

SEMINOLE STATE COLLEGE OF FLORIDA

Financial Audit

For the Fiscal Year Ended
June 30, 2012



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2011-12 fiscal year are listed below:

Scott D. Howat, Chair
Cynthia L. Drago, Vice Chair from 10-24-11 (1)
Charles W. Gregg, Sr., to 9-26-11, Vice Chair (2)
Jeffrey M. Bauer from 11-08-11 (3)
Wendy H. Brandon from 9-27-11
Lisa M. Greer to 9-26-11 (2)
Alex Setzer from 9-27-11

Dr. E. Ann McGee, President

Notes: (1) Vice Chair position was vacant from
September 27, 2011, to October 23, 2011.
(2) Board members served beyond the end of
term, May 31, 2011.
(3) Position vacant from July 1, 2011, through
November 7, 2011

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

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

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

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2012. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

Audit Methodology

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



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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 Seminole State College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of College management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Seminole State College of Florida and of its discretely presented component unit as of June 30, 2012, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

Respectfully submitted,



David W. Martin, CPA
November 27, 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, 2012, 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 activity of the College and its component unit, the Foundation for Seminole State College of Florida, Inc., for the fiscal years ended June 30, 2012, and June 30, 2011.

FINANCIAL HIGHLIGHTS

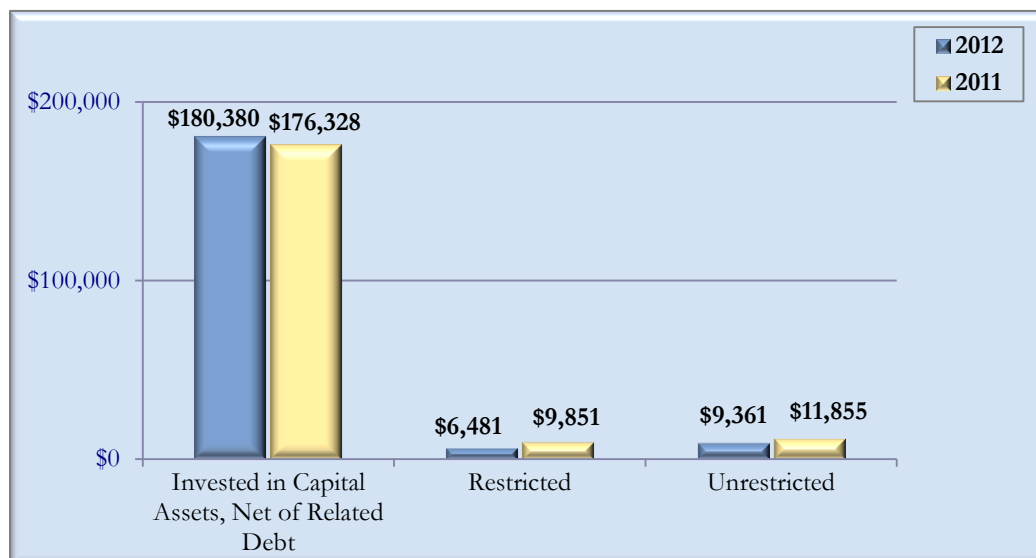
The College's assets totaled \$219.4 million at June 30, 2012. This balance reflects a \$2.7 million, or 1.2 percent, increase as compared to the 2010-11 fiscal year, resulting from a \$7.8 million increase in capital assets offset with declines in both current and noncurrent assets. While total assets grew, liabilities also increased \$4.5 million, or 24.1 percent, as a result of a new bank loan necessary to complete the acquisition of property adjacent to the Altamonte Springs Campus. As a result, the College's net assets decreased slightly by 0.9 percent, resulting in a year-end balance of \$196.2 million.

The College's operating revenues totaled \$30.1 million for the 2011-12 fiscal year, representing a 3.7 percent increase as compared to the 2010-11 fiscal year due mainly to tuition revenue increases. Nonoperating revenues decreased by 2.1 percent, primarily from the discontinuance of the Federal stimulus program. Capital related revenues also decreased by 68.8 percent as a result of State reductions in Public Education Capital Outlay funds.

Operating expenses totaled \$118 million for the 2011-12 fiscal year, representing an increase of 3 percent as compared to the 2010-11 fiscal year, due mainly to increases in personnel costs and other services expenses.

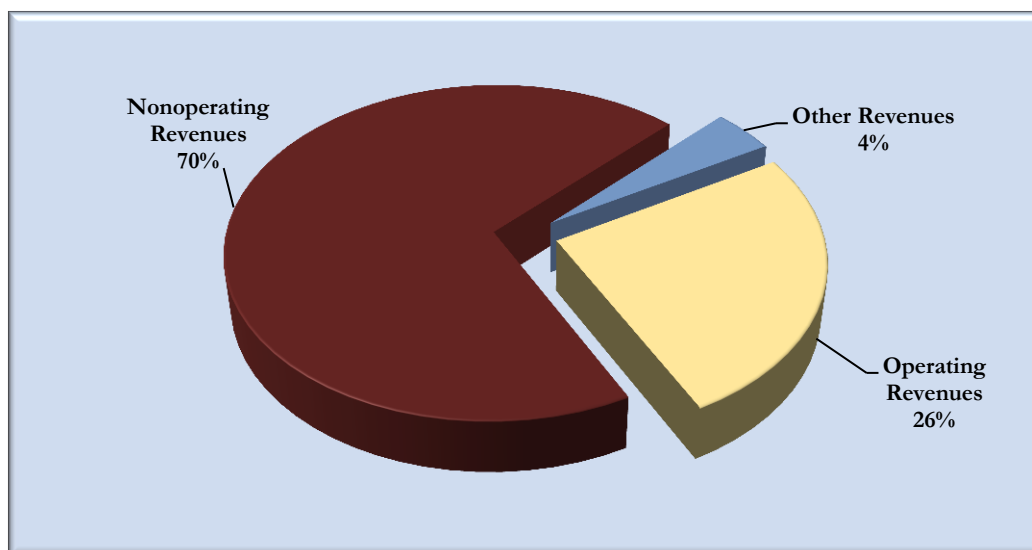
Net assets represent the residual interest in the College's assets after deducting liabilities. The College's comparative total net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following graph:

