

TALLAHASSEE 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>
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Dr. Dana G. Callen, Vice Chair from 8-15-11	Leon
Eugene Lamb, Chair to 8-14-11	Gadsden
Donna G. Callaway from 2-15-12	Leon
Bill J. Hebrock to 1-04-11(1)	Leon
Frank S. Messersmith	Wakulla
Dr. Kimberle Moon	Gadsden
Karen B. Moore	Leon

Dr. James T. Murdaugh, President

Note: (1) Position was vacant from January 5, 2011, through February 14, 2012.

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 Betty J. Rose, and the audit was supervised by Karen L. Revell, 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.

TALLAHASSEE COMMUNITY COLLEGE
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 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
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Tallahassee Community College and of its aggregate discretely presented component units as of June 30, 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.

As discussed in note 1 to the financial statements the Tallahassee Community College Housing, Inc. (TCCH), was dissolved during the 2011-12 fiscal year and the TCCH financial activities are reported for the one-month period ended July 31, 2011. This affects the comparability of amounts reported for the 2011-12 fiscal year with amounts reported for the 2010-11 fiscal year.

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

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

Respectfully submitted,



David W. Martin, CPA

March 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 units Tallahassee Community College Foundation, Inc., and Public Safety Academy Housing, Inc., for the fiscal years ended March 31, 2012, and March 31, 2011. Financial activity for the Tallahassee Community College Housing, Inc., is reported for the one-month period ended July 31, 2011.

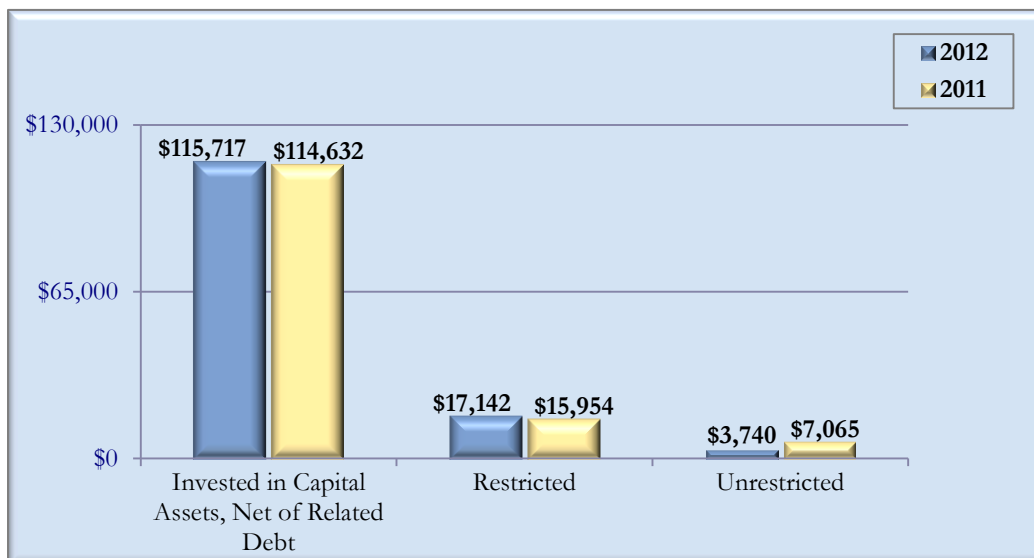
FINANCIAL HIGHLIGHTS

The College’s assets totaled \$168 million at June 30, 2012. This balance reflects a \$3.4 million, or 2 percent, decrease as compared to the 2010-11 fiscal year, primarily as the result of a \$0.4 million decrease in accounts receivables and \$2.7 million decrease in amounts due from other governmental agencies. Liabilities decreased by a lesser amount of \$2.6 million, or 7.7 percent, totaling \$31.4 million at June 30, 2012, compared to \$34 million at June 30, 2011. As a result, the College’s net assets decreased by \$0.8 million, resulting in a year-end balance of \$136.6 million.

The College’s operating revenues totaled \$49.4 million for the 2011-12 fiscal year, representing a 4.9 percent increase as compared to the 2010-11 fiscal year due mainly to an increase in tuition and fees of 10.5 percent and additional Federal grants and contracts. Operating expenses totaled \$133.7 million for the 2011-12 fiscal year, representing an increase of 0.2 percent as compared to the 2010-11 fiscal year due mainly to increased awards of scholarships.

