

**SOUTH FLORIDA COMMUNITY
COLLEGE**

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:

	<u>County</u>
Timothy D. Backer, Vice Chair to 7-26-11, Chair from 7-27-11	DeSoto
Tamela "Tami" C. Cullens, Vice Chair from 12-07-11 (1)	Highlands
Gary Delatorre to 11-07-11, Chair to 7-26-11 (1)	Hardee
Richard L. Maenpaa, Vice Chair from 7-27-11 to 11-07-11 (2)	Hardee
Derren Bryan from 11-08-11	Hardee
Joan H. Hartt to 11-07-11 (1)	Highlands
Dr. Louis H. Kirschner	DeSoto
Kenneth Lambert from 11-08-11	Hardee
George David Leidel, Jr., to 11-07-11 (3)	Highlands
Lana C. Puckorius from 11-08-11	Highlands
Anne D. Reynolds to 11-07-11 (3)	Highlands
Kris Y. Rider from 11-08-11	Highlands
P. Joseph Wright from 11-08-11	Highlands

Dr. Norman L. Stephens, Jr., President

- Notes: (1) Board member served beyond the end of term, May 31, 2010.
(2) Board member term expired on May 31, 2011, and Board member continued to serve through November 7, 2011. Vice chair position was vacant from November 8, 2011, to December 6, 2011.
(3) Board member served beyond the end of term, May 31, 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 Yousra M. Shebl, CPA, and the audit was supervised by David A. Blanton, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

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

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

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

Respectfully submitted,



David W. Martin, CPA
March 5, 2013

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 for the fiscal years ended June 30, 2012, and June 30, 2011, and its component unit, the South Florida Community College Foundation, Inc. (Foundation), for the fiscal years ended December 31, 2011, and December 31, 2010.

NAME CHANGES

The College’s Board of Trustees approved the name change from South Florida Community College to South Florida State College to be effective on July 1, 2012, pursuant to Section 1001.60(2)(b), Florida Statutes. Likewise, the Foundation’s Board of Trustees approved the name change from South Florida Community College Foundation, Inc., to South Florida State College Foundation, Inc., as of July 1, 2012.

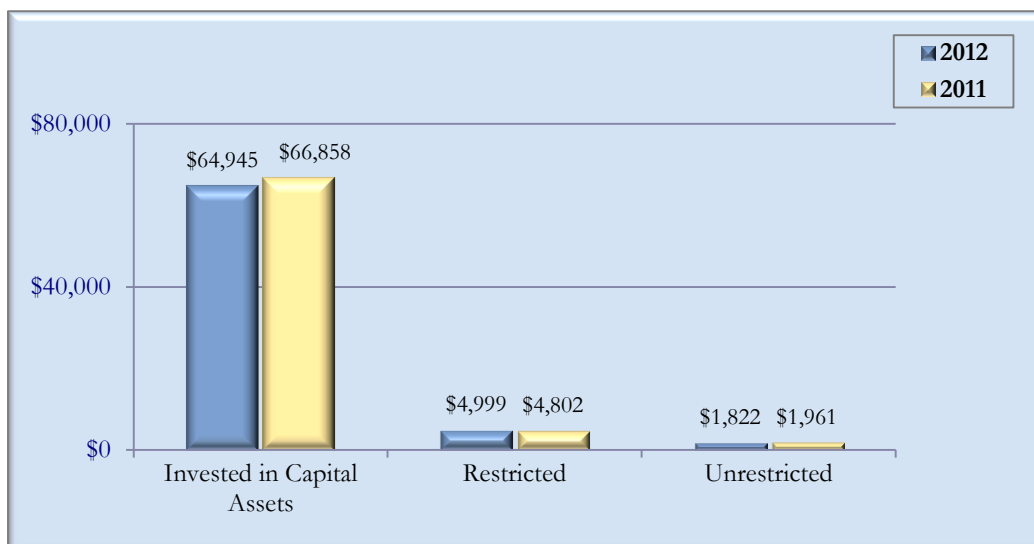
FINANCIAL HIGHLIGHTS

The College’s assets totaled \$75.7 million at June 30, 2012. This balance reflects a \$1.9 million, or 2.4 percent, decrease from the 2010-11 fiscal year, resulting primarily from the depreciation of capital assets.

The College’s operating revenues totaled \$4.1 million for the 2011-12 fiscal year, representing a \$434 thousand, or 9.6 percent, decrease from the 2010-11 fiscal year due to declines in almost all categories of operating revenue. Nonoperating revenues were also down \$1.1 million dollars primarily due to the loss of Federal American Reinvestment and Recovery Act (ARRA) dollars. As a result of lower revenues, budgets were trimmed so that operating expenses were reduced 4.3 percent, or \$1.4 million.

