase are primarily due to the assumed continuation of medical coverage to retirees over the age of 65 in the plan due to the low required contributions for the Florida College System Risk Management Consortium plan after age 65, an increase attributed to expected growth of liabilities and demographic changes, updated medical and life participation assumptions, changes in the mortality and trend assumptions, updated claims costs, and required retiree contributions.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

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

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

### Internal Control Over Financial Reporting

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

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

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

### **Compliance and Other Matters**

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

We noted certain matters that we reported to College management in our operational audit report No. 2012-030.

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

Respectfully submitted,



David W. Martin, CPA  
March 16, 2012