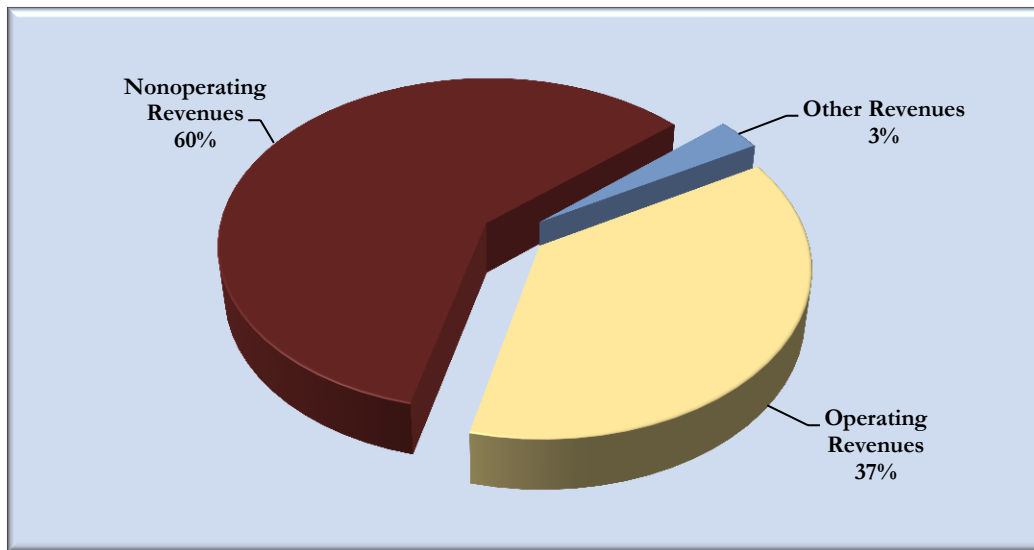
Net assets represent the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following graph:

**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:

- Tallahassee Community College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Tallahassee Community College Foundation, Inc. (Foundation) (Component Unit) – Serves as the fund-raising arm of the College and financially supports various academic endeavors of the students, faculty, and staff.
- Public Safety Academy Housing, Inc. (PSAH) (Component Unit) – Established to obtain financing and construct a 200-room housing facility for students at the College’s Florida Public Safety Institute. The housing facility was completed on January 4, 2006. Upon completion, PSAH executed an agreement with the College whereby the College leases the housing facility from PSAH and is responsible for operating and maintaining the facility. In exchange, PSAH receives a monthly lease payment in the amount of mortgage payment. During the 2011-12 fiscal year, these lease and note transactions accounted for substantially all the PSAH financial activity.
- Tallahassee Community College Housing, Inc. (TCCH) (Component Unit) – Established to provide support and assistance to the College through operations of a housing complex for students of the College. On August 31, 2006, TCCH sold the housing complex. Subsequent to the sale, \$7,555,939 was deposited in escrow to provide for the in-substance defeasance of the outstanding student revenue bonds not redeemable in full until July 1, 2011. On June 29, 2011 the Board approved the dissolution of TCCH to take place after the outstanding bonds were redeemed in their entirety on July 1, 2011, in accordance with the escrow deposit agreement, and all outstanding professional services were settled. The remaining net assets were contributed to the Foundation in accordance with its Articles of Incorporation within 31 days of its fiscal year end of June 30, 2011. Transactions reported for TCCH are for the one-month period ended July 31, 2011.

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

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

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

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

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

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

	College		Component Units	
	6-30-12	6-30-11	2012 (1)	2011 (2)
Assets				
Current Assets	\$ 39,330	\$ 43,226	\$ 5,491	\$ 11,123
Capital Assets, Net	128,525	128,019	6,801	7,013
Other Noncurrent Assets	157	165	9,897	9,651
Total Assets	168,012	171,410	22,189	27,787
Liabilities				
Current Liabilities	7,266	9,768	370	6,372
Noncurrent Liabilities	24,147	24,261	6,664	7,025
Total Liabilities	31,413	34,029	7,034	13,397
Net Assets				
Invested in Capital Assets, Net of Related Debt	115,717	114,362	(72)	(220)
Restricted	17,142	15,954	14,269	14,222
Unrestricted	3,740	7,065	958	388
Total Net Assets	\$ 136,599	\$ 137,381	\$ 15,155	\$ 14,390
Increase (Decrease) in Net Assets	\$ (782)	-0.6%	\$ 765	5.3%

Notes: (1) Amounts are for the fiscal year ended March 31, 2012, for the Tallahassee Community College Foundation, Inc., and the Public Safety Academy Housing, Inc. The Tallahassee Community College Housing, Inc., was dissolved by the Board during the 2011-12 fiscal year, and its transactions are reported for the one-month period ended July 31, 2011.

(2) Amounts are for the fiscal year ended March 31, 2011, for the Tallahassee Community College Foundation, Inc., and the Public Safety Academy Housing, Inc., and for the fiscal year ended June 30, 2011, for the Tallahassee Community College Housing, Inc.

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

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

	College		Component Units	
	6-30-12	6-30-11	2012 (1)	2011 (2)
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 21,126	\$ 18,886	\$	\$
Federal Grants and Contracts	16,408	14,327		
State and Local Grants and Contracts	6,982	8,673		
Nongovernmental Grants and Contracts	620	768		
Sales and Services of Educational Departments				
Auxiliary Enterprises, Net of Scholarship Allowances	3,960	4,124		
Other Operating Revenues	313	318	2,918	2,666
Total Operating Revenues	49,409	47,096	2,918	2,666
Less, Operating Expenses	133,681	133,475	2,017	1,565
Operating Income (Loss)	(84,272)	(86,379)	901	1,101
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	40,854	42,598		
Federal and State Student Financial Aid	36,356	36,433		
Other Nonoperating Revenues	2,823	3,002	262	1,118
Nonoperating Expense	(568)	(553)	(398)	(945)
Net Nonoperating Revenues (Expenses)	79,465	81,480	(136)	173
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
	(4,807)	(4,899)	765	1,274
State Capital Appropriations	1,356	7,034		
Capital Grants, Contracts, Gifts, and Fees	2,669	1,706		
Increase (Decrease) in Net Assets	(782)	3,841	765	1,274
Net Assets, Beginning of Year	137,381	133,540	14,390	13,116
Net Assets, End of Year	\$ 136,599	\$ 137,381	\$ 15,155	\$ 14,390

Notes: (1) Amounts are for the fiscal year ended March 31, 2012, for the Tallahassee Community College Foundation, Inc., and the Public Safety Academy Housing, Inc. The Tallahassee Community College Housing, Inc., was dissolved by the Board during the 2011-12 fiscal year, and its transactions are reported for the one-month period ended July 31, 2011.