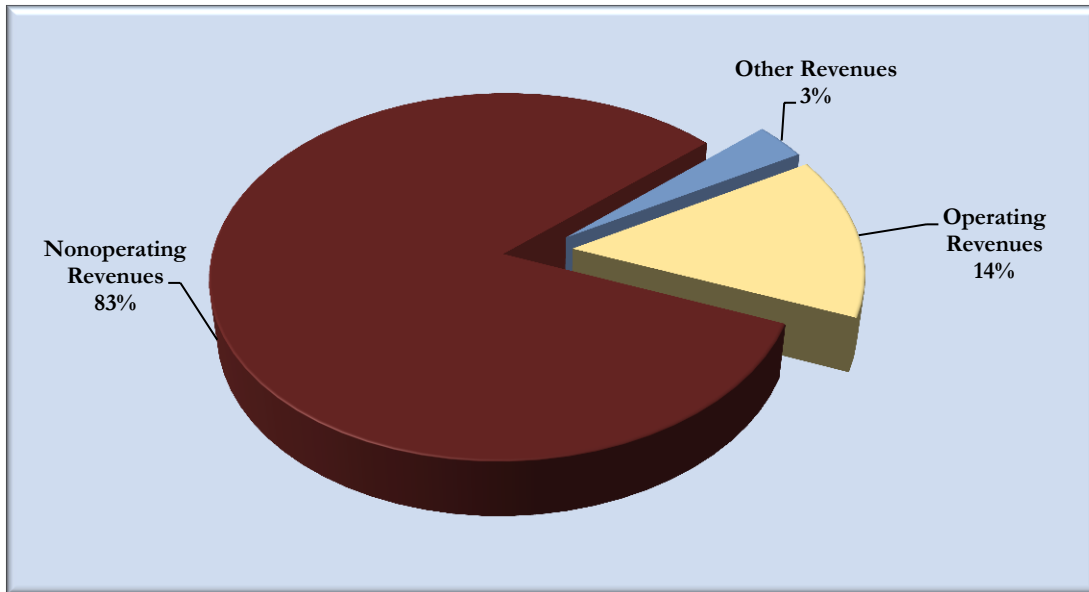
Net assets represent the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following graph:

**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



The Foundation’s net assets increased \$85 thousand, or 1 percent, during the fiscal year ending December 31, 2011. Assets increased from \$9.8 million at December 31, 2010, to \$9.9 million at December 31, 2011. The Foundation was able to maintain its financial position despite significant changes to investment income and contributions. However, as a result of the significant changes to investment income and contributions, scholarships and waivers decreased \$560 thousand.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

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

	Condensed Statement of Net Assets			
	For the Fiscal Years Ended			
	(In Thousands)			
	College		Component Unit	
	6-30-12	6-30-11	12-31-11	12-31-10
Assets				
Current Assets	\$ 8,839	\$ 8,799	\$ 3,816	\$ 3,938
Capital Assets, Net	64,945	66,858	1,336	1,346
Other Noncurrent Assets	1,878	1,872	4,736	4,543
Total Assets	<u>75,662</u>	<u>77,529</u>	<u>9,888</u>	<u>9,827</u>
Liabilities				
Current Liabilities	1,458	1,628	120	144
Noncurrent Liabilities	2,438	2,280		
Total Liabilities	<u>3,896</u>	<u>3,908</u>	<u>120</u>	<u>144</u>
Net Assets				
Invested in Capital Assets	64,945	66,858	1,336	1,346
Restricted	4,999	4,802	7,924	7,844
Unrestricted	1,822	1,961	508	493
Total Net Assets	<u>\$ 71,766</u>	<u>\$ 73,621</u>	<u>\$ 9,768</u>	<u>\$ 9,683</u>
Increase (Decrease) in Net Assets	<u>\$ (1,855)</u>	-3%	<u>\$ 85</u>	1%

The College's capital assets decreased \$1.9 million, as a result of the annual depreciation.

The Foundation's current assets decreased by \$122 thousand while the noncurrent assets increased by approximately \$183 thousand. These changes were primarily the result of a change in the classification of some investments from current to noncurrent assets.