**Net Assets: College
(In Thousands)**



The following chart provides a graphical presentation of College revenues by category for the 2011-12 fiscal year:

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

A condensed statement of assets, liabilities, and net assets of the College and its component unit as of June 30, 2012, and June 30, 2011, is shown in the following table:

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

	College		Component Unit	
	6-30-12	6-30-11	6-30-12	6-30-11
Assets				
Current Assets	\$ 18,375	\$ 21,311	\$ 1,395	\$ 3,774
Capital Assets, Net	194,000	186,220	872	894
Other Noncurrent Assets	7,007	9,168	14,447	8,283
Total Assets	<u>219,382</u>	<u>216,699</u>	<u>16,714</u>	<u>12,951</u>
Liabilities				
Current Liabilities	6,018	4,280	59	64
Noncurrent Liabilities	17,142	14,385	302	502
Total Liabilities	<u>23,160</u>	<u>18,665</u>	<u>361</u>	<u>566</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	180,380	176,328	570	370
Restricted	6,481	9,851	15,264	11,517
Unrestricted	9,361	11,855	519	498
Total Net Assets	<u>\$ 196,222</u>	<u>\$ 198,034</u>	<u>\$ 16,353</u>	<u>\$ 12,385</u>
Increase (Decrease) in Net Assets	<u>\$ (1,812)</u>	-0.9%	<u>\$ 3,968</u>	32.0%

Total assets increased as a result of an increase in capital assets related to the purchase of property that included buildings and other structures and improvements, adjacent to the Altamonte Springs Campus. This increase in capital assets was offset with a decrease in both current and noncurrent assets as a result of lower cash balances at year end and lower amounts due from other governmental agencies. Total liabilities increased from the prior year due to a new loan used to acquire the above noted property adjacent to the Altamonte Springs Campus, offset by the loan early payoff for the Energy Management System. Liabilities also increased due to a new capital lease for telecommunications equipment as well as an increase in plant fund accounts payable balances.

Revenues and expenses of the College and its component unit for the 2011-12 and 2010-11 fiscal years, are shown in the following table:

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

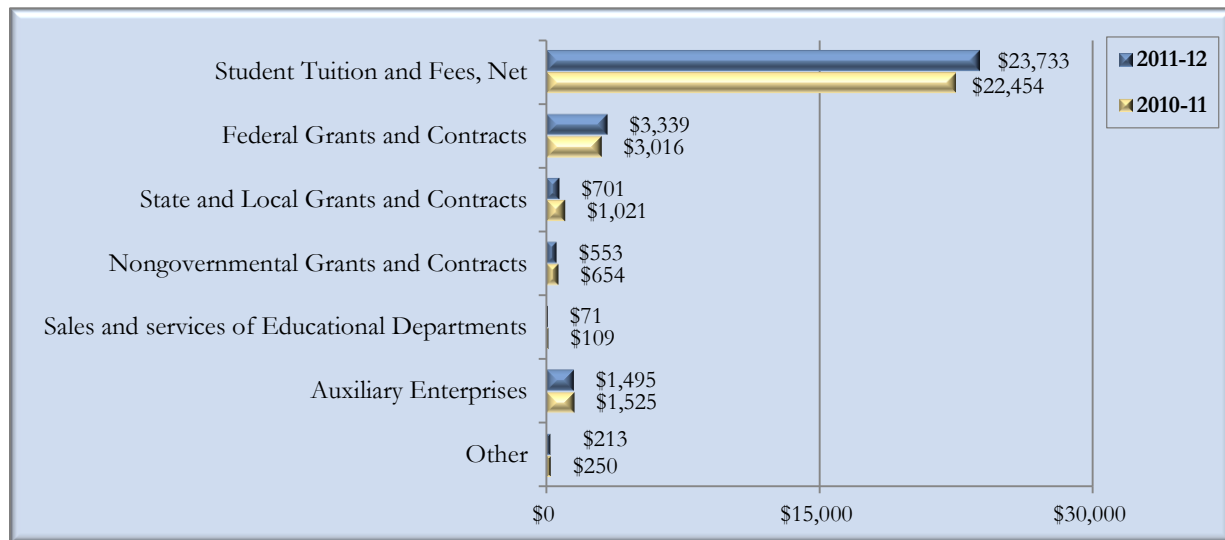
	College		Component Unit	
	6-30-12	6-30-11	6-30-12	6-30-11
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 23,733	\$ 22,454	\$	\$
Federal Grants and Contracts	3,339	3,016		
State and Local Grants and Contracts	701	1,021		
Nongovernmental Grants and Contracts	553	654		
Sales and Services of Educational Departments	71	109		
Auxiliary Enterprises	1,495	1,525		
Other Operating Revenues	213	250	4,907	1,175
Total Operating Revenues	30,105	29,029	4,907	1,175
Less, Operating Expenses	118,012	114,616	1,609	1,400
Operating Income (Loss)	(87,907)	(85,587)	3,298	(225)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	35,743	35,897	72	58
Other Nonoperating Revenues	46,390	48,004	598	1,533
Nonoperating Expenses	(980)	(456)		
Net Nonoperating Revenues	81,153	83,445	670	1,591
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(6,754)	(2,142)	3,968	1,366
State Capital Appropriations	1,413	12,624		
Capital Grants, Contracts, Gifts, and Fees	3,529	3,230		
Increase (Decrease) in Net Assets	(1,812)	13,712	3,968	1,366
Net Assets, Beginning of Year	198,034	184,322	12,385	11,019
Net Assets, End of Year	\$ 196,222	\$ 198,034	\$ 16,353	\$ 12,385

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 2011-12 and 2010-11 fiscal years:

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



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

- Student tuition and fees increased by \$1.3 million, or 5.7 percent, due to an 8 percent tuition increase that was effective Fall 2011, offset by declining enrollments in postsecondary vocational programs and decreased laboratory fee revenue.
- Federal grants and contract revenues increased by \$0.3 million, or 10.7 percent, primarily due to a new chiller replacement grant received.
- State and local grants and contract revenues decreased by \$0.3 million, or 31.3 percent, due to decreases in State economic development and workforce grants.