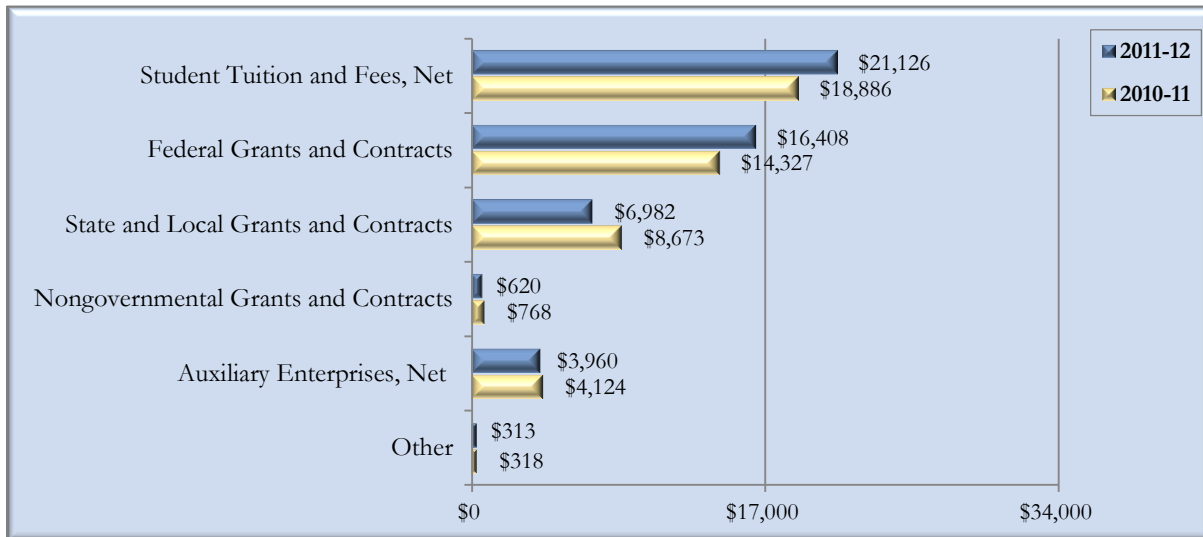
(2) Amounts are for the fiscal year ended March 31, 2011, for the Tallahassee Community College Foundation, Inc., and the Public Safety Academy Housing, Inc., and for the fiscal year ended June 30, 2011, for the Tallahassee Community College Housing, Inc.

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

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

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



Net student tuition and fees increased by \$2.2 million, or 11.9 percent, as compared to the 2010-11 fiscal year. The increase was the result of an increase in the number and amount of scholarships awarded as compared to the prior fiscal year and tuition rates increased approximately 10.5 percent in the 2011-12 fiscal year. Federal contracts and grants increased by approximately \$2 million due to an increase in revenues for the Race-to-the-Top Grant; and at the same time State contracts and grants decreased by almost the same amount, as a result of a decrease in Florida Department of Health awards, resulting in a net increase of approximately \$400 thousand.

Operating Expenses

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

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

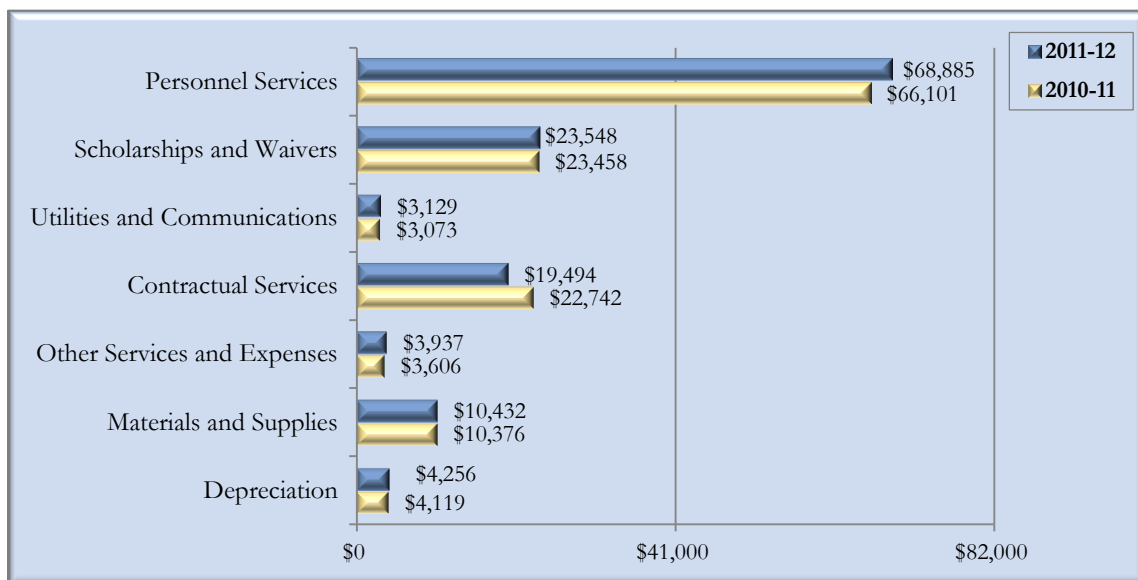
**Operating Expenses
For the Periods Ended
(In Thousands)**