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

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

	College		Component Unit	
	6-30-12	6-30-11	12-31-11	12-31-10
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 1,948	\$ 2,149	\$	\$
Federal Grants and Contracts	346	462		
State and Local Grants and Contracts		2		
Nongovernmental Grants and Contracts	4	41		
Sales and Services of Educational Departments	485	527		
Auxiliary Enterprises	1,219	1,281		
Other Operating Revenues	67	41	233	234
Total Operating Revenues	4,069	4,503	233	234
Less, Operating Expenses	30,960	32,351	1,335	1,800
Operating Loss	(26,891)	(27,848)	(1,102)	(1,566)
Nonoperating Revenues				
State Noncapital Appropriations	15,323	15,451		
Other Nonoperating Revenues	8,085	9,076	1,187	1,847
Nonoperating Revenues	23,408	24,527	1,187	1,847
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
	(3,483)	(3,321)	85	281
State Capital Appropriations	547	1,237		
Capital Grants, Contracts, Gifts, and Fees	378	356		
Increase (Decrease) in Net Assets	(2,558)	(1,728)	85	281
Net Assets, Beginning of Year	73,621	75,349	9,683	9,402
Adjustments to Beginning Net Assets (1)	703			
Net Assets, Beginning of Year	74,324	75,349	9,683	9,402
Net Assets, End of Year	\$ 71,766	\$ 73,621	\$ 9,768	\$ 9,683

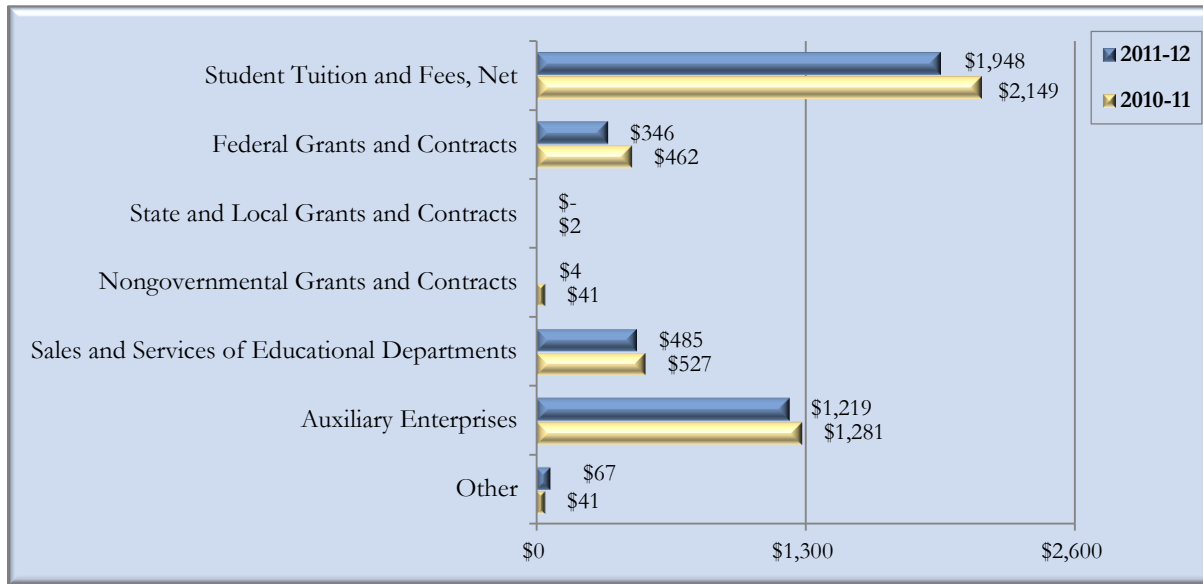
Note: (1) Capitalization of Data Software per GASB Statement No. 51. See Note 2 to the financial statements.

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:

- Net student tuition and fees decreased by \$201 thousand after the scholarship allowance. As noted below, gross tuition revenues decreased \$62 thousand (1.2 percent) as compared to the 2010-11 fiscal year. The College also awarded increased scholarships and experienced an increased scholarship allowance of \$139 thousand so that the net tuition recognized by the College decreased \$201 thousand. See the chart below for details related to tuition.

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

Fiscal Year	Gross Tuition	Scholarship Allowances	Net Tuition
2011-12	\$ 5,248	\$ 3,300	\$ 1,948
2010-11	5,310	3,161	2,149
Difference	<u>\$ (62)</u>	<u>\$ 139</u>	<u>\$ (201)</u>

- Federal grants and contracts decreased \$116 thousand primarily because the College did not operate the Summer Youth Program that it had in the prior year.
- Auxiliary enterprises revenues decreased \$62 thousand and sales and services of educational (ancillary) departments decreased \$42 thousand. The primary cause for both declines was lower sales in the Cultural Series and Matinee Series activities, respectively.

Foundation operating revenue changes were consistent from the prior year with a change of less than one thousand dollars.