Operating Expenses

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

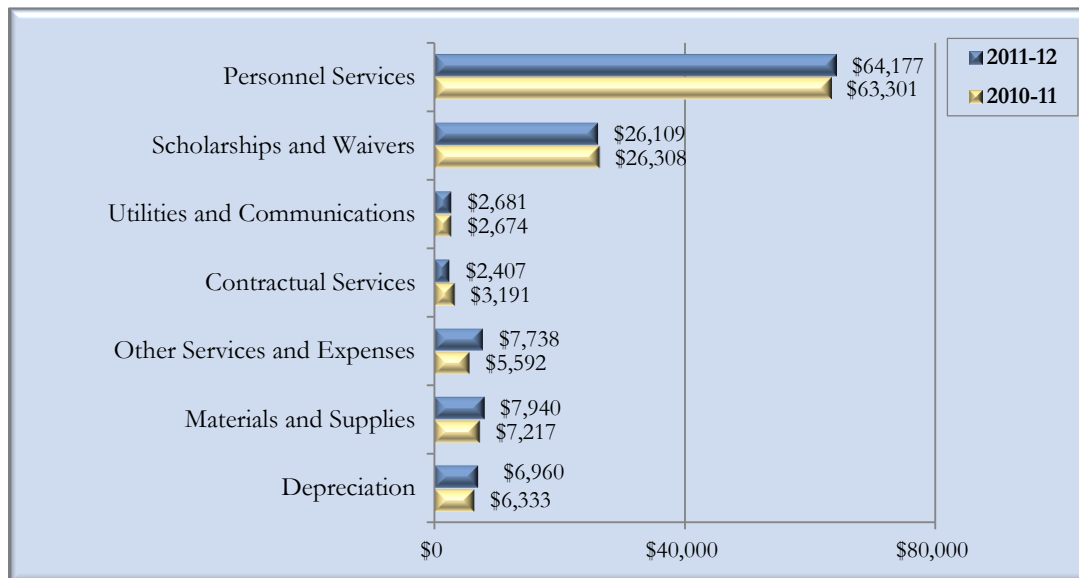
Operating expenses for the College and its component unit for the 2011-12 and 2010-11 fiscal years are presented in the following table:

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

	College		Component Unit	
	6-30-12	6-30-11	6-30-12	6-30-11
Operating Expenses				
Personnel Services	\$ 64,177	\$ 63,301	\$ 512	\$ 411
Scholarships and Waivers	26,109	26,308	880	807
Utilities and Communications	2,681	2,674		
Contractual Services	2,407	3,191	108	74
Other Services and Expenses	7,738	5,592	77	77
Materials and Supplies	7,940	7,217	32	31
Depreciation	6,960	6,333		
Total Operating Expenses	\$ 118,012	\$ 114,616	\$ 1,609	\$ 1,400

The following chart presents the College's operating expenses for the 2011-12 and 2010-11 fiscal years:

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



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

- Personnel expenses increased \$0.9 million, or 1.4 percent, due to compensation adjustments offset by a decrease in College paid retirement benefits resulting from statutory changes in the Florida Retirement System regulations.
- The contractual services and other services categories netted a \$1.4 million, or 15.5 percent, increase primarily due to increases in repairs and maintenance costs, outsourced contractual agreements, advertising, travel for professional development, and allowance for doubtful account adjustments.
- Materials and supplies expenses increased \$0.7 million, or 10 percent, over the prior year due to increased purchases of minor equipment.
- Depreciation expense increased \$0.6 million, or 9.9 percent, as a result of increases in buildings and other structures and improvements depreciation.

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 2011-12 and 2010-11 fiscal years:

Nonoperating Revenues (Expenses): College (In Thousands)

	2011-12	2010-11
State Noncapital Appropriations	\$ 35,743	\$ 35,897
Federal and State Student Financial Aid	46,241	44,856
Gifts and Grants		2,910
Investment Income	119	183
Other Nonoperating Revenues	30	55
Interest on Capital Asset-Related Debt	(980)	(456)
Net Nonoperating Revenues	\$ 81,153	\$ 83,445

Nonoperating revenue and expense changes were the result of the following factors:

- Federal and State student financial aid decreased \$1.4 million, or 3.1 percent, due to decreases in Florida Bright Futures revenues, offset by an increase in Federal Pell grant revenues. The financial aid revenues were reported as gifts and grants for the 2010-11 fiscal year.
- Gifts and grants nonoperating revenues decreased \$2.9 million, or 100 percent, due to elimination of the State Fiscal Stabilization Funds received as appropriations for the 2010-11 fiscal year.
- Interest on capital asset-related debt increased \$0.5 million, or 114.9 percent, as a result of interest payments related to the acquisition of the property, which included buildings and other structures and improvements, adjacent to the Altamonte Springs Campus.

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 2011-12 and 2010-11 fiscal years:

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

	2011-12	2010-11
State Capital Appropriations	\$ 1,413	\$ 12,624
Capital Grants, Contracts, Gifts, and Fees	3,529	3,230
Total	\$ 4,942	\$ 15,854

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

- State capital appropriations decreased by \$11.2 million, or 88.8 percent, due to decreased Public Education Capital Outlay funds received from the State for construction projects. Prior year's appropriations were related to renovations of the F and L Buildings and the purchase of land with buildings in Altamonte Springs. For the 2011-12 fiscal year, the College only received Public Education Capital Outlay funds for general renovation/remodeling and maintenance/repairs.
- Capital grants, contracts, gifts and fees increased by \$0.3 million, or 9.3 percent, primarily as a result of increased student capital improvement fee revenues.