	College		Component Units	
	6-30-12	6-30-11	2012 (1)	2011 (2)
Operating Expenses				
Personnel Services	\$ 68,885	\$ 66,101	\$ 408	\$ 377
Scholarships and Waivers	23,548	23,458	372	351
Utilities and Communications	3,129	3,073	8	5
Contractual Services	19,494	22,742	129	163
Other Services and Expenses	3,937	3,606	864	362
Materials and Supplies	10,432	10,376	23	27
Depreciation	4,256	4,119	213	280
Total Operating Expenses	\$ 133,681	\$ 133,475	\$ 2,017	\$ 1,565

- Notes: (1) Amounts are for the fiscal year ended March 31, 2012, for the Tallahassee Community College Foundation, Inc., and the Public Safety Academy Housing, Inc. The Tallahassee Community College Housing, Inc., was dissolved by the Board during the 2011-12 fiscal year, and its transactions are reported for the one-month period ended July 31, 2011.
- (2) Amounts are for the fiscal year ended March 31, 2011, for the Tallahassee Community College Foundation, Inc., and the Public Safety Academy Housing, Inc., and for the fiscal year ended June 30, 2011, for the Tallahassee Community College Housing, Inc.

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

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



Personnel expenses increased by \$2.8 million, as a result from pay increases authorized by the Board of Trustees offset by a decrease in employee benefits primarily due to a decrease in required employer contributions to the State retirement program, and an increase in salary and benefits for other professional services by \$2.4 million. Contractual

Services decreased by \$3.2 million due primarily to an overall reduction in renovation and remodeling projects. Scholarships increased slightly as a result of changes in Pell and other Federal and State student financial aid programs.

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)

	<u>2011-12</u>	<u>2010-11</u>
State Noncapital Appropriations	\$ 40,854	\$ 42,598
Federal and State Student Financial Aid	36,356	36,433
Other Gifts and Grants	2,812	2,843
Investment Income	11	159
Interest on Capital Asset-Related Debt	<u>(568)</u>	<u>(553)</u>
Net Nonoperating Revenues	<u>\$ 79,465</u>	<u>\$ 81,480</u>

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)

	<u>2011-12</u>	<u>2010-11</u>
State Capital Appropriations	\$ 1,356	\$ 7,034
Capital Grants, Contracts, Gifts, and Fees	<u>2,669</u>	<u>1,706</u>
Total	<u>\$ 4,025</u>	<u>\$ 8,740</u>

The source of funding for State capital appropriations has declined from the prior year and is expected to continue on a downward trend. During the 2011-12 fiscal year, the College received \$5.6 million less Public Education Capital Outlay appropriations than were received in the 2010-11 fiscal year.

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	\$ (76,792)	\$ (80,644)
Noncapital Financing Activities	80,022	81,875
Capital and Related Financing Activities	(4,030)	9,875
Investing Activities	4	153
Net Increase (Decrease) in Cash and Cash Equivalents	(796)	11,259
Cash and Cash Equivalents, Beginning of Year	36,642	25,383
Cash and Cash Equivalents, End of Year	\$ 35,846	\$ 36,642

Major sources of funds came from State noncapital appropriations (\$40.9 million), net student tuition and fees (\$21.4 million), grants and contracts (\$26.1 million), and noncapital gifts and grants and student financial aid (\$39.2 million). Major uses of funds were for payments to employees and employee benefits (\$68.4 million), payments to suppliers (\$33.6 million), and payments for scholarships (\$23.5 million).

Changes in cash and cash equivalents decreased by \$0.8 million from the prior period and the changes were the result of the following factors: cash provided by capital and related financing activities decreased by \$13.9 million due to a decrease of \$20.4 million in State capital appropriations and a decrease of \$0.2 million in cash flows from investing activities, while cash flows used for operating activities increased by \$3.9 million primarily due to an increase in tuition and fees.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the College had \$189.7 million in capital assets, less accumulated depreciation of \$61.1 million, for net capital assets of \$128.6 million. Depreciation charges for the current fiscal year totaled \$4.3 million. The following table summarizes the College's capital assets at June 30:

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

<u>Capital Assets</u>	<u>2012</u>	<u>2011</u>
Land	\$ 10,563	\$ 10,563
Construction in Progress	24,527	21,765
Buildings	129,111	129,111
Other Structures and Improvements	11,399	10,498
Furniture, Machinery, and Equipment	11,361	9,979
Assets Under Capital Leases	<u>2,701</u>	<u>3,693</u>
Total	<u>189,662</u>	<u>185,609</u>
Less, Accumulated Depreciation:		
Buildings	42,384	39,273
Other Structures and Improvements	9,631	9,491
Furniture, Machinery, and Equipment	7,771	6,753
Assets Under Capital Leases	<u>1,351</u>	<u>2,073</u>
Total Accumulated Depreciation	<u>61,137</u>	<u>57,590</u>
Capital Assets, Net	<u>\$ 128,525</u>	<u>\$ 128,019</u>