Operating Expenses

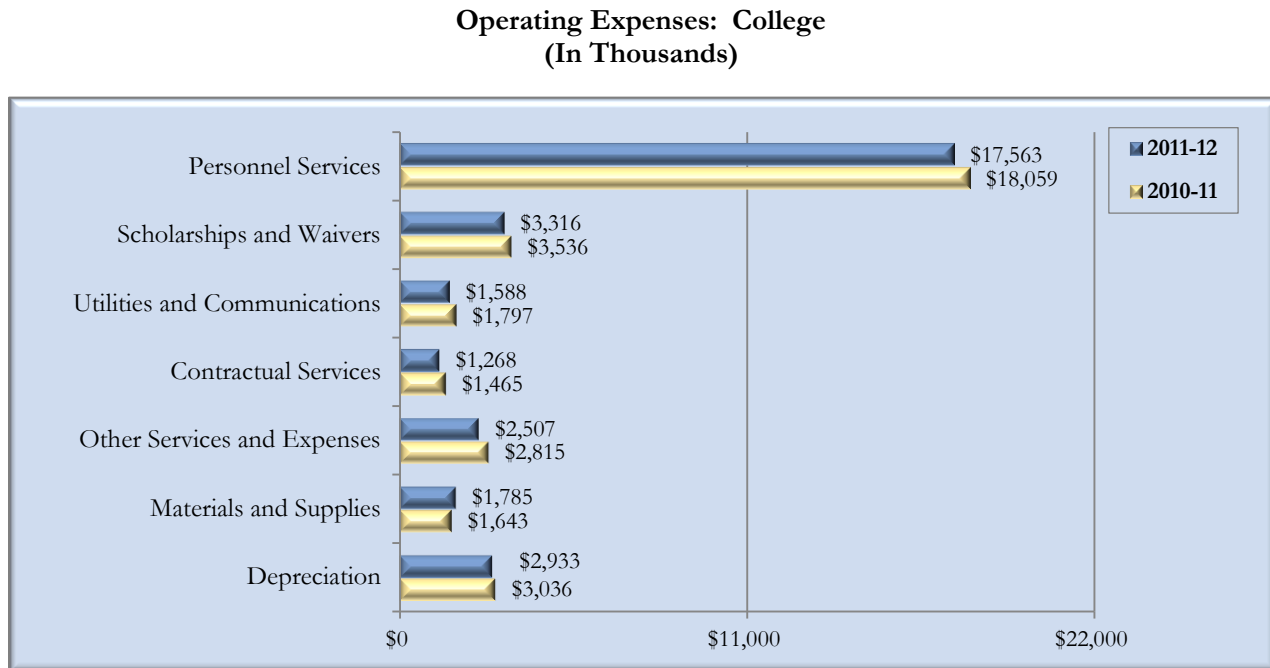
Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen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

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

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

Operating Expenses	Operating Expenses For the Fiscal Years Ended (In Thousands)					
	College			Component Unit		
	6-30-12	6-30-11	Increase/ (Decrease)	12-31-11	12-31-10	Increase/ (Decrease)
Personnel Services	\$ 17,563	\$ 18,059	\$ (496)	\$	\$	\$
Scholarships and Waivers	3,316	3,536	(220)	650	1,210	(560)
Utilities and Communications	1,588	1,797	(209)			
Contractual Services	1,268	1,465	(197)			
Other Services and Expenses	2,507	2,815	(308)	413	303	110
Materials and Supplies	1,785	1,643	142	202	217	(15)
Depreciation	2,933	3,036	(103)	70	70	
Total Operating Expenses	\$30,960	\$32,351	\$ (1,391)	\$ 1,335	\$ 1,800	\$ (465)

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



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

- There was an overall decrease to the personnel services expenses of \$496 thousand. Employee benefits payments decreased \$706 thousand primarily due to the significant reduction in employer contribution rates for the Florida retirement program. This decline was mitigated by a three percent raise to employees that primarily caused salaries to increase \$210 thousand.
- Other services and expenses decreased by \$308 thousand primarily due to a reduction in maintenance activity.

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

- Scholarships and waivers declined \$560 thousand primarily because of a prior year transfer of \$488 thousand to the College’s capital campaign for auditorium renovations.
- Other services and expenses increased by \$110 thousand because the Foundation was able to expand the Take Stock in Children program.

Nonoperating Revenues

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, 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 for the 2011-12 and 2010-11 fiscal years:

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

	2011-12	2010-11
State Noncapital Appropriations	\$ 15,323	\$ 15,451
Federal and State Student Financial Aid	6,062	6,076
Gifts and Grants	1,993	2,967
Investment Income	23	21
Other Nonoperating Revenues	7	12
Nonoperating Revenues	\$ 23,408	\$ 24,527

- State noncapital appropriations decreased in total by \$128 thousand. This decrease was caused by a decrease in the College Program Fund appropriation of \$135 thousand and declines in other State appropriations of \$16 thousand, offset by an increase of \$23 thousand in the Lottery appropriation.
- Gifts and grants decreased \$974 thousand in the 2011-12 fiscal year primarily due to the elimination of the Federal ARRA funding, offset by an increase in Title III grant revenue.

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	\$ 547	\$ 1,237
Capital Grants, Contracts, Gifts, and Fees	378	356
Total	\$ 925	\$ 1,593

State capital appropriations decreased \$690 thousand primarily due to the decrease in Public Education Capital Outlay (PECO) funding from the State.