THE STATEMENT OF CASH FLOWS

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

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

A summary of the College's cash flows for the 2011-12 and 2010-11 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College (In Thousands)

	<u>2011-12</u>	<u>2010-11</u>
Cash Provided (Used) by:		
Operating Activities	\$ (79,404)	\$ (80,163)
Noncapital Financing Activities	82,048	83,668
Capital and Related Financing Activities	(6,161)	248
Investing Activities	<u>473</u>	<u>(86)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3,044)	3,667
Cash and Cash Equivalents, Beginning of Year	<u>22,584</u>	<u>18,917</u>
Cash and Cash Equivalents, End of Year	<u>\$ 19,540</u>	<u>\$ 22,584</u>

Major sources of funds came from net student tuition and fees (\$24.1 million), State noncapital appropriations (\$35.7 million), Federal and State financial aid grants and direct loans (\$100 million), and capital debt proceeds (\$8.3 million). Major uses of funds were for payments to suppliers (\$17.2 million), payments to employees (\$52.9 million), payments for employee benefits (\$10.8 million), payments for scholarships and direct loans (\$80.1 million), and the purchase of capital assets (\$14.5 million).

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

- Operating activities used \$0.8 million less cash compared to the prior fiscal year. While payments to suppliers and employees utilized more cash than in the prior fiscal year, this was offset by an increase in cash inflows for tuition and fees as well as reduced outflows for employee benefits.
- Noncapital and related financing cash flows decreased by \$1.6 million primarily as a result of the discontinuance of Federal stimulus funding.
- Cash flows from capital and related financing activities decreased by \$6.4 million as a result of decreased Public Education Capital Outlay appropriations from the State as well as an early payoff of the Energy Management System loan. These decreases were offset by reduced cash outflows for the purchase of capital assets.
- The cash flows from investing activities are the result of interest income earned on the College's demand deposits in the bank and with the State's Special Purpose Investment Account. The cash inflow from investing activities increased \$0.6 million compared to the prior fiscal year as a result of a prior fiscal year bond refunding transaction.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the College had \$254.5 million in capital assets, less accumulated depreciation of \$60.5 million, for net capital assets of \$194 million. Depreciation charges for the current fiscal year totaled \$7 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>2012</u>	<u>2011</u>
Land	\$ 32,365	\$ 34,445
Construction in Progress	3,838	\$ 9,179
Buildings	183,794	168,956
Other Structures and Improvements	16,392	12,147
Furniture, Machinery, and Equipment	9,031	10,278
Assets Under Capital Leases	2,414	1,585
Leasehold Improvements	3,097	3,097
Computer Software	3,596	
Other Assets		3,778
Total	<u>254,527</u>	<u>243,465</u>
Less, Accumulated Depreciation:		
Buildings	37,928	35,523
Other Structures and Improvements	8,027	6,814
Furniture, Machinery, and Equipment	7,698	8,665
Assets Under Capital Leases	1,611	1,305
Leasehold Improvements	1,667	1,380
Computer Software	3,596	
Other Assets		3,558
Total Accumulated Depreciation	<u>60,527</u>	<u>57,245</u>
Capital Assets, Net	<u>\$ 194,000</u>	<u>\$ 186,220</u>

During the 2011-12 fiscal year, the College reclassified \$2.1 million from land to other structures and improvements based upon the final acquisition transaction, completed on July 29, 2011, for property adjacent to the Altamonte Springs Campus, the acquisition of which was initiated during the 2010-11 fiscal year. The completion of the acquisition during the 2011-12 fiscal year contributed \$8.1 million to the increase in buildings, and with the reclassification of \$2.1 million from land, \$3.7 million for other structures and improvements. The College also completed a phase of the L building renovation, which contributed \$6.1 million to the increase in buildings. The College has \$1.3 million in a major construction commitment at June 30, 2012. The commitment is for renovations of the L and F buildings. State appropriations and local funds are expected to finance this project. Additional information about the College's capital assets is presented in the notes to the financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$13.6 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2012, and June 30, 2011:

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

	<u>2012</u>	<u>2011</u>
Bonds Payable	\$ 6,045	\$ 6,830
Loan Payable	6,775	2,777
Capital Leases Payable	<u>801</u>	<u>285</u>
Total	<u><u>\$ 13,621</u></u>	<u><u>\$ 9,892</u></u>

The State Board of Education (SBE) issues capital outlay and capital improvement revenue bonds on behalf of the College. During the 2011-12 fiscal year, the SBE issued \$53.8 million Capital Outlay Refunding Bonds, Series 2011A, of which the College's portion of the bonds, \$0.4 million, was used to refund \$0.4 million outstanding SBE Capital Outlay Bonds, Series 2002B. Loan payable increased as a result of a new \$7.5 million loan used to acquire property, that included buildings and other structures and improvements, adjacent to the Altamonte Springs Campus offset by the early payoff of the loan for the Emergency Management System. In addition, capital leases payable increased due to a new capital lease used to acquire telecommunication equipment. Debt repayments during the 2011-12 fiscal year totaled \$5 million. Additional information about the College's long-term debt is presented in the notes to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Seminole State College of Florida's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, State revenues allocated from the Florida College System Program and lottery funding sources reflect little change in recurring funds between the 2011-12 and 2012-13 fiscal years. However, the College's budget for the 2012-13 fiscal year reflects a 4 percent increase in State resources resulting from a \$1.5 million nonrecurring appropriation of lottery funds. Approximately 47 percent of the College's operating funds in the 2012-13 fiscal year result from State allocations from the Florida College System Program and lottery funds.

Changes in the State unemployment rate correlate to changes in enrollments at State colleges. As the State forecasts little change in the unemployment rate during the next year, College enrollment is expected to continue at approximately the same level in existing programs for the 2012-13 fiscal year. However, the College anticipates a modest increase in enrollment throughout the next two years as students begin to enroll in four new baccalaureate programs. The increase in nonrecurring lottery funds, a projected stability in enrollment, and conservative fiscal management resulted in the Board of Trustees' decision to make no changes in tuition rates and fees for the 2012-13 academic year. However, tuition rates for baccalaureate programs will increase 5 percent as prescribed by the State.