The College has \$1.2 million in construction commitments at June 30, 2012. The commitments are for the Ghazvini Center for Healthcare Education. In addition, planning is underway for the construction of the new Wakulla Environmental Center. State appropriations together with local funds are expected to finance the construction, renovation, and purchase of land and facilities. More information about the College’s capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$16.9 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>
Capital Improvement Revenue Bonds	\$ 11,205	\$ 11,680
SBE Capital Outlay Bonds	3,885	4,095
Capital Leases	<u>1,819</u>	<u>2,062</u>
Total	<u>\$ 16,909</u>	<u>\$ 17,837</u>

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2011-12 fiscal year, there were no bond sales and debt repayments totaled \$0.7 million.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Tallahassee Community College’s economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, we anticipate a minimal increase in State funding in the 2012-13 fiscal year. The Board of Trustees has not increased the tuition rate for the Fall 2013 term. The College’s current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2012**

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 15,748,069	\$ 138,686
Restricted Cash and Cash Equivalents	20,098,075	
Investments		4,715,078
Accounts Receivable, Net	2,182,220	637,374
Notes Receivable, Net	62,065	
Due from Other Governmental Agencies	1,157,594	
Inventories	79,587	
Prepaid Expenses	2,666	
Total Current Assets	39,330,276	5,491,138
Noncurrent Assets:		
Restricted Investments	156,620	8,213,943
Depreciable Capital Assets, Net	93,434,996	6,800,880
Nondepreciable Capital Assets	35,090,300	
Other Assets		1,683,161
Total Noncurrent Assets	128,681,916	16,697,984
TOTAL ASSETS	\$ 168,012,192	\$ 22,189,122
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,993,822	\$ 37,579
Salary and Payroll Taxes Payable	520,239	
Retainage Payable	125,285	
Deferred Revenue	781,659	
Deposits Held for Others	2,025,052	
Long-Term Liabilities - Current Portion:		
Bonds Payable	715,000	
Notes Payable		331,981
Capital Lease Payable	261,022	
Special Termination Benefits Payable	217,900	
Compensated Absences Payable	554,206	
Other Long-Term Liabilities	71,951	
Total Current Liabilities	7,266,136	369,560
Noncurrent Liabilities:		
Bonds Payable	14,375,000	
Notes Payable		6,664,137
Capital Lease Payable	1,557,846	
Special Termination Benefits Payable	395,210	
Compensated Absences Payable	5,515,222	
Other Postemployment Benefits Payable	1,869,758	
Other Long-Term Liabilities	433,630	
Total Noncurrent Liabilities	24,146,666	6,664,137
TOTAL LIABILITIES	31,412,802	7,033,697

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

	College	Component Units
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 115,716,554	\$ (72,379)
Restricted:		
Nonexpendable:		
Endowment		4,517,794
Expendable:		
Grants and Loans	6,904,632	
Scholarships	396,527	9,751,918
Capital Projects	8,973,893	
Debt Service	868,225	
Unrestricted	3,739,559	958,092
Total Net Assets	136,599,390	15,155,425
TOTAL LIABILITIES AND NET ASSETS	\$ 168,012,192	\$ 22,189,122

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

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

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$14,680,706	\$ 21,125,895	\$
Federal Grants and Contracts	16,408,136	
State and Local Grants and Contracts	6,981,900	
Nongovernmental Grants and Contracts	620,122	
Auxiliary Enterprises	3,959,712	
Other Operating Revenues	313,433	2,917,900
Total Operating Revenues	49,409,198	2,917,900
EXPENSES		
Operating Expenses:		
Personnel Services	68,884,521	407,995
Scholarships and Waivers	23,547,900	371,685
Utilities and Communications	3,129,308	8,017
Contractual Services	19,493,573	129,040
Other Services and Expenses	3,937,287	864,284
Materials and Supplies	10,432,258	23,312
Depreciation	4,256,305	212,451
Total Operating Expenses	133,681,152	2,016,784
Operating Income (Loss)	(84,271,954)	901,116
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	40,853,949	
Federal and State Student Financial Aid	36,355,534	
Other Gifts and Grants	2,812,034	
Investment Income	11,077	262,565
Interest on Capital Asset-Related Debt	(567,564)	(398,173)
Net Nonoperating Revenues (Expenses)	79,465,030	(135,608)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(4,806,924)	765,508
State Capital Appropriations	1,356,021	
Capital Grants, Contracts, Gifts, and Fees	2,668,939	
Total Other Revenues	4,024,960	
Increase (Decrease) in Net Assets	(781,964)	765,508
Net Assets, Beginning of Year	137,381,354	14,389,917
Net Assets, End of Year	\$ 136,599,390	\$ 15,155,425