THE STATEMENT OF CASH FLOWS

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

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

A summary of 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)**

	2011-12	2010-11
Cash Provided (Used) by:		
Operating Activities	\$ (23,582)	\$ (24,602)
Noncapital Financing Activities	23,121	24,460
Capital and Related Financing Activities	650	844
Investing Activities	23	21
Net Increase in Cash and Cash Equivalents	212	723
Cash and Cash Equivalents, Beginning of Year	8,203	7,480
Cash and Cash Equivalents, End of Year	\$ 8,415	\$ 8,203

The College’s overall liquidity was enhanced during the reporting year as cash and cash equivalents increased \$212 thousand from the prior fiscal year. The College experienced a reduction in cash used by operating activities totaling \$1 million primarily as a result of a reduction in operating expenses. Noncapital financing activities decreased \$1.3 million primarily due to the elimination of Federal ARRA funding. Cash provided by capital and related financing activities decreased \$194 thousand due to a reduction in the award of PECO funding.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the College had \$100.9 million in capital assets, less accumulated depreciation of \$36 million, for net capital assets of \$64.9 million. Depreciation charges for the current fiscal year totaled \$2.9 million. The following table summarizes the College’s capital assets at June 30:

**Capital Assets, Net at June 30: College
(In Thousands)**

<u>Capital Assets</u>	<u>2012</u>	<u>2011</u>
Land	\$ 2,477	\$ 2,478
Artwork	487	447
Buildings	81,104	80,860
Other Structures and Improvements	12,821	12,741
Furniture, Machinery, and Equipment	2,702	2,711
Data Software, Depreciable	684	
Data Software, Perpetual Licenses	535	
Construction in Progress	86	174
Total	<u>100,896</u>	<u>99,411</u>
Less, Accumulated Depreciation:		
Buildings	22,309	20,443
Other Structures and Improvements	10,576	9,678
Furniture, Machinery, and Equipment	2,524	2,432
Data Software, Depreciable	542	
Total Accumulated Depreciation	<u>35,951</u>	<u>32,553</u>
Capital Assets, Net	<u>\$ 64,945</u>	<u>\$ 66,858</u>

During the 2011-12 fiscal year, the College elected to retroactively implement GASB Statement No. 51 and capitalize data software. Consequently, balances are not reflected for these accounts for the 2010-11 fiscal year. The College has \$86 thousand in construction in progress that represents work completed to date on capitalized software. The implementation is to add the Operational Data Store and Cognos functionality to the College’s Banner administrative system. More information about the College’s capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

As of June 30, 2012, the long-term liabilities consisted of accrued liabilities for compensated absences payable and other postemployment benefits payable. Otherwise, the College was debt free at fiscal year-end. Additional information about the College’s long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

South Florida Community College’s economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase, if any at all is anticipated in the 2012-13 fiscal year. In response to relatively flat State funding, the Board of Trustees increased the tuition rate 5 percent to take effect beginning with the Fall 2012 term. The College’s current financial and capital plans are reliant upon future State appropriations at or near current levels along with inflation-adjusted tuition rates to maintain its present level of services.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**SOUTH FLORIDA COMMUNITY COLLEGE
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	\$ 4,951,609	\$ 656,367
Restricted Cash and Cash Equivalents	1,585,769	
Investments		3,093,495
Accounts Receivable	282,906	52,828
Due from Other Governmental Agencies	1,655,604	
Due from Component Unit	77,620	
Inventories	33,084	
Prepaid Expenses	252,906	13,105
	8,839,498	3,815,795
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,877,310	829,057
Restricted Investments		3,907,400
Depreciable Capital Assets, Net	61,359,670	1,017,913
Nondepreciable Capital Assets	3,585,282	317,720
	66,822,262	6,072,090
	8,839,498	3,815,795
TOTAL ASSETS	\$ 75,661,760	\$ 9,887,885
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 136,917	\$ 112,601
Salary and Payroll Taxes Payable	696,255	
Deferred Revenue	261,140	2,080
Deposits Held for Others	222,631	5,700
Long-Term Liabilities - Current Portion:		
Compensated Absences Payable	140,712	
	1,457,655	120,381
Total Current Liabilities	1,457,655	120,381
Noncurrent Liabilities:		
Compensated Absences Payable	2,274,279	
Other Postemployment Benefits Payable	163,602	
	2,437,881	
Total Noncurrent Liabilities	2,437,881	
TOTAL LIABILITIES	3,895,536	120,381