The continued strength of the College's financial position is reflected in the ability of the Board to designate reserves in excess of the 5 percent minimum statutory level in order to lessen the possible impact of unforeseen changes in allocations or enrollments in future years. In addition, the College continues to plan the development of more than 25 acres of land and 80,000 square feet of buildings adjacent to the existing Altamonte Springs Campus. Expansion of this campus will enable the College to meet future demand for healthcare and other general educational program offerings.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

SEMINOLE STATE COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS June 30, 2012

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 10,386,265	\$ 3,582
Restricted Cash and Cash Equivalents	2,206,899	1,175,596
Accounts Receivable, Net	4,269,910	208,696
Notes Receivable, Net	55,769	
Due from Other Governmental Agencies	1,412,596	
Due from Component Unit	158	
Prepaid Expenses	43,516	
Other Assets		6,555
Total Current Assets	18,375,113	1,394,429
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	6,947,340	
Investments		513,953
Restricted Investments	59,925	12,462,301
Depreciable Capital Assets, Net	157,797,213	
Nondepreciable Capital Assets	36,202,569	872,171
Other Assets		1,470,941
Total Noncurrent Assets	201,007,047	15,319,366
TOTAL ASSETS	\$219,382,160	\$16,713,795
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,874,113	\$ 12,388
Accrued Interest Payable	61,987	
Salary and Payroll Taxes Payable	1,160,716	
Retainage Payable	167,269	
Due to Other Governmental Agencies	4,381	
Due to College		158
Deferred Revenue	13,153	
Deposits Held for Others	308,185	46,263
Long-Term Liabilities - Current Portion:		
Bonds Payable	475,000	
Loan Payable	1,457,833	
Capital Leases Payable	302,513	
Compensated Absences Payable	193,456	
Total Current Liabilities	6,018,606	58,809
Noncurrent Liabilities:		
Bonds Payable	5,570,000	
Loan Payable	5,316,726	
Note Payable		302,104
Capital Leases Payable	498,179	
Compensated Absences Payable	5,465,275	
Other Postemployment Benefits Payable	291,466	
Total Noncurrent Liabilities	17,141,646	302,104
TOTAL LIABILITIES	23,160,252	360,913

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2012

	<u>College</u>	<u>Component Unit</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 180,379,531	\$ 570,067
Restricted:		
Nonexpendable:		
Endowment		5,520,668
Expendable:		
Grants and Loans	2,656,400	
Scholarships	1,003,964	9,742,718
Capital Projects	2,761,067	
Debt Service	59,925	
Unrestricted	9,361,021	519,429
Total Net Assets	<u>196,221,908</u>	<u>16,352,882</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 219,382,160</u>	<u>\$ 16,713,795</u>

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

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2012

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$21,519,672	\$ 23,732,507	\$
Federal Grants and Contracts	3,338,862	
State and Local Grants and Contracts	700,853	
Nongovernmental Grants and Contracts	552,716	
Sales and Services of Educational Departments	71,459	
Auxiliary Enterprises	1,495,253	
Other Operating Revenues	212,982	4,907,294
Total Operating Revenues	<u>30,104,632</u>	<u>4,907,294</u>
EXPENSES		
Operating Expenses:		
Personnel Services	64,176,532	512,110
Scholarships and Waivers	26,109,421	879,544
Utilities and Communications	2,681,112	
Contractual Services	2,406,558	107,629
Other Services and Expenses	7,738,555	77,323
Materials and Supplies	7,939,526	32,346
Depreciation	6,960,051	
Total Operating Expenses	<u>118,011,755</u>	<u>1,608,952</u>
Operating Income (Loss)	<u>(87,907,123)</u>	<u>3,298,342</u>
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	35,743,359	71,737
Federal and State Student Financial Aid	46,240,833	
Gifts and Grants		697,367
Investment Income	119,074	302,688
Net Realized and Unrealized Loss on Investments		(402,434)
Other Nonoperating Revenues	30,681	
Interest on Capital Asset-Related Debt	(980,474)	
Net Nonoperating Revenues	<u>81,153,473</u>	<u>669,358</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>(6,753,650)</u>	<u>3,967,700</u>
State Capital Appropriations	1,412,658	
Capital Grants, Contracts, Gifts, and Fees	3,528,704	
Total Other Revenues	<u>4,941,362</u>	
Increase (Decrease) in Net Assets	<u>(1,812,288)</u>	<u>3,967,700</u>
Net Assets, Beginning of Year	198,034,196	12,385,182
Net Assets, End of Year	<u>\$ 196,221,908</u>	<u>\$ 16,352,882</u>

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

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012

	<u>College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 24,123,961
Grants and Contracts	4,714,612
Payments to Suppliers	(17,159,942)
Payments for Utilities and Communications	(2,712,643)
Payments to Employees	(52,938,752)
Payments for Employee Benefits	(10,760,025)
Payments for Scholarships	(26,420,927)
Loans Issued to Students	(140,514)
Collection on Loans to Students	137,838
Auxiliary Enterprises	1,573,283
Sales and Service of Educational Departments	66,395
Other Receipts	112,783
Net Cash Used by Operating Activities	<u>(79,403,931)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	35,743,359
Federal and State Student Financial Aid	46,240,833
Federal Direct Loan Program Receipts	53,730,272
Federal Direct Loan Program Disbursements	<u>(53,666,157)</u>
Net Cash Provided by Noncapital Financing Activities	<u>82,048,307</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	8,328,755
Proceeds from Sale of Refunding Bonds	382,567
State Capital Appropriations	1,986,572
Capital Grants and Gifts	3,528,704
Proceeds from Sale of Capital Assets	3,114
Purchases of Capital Assets	(14,516,196)
Principal Paid on Capital Debt and Leases	(4,955,749)
Interest Paid on Capital Debt and Leases	<u>(918,487)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(6,160,720)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	343,417
Investment Income	<u>129,085</u>
Net Cash Provided by Investing Activities	<u>472,502</u>
Net Decrease in Cash and Cash Equivalents	(3,043,842)
Cash and Cash Equivalents, Beginning of Year	<u>22,584,346</u>
Cash and Cash Equivalents, End of Year	<u>\$ 19,540,504</u>

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2012

	<u>College</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (87,907,123)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	6,960,051
Changes in Assets and Liabilities:	
Receivables, Net	195,706
Due from Other Governmental Agencies	388,466
Prepaid Expenses	608,951
Accounts Payable	(24,117)
Salary and Payroll Taxes Payable	(5,644)
Deferred Revenue	(23,744)
Deposits Held for Others	(73,361)
Compensated Absences Payable	279,134
Other Postemployment Benefits Payable	197,750
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (79,403,931)</u></u>

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

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Foundation for Seminole State College of Florida, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit. The organization provides funding and services to support and foster the pursuit of higher education at the College.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2012.