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

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

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 21,439,224
Grants and Contracts	26,143,373
Payments to Suppliers	(33,579,817)
Payments for Utilities and Communications	(3,129,308)
Payments to Employees	(58,199,789)
Payments for Employee Benefits	(10,156,476)
Payments for Scholarships	(23,547,900)
Loans Issued to Students	(32,871)
Collection on Loans to Students	36,125
Auxiliary Enterprises	3,922,292
Other Operating Receipts	313,433
	(76,791,714)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	40,853,949
Federal and State Student Financial Aid	36,355,534
Federal Direct Loan Program Receipts	37,298,205
Federal Direct Loan Program Disbursements	(37,298,205)
Gifts and Grants Received for Other Than Capital and Endowment Purposes	2,812,034
	80,021,517
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,379,570
Capital Grants and Gifts	2,668,939
Purchases of Capital Assets	(7,389,680)
Principal Paid on Capital Debt and Lease	(927,389)
Interest Paid on Capital Debt and Lease	(777,898)
	(4,046,458)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale and Maturity of Investments	8,079
Investment Income	12,319
	20,398
Net Decrease in Cash and Cash Equivalents	(796,257)
Cash and Cash Equivalents, Beginning of Year	36,642,401
Cash and Cash Equivalents, End of Year	\$ 35,846,144

**TALLAHASSEE 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	\$ (84,271,954)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,256,305
Changes in Assets and Liabilities:	
Receivables, Net	2,084,010
Inventories	(7,825)
Other Assets	(119,287)
Accounts Payable	(151,088)
Deferred Revenue	342,927
Deposits Held for Others	413,517
Special Termination Benefits Payable	26,083
Compensated Absences Payable	245,807
Other Postemployment Benefits Payable	389,791
NET CASH USED BY OPERATING ACTIVITIES	\$ (76,791,714)

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following component units are included within the College's reporting entity:

- The Tallahassee Community College Foundation, Inc. (Foundation): This organization provides funding and services to support and foster the pursuit of higher education at the College.
- Public Safety Academy Housing, Inc. (PSAH): This organization was established to obtain financing and construct a 200-room housing facility for students at the College's Florida Public Safety Institute. The housing facility was completed on January 4, 2006. Upon completion, PSAH executed an agreement with the College whereby the College leases the housing facility from PSAH and is responsible for operating and maintaining the facility. In exchange, PSAH receives a monthly lease payment in the amount of its mortgage payment and operating expenses. During the 2011-2012 fiscal year, these lease and note transactions accounted for substantially all of the PSAH financial activity.
- The Tallahassee Community College Housing, Inc. (TCCH): This organization provides support and assistance to the College through the operation of a housing complex for students of the College. On August 31, 2006, TCCH sold the housing complex. Subsequent to the sale, \$7,555,939 was deposited in escrow to in-substance defease the outstanding student housing revenue bonds not redeemable in full until July 1, 2011. On June 29, 2011, the Board approved the dissolution of the TCCH to take place after the outstanding bonds were redeemed in their entirety in accordance with the escrow deposit agreement on July 1, 2011, and all outstanding professional services were settled. The remaining net assets were contributed to Foundation in accordance with its Articles of Incorporation within 31 days of its fiscal year end of June 30, 2011.

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

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

the accompanying financial statements was derived from the audited financial statements for the fiscal year ended March 31, 2012, and March 31, 2012. The financial data of the Tallahassee Community College Housing Inc., was for the one-month period ended July 31, 2011. Additional condensed financial statements for the College's component units are included in a subsequent note.

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and funds invested 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

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

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 \$10,183 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.

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

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

Land, buildings, and equipment of the College's component units are stated at cost except for donated property which is stated at fair market value at the date of donation and is net of accumulated depreciation of \$1,875,830. The College's component units depreciate buildings and equipment over an estimated life of 39 years for buildings and improvements and from 5 to 7 years for furniture and equipment.

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, capital lease payable, special termination benefits payable, compensated absences payable, other long-term liabilities, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year.

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

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 \$156,620 at June 30, 2012, in the SBA 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.

Component Unit Investments

Investments reported by the College’s component units consisted of those held by the Tallahassee Community College Foundation, Inc., at March 31, 2012, and are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Mutual Funds	\$ 8,131,804
Money Market Funds	4,221,862
Certificate of Deposit	493,712
State Board of Administration	<u>81,643</u>
Total Investments	<u><u>\$ 12,929,021</u></u>

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

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$1,008,153 allowance for doubtful accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans for veteran students' fees of \$101,386, and for the short-term loan program of \$4,160. Notes receivable are reported net of a \$43,482 allowance for doubtful notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount consists of \$662,130 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$495,464 due from Federal and State agencies for contracts and grants.

6. INVENTORIES

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

7. CAPITAL ASSETS

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

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 10,562,860	\$	\$	\$ 10,562,860
Construction in Progress	21,764,644	2,762,796		24,527,440
Total Nondepreciable Capital Assets	\$ 32,327,504	\$ 2,762,796	\$	\$ 35,090,300
Depreciable Capital Assets:				
Buildings	\$ 129,111,361	\$	\$	\$ 129,111,361
Other Structures and Improvements	10,498,298	900,796		11,399,094
Furniture, Machinery, and Equipment	9,978,635	1,914,516	532,071	11,361,080
Assets Under Capital Lease	3,693,246		992,177	2,701,069
Total Depreciable Capital Assets	153,281,540	2,815,312	1,524,248	154,572,604
Less, Accumulated Depreciation:				
Buildings	39,273,361	3,111,066		42,384,427
Other Structures and Improvements	9,491,133	316,762	176,461	9,631,434
Furniture, Machinery, and Equipment	6,752,740	1,550,544	532,071	7,771,213
Assets Under Capital Lease	2,072,604	270,107	992,177	1,350,534
Total Accumulated Depreciation	57,589,838	5,248,479	1,700,709	61,137,608
Total Depreciable Capital Assets, Net	\$ 95,691,702	\$ (2,433,167)	\$ (176,461)	\$ 93,434,996

Note: (1) Additions to accumulated depreciation does not agree to depreciation expense on the statement of revenues, expenses, and changes in net assets as \$992,174 of accumulated depreciation was transferred from assets under capital lease to furniture, machinery, and equipment.