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

	College	Component Unit
NET ASSETS		
Invested in Capital Assets	\$ 64,944,952	\$ 1,335,633
Restricted:		
Nonexpendable:		
Endowment		4,736,457
Expendable:		
Grants and Loans	98,804	3,187,016
Scholarships	122,919	
Capital Projects	4,777,850	
Unrestricted	1,821,699	508,398
Total Net Assets	71,766,224	9,767,504
TOTAL LIABILITIES AND NET ASSETS	\$ 75,661,760	\$ 9,887,885

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

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

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$3,299,449	\$ 1,948,304	\$
Federal Grants and Contracts	346,160	
Nongovernmental Grants and Contracts	3,676	
Sales and Services of Educational Departments	485,510	
Auxiliary Enterprises	1,218,922	
Other Operating Revenues	66,605	232,818
Total Operating Revenues	4,069,177	232,818
EXPENSES		
Operating Expenses:		
Personnel Services	17,562,635	
Scholarships and Waivers	3,316,173	650,346
Utilities and Communications	1,588,029	
Contractual Services	1,268,158	
Other Services and Expenses	2,507,509	413,585
Materials and Supplies	1,785,071	201,591
Depreciation	2,933,030	69,929
Total Operating Expenses	30,960,605	1,335,451
Operating Loss	(26,891,428)	(1,102,633)
NONOPERATING REVENUES		
State Noncapital Appropriations	15,323,215	
Federal and State Student Financial Aid	6,062,716	
Gifts and Grants	1,992,818	1,136,506
Investment Income	23,166	50,813
Other Nonoperating Revenues	6,713	23
Nonoperating Revenues	23,408,628	1,187,342
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(3,482,800)	84,709
State Capital Appropriations	546,688	
Capital Grants, Contracts, Gifts, and Fees	377,608	
Total Other Revenues	924,296	
Increase (Decrease) in Net Assets	(2,558,504)	84,709
Net Assets, Beginning of Year	73,621,152	9,682,795
Adjustment to Beginning Net Assets	703,576	
Net Assets, Beginning of Year, as Restated	74,324,728	9,682,795
Net Assets, End of Year	\$ 71,766,224	\$ 9,767,504

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

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

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 2,132,206
Grants and Contracts	302,848
Payments to Suppliers	(5,565,891)
Payments for Utilities and Communications	(1,588,029)
Payments to Employees	(13,793,013)
Payments for Employee Benefits	(3,227,465)
Payments for Scholarships	(3,316,173)
Auxiliary Enterprises	1,191,025
Sales and Service of Educational Departments	485,510
Other Payments	(203,152)
	(23,582,134)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	15,323,215
Federal and State Student Financial Aid	6,062,716
Gifts and Grants Received for Other Than Capital or Endowment Purposes	1,992,818
Federal Direct Loan Program Receipts	570,885
Federal Direct Loan Program Disbursements	(570,885)
Other Nonoperating Disbursements	(258,030)
	23,120,719
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	598,897
Capital Grants and Gifts	338,108
Proceeds from Sale of Capital Assets	7,768
Purchases of Capital Assets	(294,855)
	649,918
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	23,166
	23,166
Net Increase in Cash and Cash Equivalents	211,669
Cash and Cash Equivalents, Beginning of Year	8,203,019
	8,414,688
Cash and Cash Equivalents, End of Year	\$ 8,414,688

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

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (26,891,428)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,933,030
Changes in Assets and Liabilities:	
Receivables	143,347
Inventories	(5,153)
Prepaid Expenses	(24,521)
Accounts Payable	(245,236)
Salary and Payroll Taxes Payable	437,646
Deferred Revenue	(34,329)
Compensated Absences Payable	48,104
Other Postemployment Benefits Payable	56,406
	56,406
NET CASH USED BY OPERATING ACTIVITIES	\$ (23,582,134)

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of South Florida Community College¹, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of eight members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by law and State Board of Education rules. However, the District Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and State Board of Education rules. Geographic boundaries of the District correspond with those of DeSoto, Hardee, and Highlands Counties.

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2011, on file in the College's administrative office.

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

¹ On September 28, 2011, the College's Board of Trustees approved the name change from South Florida Community College to South Florida State College effective July 1, 2012, pursuant to Section 1001.60(2)(b), Florida Statutes.

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

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

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

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

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

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

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

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.

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

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

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

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

At June 30, 2012, the College reported as cash equivalents \$4,011,996 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2012, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 38 days as of June 30, 2012. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

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

Capital Assets. College capital assets consist of land; artwork; construction in progress; buildings; other structures and improvements; data software; and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and \$65,000 for other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Data Software – 5 years
- Other Structures and Improvements
 - Non Technological Other Structures and Improvements – 10 years
 - Technological Other Structures and Improvements – 5 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, and Educational Equipment – 5 years
 - Furniture – 7 years

Land, buildings, and equipment of the College’s component unit are stated at cost except for donated property which is stated at fair market value at the date of the donation, and is net of accumulated depreciation of \$790,251. The College’s component unit depreciates buildings and equipment using the straight-line method.