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

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

The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

The College's component unit uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

The College follows GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless 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, 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.

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

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

At June 30, 2012, the College reported as cash equivalents at fair value \$4,209,527 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's and had an effective duration of 2.38 years at June 30, 2012. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2012, the College also reported as cash equivalents at fair value \$5,006,948 in a money market account. The funds invested in the money market account carried a credit rating of AAAM by Standard & Poor's.

Capital Assets. College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; assets under capital leases; leasehold improvements; and computer software. 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:

**SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

- 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 – 5 years
- Leasehold Improvements – 10 to 40 years
- Computer Software – 10 years

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

2. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the State Board of Administration (SBA); 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 (SBE) 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 totaling \$59,925 at June 30, 2012, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE 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 SBA 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.

**SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

Component Unit Investments

Investments of the Foundation for Seminole State College of Florida, Inc. (Foundation), consist of obligations of United States government agencies and instrumentalities, domestic bonds, foreign government bonds, domestic and international equities, real estate investment trusts, United States mortgage backed securities, and mutual funds. Investments held by the College's component unit at June 30, 2012, are reported at fair value as follows:

Investment	Average Maturity	Credit Quality Rating	Fair Value
United States Treasury Bonds	3.43 years	Aaa	\$ 465,926
Corporate Bonds	6.37 years	Aa2-B1	6,710,613
Foreign Government Bonds	0.99 years	AAA-Aaa	451,957
United States Mortgage Backed Securities	21.38 years	(1)	41,048
Mutual Funds	N/A	(2)	1,567,522
Domestic Equities	N/A	(2)	2,956,370
International Equities	N/A	(2)	551,927
Real Estate Investment Trusts	N/A	(2)	230,891
Total			<u>\$12,976,254</u>

Notes: (1) Disclosure of credit quality is not required for this investment type.

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

The goal of the Foundation's investment program for endowments is set forth in the investment policy as approved by the Foundation's Board of Directors and Finance Committee. The objective is to provide a steady growing income stream to support the Foundation's mission while providing sufficient reinvestment to protect the endowment from inflation. For investments of endowed funds, the investment policy includes target allocations of 55 percent equities, with an allowable range of 15-70 percent, (at least 15 percent of the total managed portfolio must be domestic; up to 25 percent of the total managed portfolio can be international), a target allocation of 30 percent fixed income, with an allowable range of 30 to 85 percent, and a target allocation of 15 percent alternative investments, with a maximum of 25 percent. For investments of non-endowed funds, the investment policy includes target allocations of 25 percent equities, with a maximum of 30 percent (up to 15 percent of the total managed portfolio can be international), a target allocation of 75 percent fixed income, with an allowable range of 70-100 percent, and a target allocation of zero percent alternative investments, with a maximum of 5 percent. The Foundation is in compliance with its investment policy for the year ended June 30, 2012.

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

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The table above summarizes the ratings of Foundation debt instruments using the higher of Standard

**SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

& Poor's or Moody's nationally recognized statistical rating organizations. The Foundation's investment policy requires investment grade bonds and commercial paper to be rated A and A1 or better, respectively.

Custodial Credit Risk: The Foundation maintains investment accounts with stock brokerage firms. The accounts contain cash and securities. At June 30, 2012, \$161,160 of cash equivalents in these accounts was not insured. The Florida Security for Public Deposits Act establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under the Act, Foundation deposits in qualified public depositories are totally insured. The qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer.

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

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates between the United States dollar and foreign currencies could adversely affect an investment's fair value. The Foundation's investment policy limits its foreign investments to stocks and bonds of non-United States companies not to exceed 25 percent of the total managed portfolio for endowed funds and up to 15 percent of the total managed portfolio for non-endowed funds.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, returned checks, various student services provided by the College, uncollected commissions for bookstore, food service, vending machine sales, payroll receivables, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$1,600,850 allowance for doubtful accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the short-term loan program of \$77,558. Notes receivable are reported net of a 21,789 allowance for doubtful notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount consists of \$315,806 of Public Education Capital Outlay allocations due from the State for construction of College facilities, and \$1,096,790 due from Federal, State, and local agencies for student fees and other contractual obligations.

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, is shown below:

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 34,444,843	\$		\$ 2,080,303	\$ 32,364,540
Construction in Progress	9,179,289		3,844,637	9,185,897	3,838,029
Total Nondepreciable Capital Assets	\$ 43,624,132	\$	\$ 3,844,637	\$ 11,266,200	\$ 36,202,569
Depreciable Capital Assets:					
Buildings	\$ 168,956,049	\$	\$ 16,863,345	\$ 2,025,237	\$ 183,794,157
Other Structures and Improvements	12,146,594	182,510	4,062,690		16,391,794
Furniture, Machinery, and Equipment	10,278,270		507,611	1,755,146	9,030,735
Assets Under Capital Leases	1,585,050		828,755		2,413,805
Leasehold Improvements	3,097,419				3,097,419
Computer Software		3,595,938			3,595,938
Other Assets	3,778,448	(3,778,448)			
Total Depreciable Capital Assets	199,841,830		22,262,401	3,780,383	218,323,848
Less, Accumulated Depreciation:					
Buildings	35,523,303		4,329,011	1,923,976	37,928,338
Other Structures and Improvements	6,813,802	133,779	1,079,746		8,027,327
Furniture, Machinery, and Equipment	8,665,370		787,506	1,755,146	7,697,730
Assets Under Capital Leases	1,305,317		305,411		1,610,728
Leasehold Improvements	1,380,407		286,168		1,666,575
Computer Software		3,423,728	172,209		3,595,937
Other Assets	3,557,507	(3,557,507)			
Total Accumulated Depreciation	57,245,706		6,960,051	3,679,122	60,526,635
Total Depreciable Capital Assets, Net	\$ 142,596,124	\$	\$ 15,302,350	\$ 101,261	\$ 157,797,213

Note: (1) The College reclassified Other Capital Assets to Other Structures and Improvements and Computer Software during the 2011-12 fiscal year.

7. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2012, include bonds payable, loan payable, capital leases payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2012, is shown below:

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Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 6,830,000	\$ 355,000	\$1,140,000	\$ 6,045,000	\$ 475,000
Loan Payable	2,776,992	7,500,000	3,502,433	6,774,559	1,457,833
Capital Leases Payable	285,253	828,755	313,316	800,692	302,513
Compensated Absences Payable	5,379,597	723,902	444,768	5,658,731	193,456
Other Postemployment Benefits Payable	93,716	234,816	37,066	291,466	
Total Long-Term Liabilities	\$15,365,558	\$9,642,473	\$5,437,583	\$19,570,448	\$2,428,802

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

- State Board of Education (SBE) Capital Outlay Bonds. The 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 SBE and the SBA 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 capital outlay and revenue bonds payable outstanding at June 30, 2012:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2005A	\$ 380,000	5.0	2017
Series 2005B	85,000	5.0	2018
Series 2006A	825,000	4.0-5.0	2026
Series 2010A	280,000	4.0-5.0	2022
Series 2011A, Refunding	355,000	4.0-5.0	2015
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2006A	4,120,000	3.5-5.0	2027
Total	\$ 6,045,000		

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Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2013	\$ 475,000	\$ 276,398	\$ 751,398
2014	485,000	256,480	741,480
2015	440,000	234,530	674,530
2016	385,000	214,950	599,950
2017	365,000	198,206	563,206
2018-2022	1,820,000	734,638	2,554,638
2023-2027	2,075,000	258,681	2,333,681
Total	\$ 6,045,000	\$ 2,173,883	\$ 8,218,883

Refunding Debt. Various bonds were issued to refund debt issues:

- On January 1, 2012, the SBE Capital Outlay Bonds, Series 2002A were redeemed using the SBE Capital Outlay Bonds, Series 2010A proceeds that were previously placed in a trust account upon their issuance on October 14, 2010. The trust account was not considered to be risk-free in accordance with GASB Statement No. 7, and as a result, the refunding of \$305,000 representing the College's portion of the Series 2002A bonds were considered to be an economic and not a legal defeasance, and the asset and liability was reported on the College's statement of net assets as of June 30, 2011. As the Series 2002A bonds were called on January 1, 2012, the College's portion of the assets in the trust fund and liability for the refunded Series 2002A bonds are not included in the College's statement of net assets for the fiscal year ended June 30, 2012.
- On January 5, 2012, the SBE issued \$53,785,000 of SBE Capital Outlay Refunding Bonds, Series 2011A. A portion of these bonds were used to advance refund \$28,990,000 SBE Capital Outlay Bonds, Series 2002B, that were called for redemption on January 6, 2012. The College's portion of the Series 2011A totaled \$355,000, and was used to refund \$380,000 of the Series 2002B bonds. As a result of the refunding, the College had a debt service savings of \$29,304 and obtained an economic gain of \$28,954.

Loan Payable. In July 2011, the College entered into a short-term loan agreement with SunTrust bank for \$7,500,000 to partially finance the purchase of land and buildings adjacent to the existing Altamonte Springs Campus. The agreement is for five years and the interest rate is 1.83 percent.

Annual requirements to amortize the outstanding loan as of June 30, 2012, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 1,457,833	\$ 117,335	\$ 1,575,168
2014	1,484,634	90,535	1,575,169
2015	1,511,927	63,242	1,575,169
2016	1,539,722	35,447	1,575,169
2017	780,443	7,141	787,584
Total	\$ 6,774,559	\$ 313,700	\$ 7,088,259

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Capital Leases Payable. Telecommunications equipment in the amounts of \$698,299 and \$828,755 is being acquired under capital lease agreements. The stated interest rates are 4.67 percent and 2.91 percent, respectively. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2012, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2013	\$ 328,664
2014	175,958
2015	175,958
2016	<u>175,958</u>
Total Minimum Payments	856,538
Less, Amount Representing Interest	<u>55,846</u>
Present Value of Minimum Payments	<u><u>\$ 800,692</u></u>

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, 2012, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$5,658,731. The current portion of the compensated absences liability, \$193,456, is the amount expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program.

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

Plan Description. The College contributes to an agent, multiple-employer, defined-benefit plan administered by the Consortium for other postemployment benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the Plan and the Plan is not included in the annual report of a public employee retirement system or another entity.

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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 2011-12 fiscal year, 70 retirees received postemployment healthcare benefits. The College provided required contributions of \$37,066 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$510,424.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 174,258
Amortization of Unfunded Actuarial Accrued Liability	<u>59,933</u>
Annual Required Contribution	234,191
Interest on Net OPEB Obligation	3,749
Adjustment to Annual Required Contribution	<u>(3,124)</u>
Annual OPEB Cost (Expense)	234,816
Contribution Toward the OPEB Cost	<u>(37,066)</u>
Increase in Net OPEB Obligation	197,750
Net OPEB Obligation, Beginning of Year	<u>93,716</u>
Net OPEB Obligation, End of Year	<u><u>\$ 291,466</u></u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2012, and for the two preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009-10	\$ 96,056	83.0%	\$ 54,351
2010-11	96,002	59.0%	93,716
2011-12	234,816	15.8%	291,466

Funded Status and Funding Progress. As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$1,797,992 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,797,992 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating

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employees) was \$35,398,952 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.1 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.

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, 2011, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2012, and the College's 2011-12 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 4 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 4 percent per year, and an annual healthcare cost trend rate of 10.5 percent for the 2011-12 fiscal year, reduced by decrements to an ultimate rate of 5 percent after seven years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2012, was 25 years.

8. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the 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. The 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 Florida Retirement System Investment Plan (Investment Plan).

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Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable 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.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan 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 the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee 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 the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Senior Management Service	3.00	6.27
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
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 Investment Plan.

(B) Contribution rates are dependent upon retirement class in which reemployed.

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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 including employee contributions for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled \$2,578,287, \$3,044,283, and \$2,199,681, respectively, which were equal to the required contributions for each fiscal year.