8. DEFERRED REVENUE

Deferred revenue includes advance funding for contracts and grants and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2012, the College reported the following amounts as deferred revenue:

Description	Amount
Contracts and Grants	\$ 767,733
Student Tuition and Fees	13,926
Total Deferred Revenue	\$ 781,659

9. LONG-TERM LIABILITIES

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

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 15,775,000	\$	\$ 685,000	\$ 15,090,000	\$ 715,000
Capital Lease Payable	2,062,314		243,446	1,818,868	261,022
Special Termination Benefits Payable	587,027	326,019	299,936	613,110	217,900
Compensated Absences Payable	5,823,621	754,550	508,743	6,069,428	554,206
Other Long-Term Liabilities	487,919	17,662		505,581	71,951
Other Postemployment Benefits Payable	1,479,967	524,948	135,157	1,869,758	
Total Long-Term Liabilities	\$ 26,215,848	\$ 1,623,179	\$ 1,872,282	\$ 25,966,745	\$ 1,820,079

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

- State Board of Education (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 State Board of Administration (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.

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2005A	\$ 755,000	5.0	2017
Series 2009A	2,575,000	4.0 - 5.0	2029
Series 2010A	555,000	3.5 - 5.0	2030
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2006A	11,205,000	3.5 - 5.0	2027
Total	\$ 15,090,000		

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

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	\$ 715,000	\$ 666,338	\$ 1,381,338
2014	745,000	635,788	1,380,788
2015	780,000	603,288	1,383,288
2016	815,000	569,238	1,384,238
2017	845,000	533,538	1,378,538
2018-2022	4,075,000	2,080,786	6,155,786
2023-2027	5,455,000	956,699	6,411,699
2028-2030	1,660,000	64,350	1,724,350
Total	\$ 15,090,000	\$ 6,110,025	\$ 21,200,025

Mortgage Note Payable- Component Unit. The Public Safety Academy Housing, Inc., executed a mortgage note payable on May 21, 2004, to construct a housing facility to provide short-term lodging for students of the College’s Florida Public Safety Institute. The amount of the note is \$9 million and bears interest at a variable rate, currently 5.45 percent. The note is collateralized by a leasehold mortgage in real estate, a first priority security interest in all personal property located at the facility, and the assignment of rents derived from the operation of the housing facility. Annual requirements to amortize the outstanding note at March 31, 2012, are as follows:

Fiscal Year Ending March 31	Mortgage Note Payable		
	Principal	Interest	Total
2013	\$ 331,981	\$ 379,241	\$ 711,222
2014	381,115	358,798	739,913
2015	402,715	337,198	739,913
2016	424,709	315,204	739,913
2017	449,612	290,301	739,913
2018-2022	2,659,851	1,039,714	3,699,565
2023-2026	2,346,135	238,123	2,584,258
Total	\$ 6,996,118	\$ 2,958,579	\$ 9,954,697

Capital Lease Payable. Energy savings equipment in the amount of \$2,701,069 is being acquired under a capital lease agreement. The stated interest rate is 3.5 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2012, are as follows:

TALLAHASSEE COMMUNITY COLLEGE
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<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2013	\$ 332,578
2014	342,274
2015	352,255
2016	362,530
2017	369,437
2018	<u>300,088</u>
Total Minimum Payments	2,059,162
Less, Amount Representing Interest	<u>(240,294)</u>
Present Value of Minimum Payments	<u>\$ 1,818,868</u>

Special Termination Benefits Payable. Under a Board-established Retirement Incentive Program, employees who were hired prior to July 1, 1995, and elect to retire within 36 months from the achievement of normal retirement, as defined in Sections 121.091, Florida Statutes, receive an incentive payment of 10 percent based on their salary at retirement. In addition, the employee receives payment for a maximum of 1,440 hours of sick leave. The College reported a special termination benefits payable of \$613,110 as of June 30, 2012, for 23 employees who gave notice to retire under the Retirement Incentive Program, of which \$217,900 represents the current portion.

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2012, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$6,069,428. The current portion of the compensated absences liability, \$554,206, is the amount expected to be paid in the coming fiscal year, and is calculated as a percentage of total liability, based on the average ratio of employees who terminated service to total number of authorized positions for each of the preceding five years.

Other Long-Term Liabilities. Under a Board-established policy, new employees in executive/administrative, managerial/professional, and classified staff positions have six days of pay withheld from the first pay period until their employment at the College is concluded. The six days of pay is paid in the employee's last paycheck. At June 30, 2012, the College reported a total liability of \$451,660 for salaries withheld from employees. In addition, the College reported other deposits held for others totaling \$53,921. Of these amounts, \$71,951 is considered a current liability as this is expected to be paid in the coming year.