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

2. PRIOR PERIOD ADJUSTMENTS

The following is a summary of adjustments to beginning net assets to reflect the capitalization of previously expensed data software in accordance with GASB Statement No. 51:

Description	Adjustments to Beginning Net Assets Increase/(Decrease)
Capitalized Data Software - Perpetual Licenses	\$ 524,549
Capitalized Data Software - Depreciable	683,989
Accumulated Depreciation - Data Software - Depreciable	(504,962)
Total Prior Period Adjustments	\$ 703,576

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

3. INVESTMENTS

Investments held by the College's component unit (Foundation) totaled \$7,000,895 at December 31, 2011. The investments are reported at fair value and consist of equity investments, money market funds, United States government securities, corporate bonds, common stocks, and mutual funds.

4. ACCOUNTS RECEIVABLE

Accounts receivable of \$282,906 represent amounts for student fee deferments, various student services provided by the College, uncollected vending machine commissions, unused credit memos, and grant reimbursements due from third parties. These receivables are expected to be collected in full.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount consists of \$1,474,343 of Public Education Capital Outlay allocations due from the State for construction of College facilities. An additional \$181,261 was due for reimbursement of expenditures made in relation to grants and contracts.

6. DUE FROM COMPONENT UNIT

The College recorded a due from component unit of \$77,620, which represents expenses made by the College that will be reimbursed by the Foundation. The College's financial statements are reported for the fiscal year ended June 30, 2012. The component unit's financial statements are reported for the fiscal year ended December 31, 2011. Accordingly, although the College reported an amount due from the component unit on the statement of net assets, the component unit did not report an amount due to the College.

7. INVENTORIES

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

8. CAPITAL ASSETS

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

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

Description	Beginning Balance	Adjustments (2)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 2,477,518	\$	\$	\$	\$ 2,477,518
Artwork	447,038		39,815		486,853
Data Software, Perpetual Licenses		524,549	10,480		535,029
Construction in Progress	174,021		155,117	243,256	85,882
Total Nondepreciable Capital Assets	\$ 3,098,577	\$ 524,549	\$ 205,412	\$ 243,256	\$ 3,585,282
Depreciable Capital Assets:					
Buildings	\$ 80,860,588	\$	\$ 243,256	\$	\$ 81,103,844
Other Structures and Improvements	12,740,769		80,624		12,821,393
Furniture, Machinery, and Equipment	2,711,348		30,917	40,509	2,701,756
Data Software, Depreciable		683,989			683,989
Total Depreciable Capital Assets	96,312,705	683,989	354,797	40,509	97,310,982
Less, Accumulated Depreciation:					
Buildings	20,442,927		1,866,825		22,309,752
Other Structures and Improvements (1)	9,678,096		897,800		10,575,896
Furniture, Machinery, and Equipment	2,432,466		131,607	40,169	2,523,904
Data Software, Depreciable		504,962	36,798		541,760
Total Accumulated Depreciation	32,553,489	504,962	2,933,030	40,169	35,951,312
Total Depreciable Capital Assets, Net	\$ 63,759,216	\$ 179,027	\$ (2,578,233)	\$ 340	\$ 61,359,670

Notes: (1) A change in the useful life of technological Other Structures and Improvements increased depreciation related to Other Structures and Improvements in the current year.
 (2) The College elected to retroactively implement GASB Statement No. 51. As a result, data software was recognized retroactively as both a depreciable and non-depreciable asset class. See Note 2 to the financial statements.

9. ART COLLECTIONS

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

10. DEFERRED REVENUE

Deferred revenue includes prepayments of cultural program sales and donations as well as grant moneys for which expenses have yet to be incurred. As of June 30, 2012, the College reported the following amounts as deferred revenue:

Description	Amount
Cultural Program - Advance Sales and Donations	\$ 256,266
Grant Related	4,874
Total Deferred Revenue	\$ 261,140

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

11. LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	\$ 2,366,887	\$ 188,816	\$ 140,712	\$ 2,414,991	\$ 140,712
Other Postemployment Benefits Payable	107,196	79,619	23,213	163,602	
Total Long-Term Liabilities	\$ 2,474,083	\$ 268,435	\$ 163,925	\$ 2,578,593	\$ 140,712

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 \$2,414,991. The current portion of the compensated absences liability, \$140,712, is the amount expected to be paid in the coming fiscal year, and represents anticipated payments for employees in the final year of the Deferred Retirement Option Program.

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

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

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

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and 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, 32 retirees received postemployment healthcare benefits, and 31 retirees received postemployment life insurance benefits. The College provided required contributions of \$23,213 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$159,248.