There were 173 College participants in the Investment Plan during the 2011-12 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled \$594,840, which was equal to the required contribution for the 2011-12 fiscal year.

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

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

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes, on behalf of the participant, 7.92 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 70 College participants during the 2011-12 fiscal year. The College's contributions to the Program totaled \$413,680 and employee contributions totaled \$167,031 for the 2011-12 fiscal year.

Senior Management Service Class Local Annuity Program. Section 121.055, Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the Florida Retirement System, Senior Management Service Class, may elect to withdraw from the FRS altogether and participate in a lifetime monthly annuity program offered by the local agency. Pursuant thereto, the College, during the 1997-98 fiscal year established the Senior Management Service Class Local Annuity Program (Local Annuity Program). Employees in the eligible positions are allowed to make an irrevocable election to participate in the Local Annuity Program, rather than in the FRS. Under the Local Annuity Program, the College contributes the same percentage of the participant's salary as would have been contributed to the Senior Management Service Class Optional Annuity Program toward an annuity provided by approved fund sponsors. The participant may

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make contributions toward the Local Annuity Program by way of salary reduction or deduction a percentage amount off the employee's gross compensation not to exceed the percentage amount contributed by the employer. As of June 30, 2012, one College employee had opted to participate in the Local Annuity Program, and did not contribute to the Local Annuity Program. Contribution made by the College to the Local Annuity Program totaled \$13,471 during the 2011-12 fiscal year.

9. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2012, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
L & F Building Renovations:			
Architect	\$ 1,104,148	\$ 1,025,697	\$ 78,451
Construction	3,402,632	2,140,215	1,262,417
Total	\$ 4,506,780	\$ 3,165,912	\$ 1,340,868

10. OPERATING LEASE COMMITMENTS

Leased assets and the related commitments are not reported on the College's statements of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. The College has the following operating lease commitments:

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

Future minimum lease commitments for these non-cancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2013	\$ 1,415,843
2014	1,215,668
2015	752,858
2016	359,115
2017	19,835
2018-2022	55,730
2023-2027	11,150
Total Minimum Payments Required	\$ 3,830,199

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11. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$150 million to February 29, 2012, and up to \$90 million from March 1, 2012. Insurance coverage obtained through the Consortium included health, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

Life insurance coverage is provided through purchased commercial insurance.

12. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 37,006,555
Academic Support	7,854,896
Student Services	11,194,102
Institutional Support	14,847,953
Operation and Maintenance of Plant	12,933,113
Scholarships and Waivers	26,465,538
Depreciation	6,960,051
Auxiliary Enterprises	749,547
Total Operating Expenses	\$ 118,011,755

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JUNE 30, 2012**

13. CURRENT UNRESTRICTED FUNDS

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

Statement of Current Unrestricted Funds Net Assets**ASSETS**

Current Assets:

Cash and Cash Equivalents	\$ 10,386,265
Accounts Receivable, Net	4,175,617
Due from Other Governmental Agencies	462,783
Due from Other Funds	2,311,769
Due from Component Unit	30
Prepaid Expenses	37,454
	<u> </u>

TOTAL ASSETS	\$ 17,373,918
	<u> </u>

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 890,746
Salary and Payroll Taxes Payable	1,049,951
Retainage Payable	19,409
Deferred Revenue	13,153
Deposits Held for Others	89,441
Compensated Absences Payable	193,456
	<u> </u>

Total Current Liabilities	2,256,156
	<u> </u>

Noncurrent Liabilities:

Compensated Absences Payable	5,465,275
Other Postemployment Benefits Payable	291,466
	<u> </u>

TOTAL LIABILITIES	8,012,897
	<u> </u>

TOTAL NET ASSETS	9,361,021
	<u> </u>

TOTAL LIABILITIES AND NET ASSETS	\$ 17,373,918
	<u> </u>

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

REVENUES

Operating Revenues:

Student Tuition and Fees, Net of Scholarship Allowances of \$21,363,911	\$ 18,345,191
Federal Grants and Contracts	113,525
State and Local Grants and Contracts	273,787
Nongovernmental Grants and Contracts	475,958
Sales and Services of Educational Departments	17,696
Auxiliary Enterprises	1,495,253
Other Operating Revenues	186,157
Total Operating Revenues	20,907,567

EXPENSES

Operating Expenses:

Personnel Services	59,938,941
Scholarships and Waivers	292
Utilities and Communications	2,659,783
Contractual Services	2,077,744
Other Services and Expenses	6,633,538
Materials and Supplies	3,903,096
Total Operating Expenses	75,213,394
Operating Loss	(54,305,827)

NONOPERATING REVENUES

State Noncapital Appropriations	35,743,359
Investment Income	50,849
Other Nonoperating Revenues	12,249
Nonoperating Revenues	35,806,457

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

Transfers from Other Funds	(18,499,370)
	16,005,041

Decrease in Net Assets

Net Assets, Beginning of Year	(2,494,329)
	11,855,350

Net Assets, End of Year

	\$ 9,361,021
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**SEMINOLE STATE COLLEGE OF FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	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	\$	\$ 715,854	\$ 715,854	0%	31,261,578	2.3%
7/1/2009	\$	\$ 822,003	\$ 822,003	0%	34,652,305	2.4%
7/1/2011	\$	\$ 1,797,992	\$ 1,797,992	0%	35,398,952	5.1%

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

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

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2011, unfunded actuarial liability (UAAL) of \$1,797,992 was significantly higher than the July 1, 2009, liability of \$822,003 due to:

- Assumed conditions for retirement eligibility were changed from age 62 years with 6 years of service or any age with 30 years of service to age 55 years with 6 years of service or any age with 30 or more years of service for Regular and Senior Management Service classes and to age 48 with 6 years of service.
- The investment rate of return (discount rate) was increased from 3 percent to 4 percent.
- Demographic assumptions (rates of withdrawal, retirement, disability and mortality) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of health care were updated, including a change to the methodology used to relate health care costs between ages.
- The rates of health care inflation used to project the per capita health care costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.
- The payroll growth rate was increased from 3 percent to 4 percent.



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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 Seminole State College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2012, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Respectfully submitted,



David W. Martin, CPA
November 27, 2012