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

**TALLAHASSEE COMMUNITY COLLEGE
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JUNE 30, 2012**

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 health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the Plan and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to 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, 162 retirees received postemployment healthcare benefits, and 101 retirees received postemployment life insurance benefits. The College provided required contributions of \$135,157 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 \$812,270.

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)	\$ 335,524
Amortization of Unfunded Actuarial Accrued Liability	<u>179,557</u>
Annual Required Contribution	515,081
Interest on Net OPEB Obligation	59,199
Adjustment to Annual Required Contribution	<u>(49,332)</u>
Annual OPEB Cost (Expense)	524,948
Contribution Toward the OPEB Cost	<u>(135,157)</u>
Increase in Net OPEB Obligation	389,791
Net OPEB Obligation, Beginning of Year	<u>1,479,967</u>
Net OPEB Obligation, End of Year	<u>\$ 1,869,758</u>

**TALLAHASSEE COMMUNITY COLLEGE
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JUNE 30, 2012**

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	\$ 875,476	23.0%	\$ 835,842
2010-11	873,391	26.3%	1,479,967
2011-12	524,948	25.7%	1,869,758

Funded Status and Funding Progress. As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$5,386,710 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$5,386,710 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$37,835,863 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.2 percent.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs 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. 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 payroll amortized over 30 years. The remaining amortization period at June 30, 2012, was 25 years.

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

10. RETIREMENT PROGRAMS

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

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, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of 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.

**TALLAHASSEE COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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
Florida Retirement System, Special Risk	3.00	14.10
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 \$3,508,971, \$3,675,082, and \$2,674,548, respectively, which were equal to the required contributions for each fiscal year.

There were 214 College participants in the Investment Plan during the 2011-12 fiscal year. The College’s contributions including employee contributions to the Investment Plan totaled \$647,468, 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

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

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 44 College participants during the 2011-12 fiscal year. The College’s contributions to the Program totaled \$237,668 and employee contributions totaled \$95,963 for the 2011-12 fiscal year.

11. CONSTRUCTION COMMITMENTS

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Ghazvini Center for Healthcare Education:			
General Contractor	\$ 17,966,305	\$ 17,237,253	\$ 729,052
Architect/Others	7,793,087	7,290,187	502,900
Total	\$ 25,759,392	\$ 24,527,440	\$ 1,231,952

12. RISK MANAGEMENT PROGRAMS

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

13. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are

**TALLAHASSEE COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012**

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	\$ 33,647,540
Public Services	8,761,628
Academic Support	20,309,383
Student Services	21,241,615
Institutional Support	9,501,600
Operation and Maintenance of Plant	9,453,088
Scholarships and Waivers	22,904,017
Depreciation	4,256,305
Auxiliary Enterprises	3,605,976
Total Operating Expenses	\$ 133,681,152

14. COMPONENT UNITS

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

TALLAHASSEE COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

	Direct-Support Organizations			Total
	Tallahassee Community College Foundation, Inc. 3-31-12	Public Safety Academy Housing, Inc. 3-31-12	Tallahassee Community College Housing, Inc. 7-31-11 (1)	
Condensed Statement of Net Assets				
Assets:				
Current Assets	\$ 5,484,138	\$ 7,000	\$	\$ 5,491,138
Capital Assets, Net		6,800,880		6,800,880
Other Noncurrent Assets	9,774,245	122,859		9,897,104
Total Assets	15,258,383	6,930,739		22,189,122
Liabilities:				
Current Liabilities	37,579	331,981		369,560
Noncurrent Liabilities		6,664,137		6,664,137
Total Liabilities	37,579	6,996,118		7,033,697
Net Assets:				
Invested in Capital Assets, Net of Related Debt		(72,379)		(72,379)
Restricted	14,269,712			14,269,712
Unrestricted	951,092	7,000		958,092
Total Net Assets	\$ 15,220,804	\$ (65,379)	\$	\$ 15,155,425
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	\$ 2,169,487	\$ 748,413	\$	\$ 2,917,900
Operating Expenses	(1,752,515)	(229,007)	(35,262)	(2,016,784)
Operating Income	416,972	519,406	(35,262)	901,116
Net Nonoperating Revenues (Expenses)	262,503	(398,173)	62	(135,608)
Increase (Decrease) in Net Assets	679,475	121,233	(35,200)	765,508
Net Assets, Beginning of Year	14,541,329	(186,612)	35,200	14,389,917
Net Assets, End of Year	\$ 15,220,804	\$ (65,379)	\$	\$ 15,155,425

Note: (1) Tallahassee Community College Housing, Inc., was dissolved by the Board during the 2011-12 fiscal year. Transactions are reported for the one-month period ended July 31, 2011.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 2,312,907	\$ 2,312,907	0%	\$ 50,538,709	4.6%
7/1/2009		8,025,892	8,025,892	0%	39,111,832	20.5%
7/1/2011		5,386,710	5,386,710	0%	37,835,863	14.2%

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

**TALLAHASSEE 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 \$5,386,710 was significantly lower than the July 1, 2009, liability of \$8,025,892 primarily due to:

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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