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

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 57,908
Amortization of Unfunded Actuarial Accrued Liability	20,996
Annual Required Contribution	78,904
Interest on Net OPEB Obligation	4,288
Adjustment to Annual Required Contribution	(3,573)
Annual OPEB Cost (Expense)	79,619
Contribution Toward the OPEB Cost	(23,213)
Increase in Net OPEB Obligation	56,406
Net OPEB Obligation, Beginning of Year	107,196
Net OPEB Obligation, End of Year	\$ 163,602

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:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	\$ 58,933	50.3%	\$ 84,753
2010-11	58,891	61.9%	107,196
2011-12	79,619	29.2%	163,602

Funded Status and Funding Progress. As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$629,875, and the actuarial value of assets was \$0, resulting in an unfunded actuarial

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

accrued liability of \$629,875 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$12,829,820 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.9 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. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. 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 pre-Medicare and 8.5 percent Medicare for the 2011-12 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 7 years for pre-Medicare and 6 years for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2012, was 25 years.

12. 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).

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

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 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:

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

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.

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 \$942,119, \$1,082,997, and \$758,104, respectively, which were equal to the required contributions for each fiscal year.

There were 74 College participants in the Investment Plan during the 2011-12 fiscal year. The College’s contributions including employee contributions to the Investment Plan totaled \$166,836, 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

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

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 9 College participants during the 2011-12 fiscal year. The College’s contributions to the Program totaled \$42,251 and employee contributions totaled \$17,191 for the 2011-12 fiscal year.

13. OPERATING LEASE COMMITMENTS

The College leased a mail machine and several copy machines under operating leases, with various expiration dates through 2016. These leased assets and the related commitments are not reported on the College’s statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2013	\$ 74,187
2014	39,070
2015	7,190
2016	<u>3,188</u>
Total Minimum Payments Required	<u>\$ 123,635</u>

14. 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 and hospitalization, life, 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.

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

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

15. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 7,611,843
Academic Support	2,507,631
Student Services	3,424,327
Institutional Support	4,798,060
Operation and Maintenance of Plant	5,110,811
Scholarships and Waivers	3,316,173
Depreciation	2,933,030
Auxiliary Enterprises	<u>1,258,730</u>
Total Operating Expenses	<u>\$ 30,960,605</u>

16. CURRENT UNRESTRICTED FUNDS

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

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

Statement of Current Unrestricted Funds Net Assets

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 4,951,609
Accounts Receivable	173,029
Due from Other Governmental Agencies	11
Due from Component Unit	44,657
Inventories	33,084
Prepaid Expenses	252,173

TOTAL ASSETS \$ 5,454,563

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 101,750
Salary and Payroll Taxes Payable	696,255
Deferred Revenue	256,266
Compensated Absences Payable	140,712

Total Current Liabilities 1,194,983

Noncurrent Liabilities:

Compensated Absences Payable	2,274,279
Other Postemployment Benefits Payable	163,602

Total Noncurrent Liabilities 2,437,881

TOTAL LIABILITIES 3,632,864

TOTAL NET ASSETS 1,821,699

TOTAL LIABILITIES AND NET ASSETS \$ 5,454,563

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

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

REVENUES

Operating Revenues:

Student Tuition and Fees (1)	\$ 4,674,442
Sales and Services of Educational Departments	485,510
Auxiliary Enterprises	1,218,922
Other Operating Revenues	<u>65,124</u>

Total Operating Revenues 6,443,998

EXPENSES

Operating Expenses:

Personnel Services	15,898,671
Scholarships and Waivers	92,430
Utilities and Communications	1,586,575
Contractual Services	1,031,629
Other Services and Expenses	1,877,304
Materials and Supplies	<u>1,427,547</u>

Total Operating Expenses 21,914,156

Operating Loss (15,470,158)

NONOPERATING REVENUES

State Noncapital Appropriations	15,127,352
Gifts and Grants	164,159
Investment Income	11,517
Other Nonoperating Revenues	<u>9,175</u>

Nonoperating Revenues 15,312,203

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

(157,955)
Transfers from Other Funds, Net 18,330

Decrease in Net Assets (139,625)

Net Assets, Beginning of Year 1,961,324

Net Assets, End of Year \$ 1,821,699

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 537,140	\$ 537,140	0%	\$ 12,037,972	4.5%
7/1/2009		498,262	498,262	0%	11,899,341	4.2%
7/1/2011		629,875	629,875	0%	12,829,820	4.9%

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

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

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2011 unfunded actuarial accrued liability of \$629,875 was significantly higher than the July 1, 2009, liability of \$498,262 as a result of the following factors:

- 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 healthcare were updated, including a change to the methodology used to relate healthcare costs between ages.
- The rates of healthcare inflation used to project the per capita healthcare costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.



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

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

We have audited the financial statements of South Florida Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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*.

Our **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*** is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
March 5, 2013