

**SEMINOLE STATE COLLEGE OF
FLORIDA**

Financial Audit

For the Fiscal Year Ended
June 30, 2013



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2012-13 fiscal year are listed below:

Scott D. Howat, Chair
Cynthia L. Drago, Vice Chair (1)
Jeffrey M. Bauer
Wendy H. Brandon
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Dr. E. Ann McGee, President

Notes: (1) Board member served beyond the end of term, May 31, 2013.

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 was conducted by Keith A. Wolfe, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

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) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

SEMINOLE STATE COLLEGE OF FLORIDA
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2013. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2014-022.

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

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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

Report on the Financial Statements

We have audited the accompanying financial statements of Seminole State College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Seminole State College of Florida and of its discretely presented component unit as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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.

Other Reporting Required by Government Auditing Standards

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
January 24, 2014

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, 2013, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College and its component unit the Foundation for Seminole State College of Florida, Inc., for the fiscal years ended June 30, 2013, and June 30, 2012.

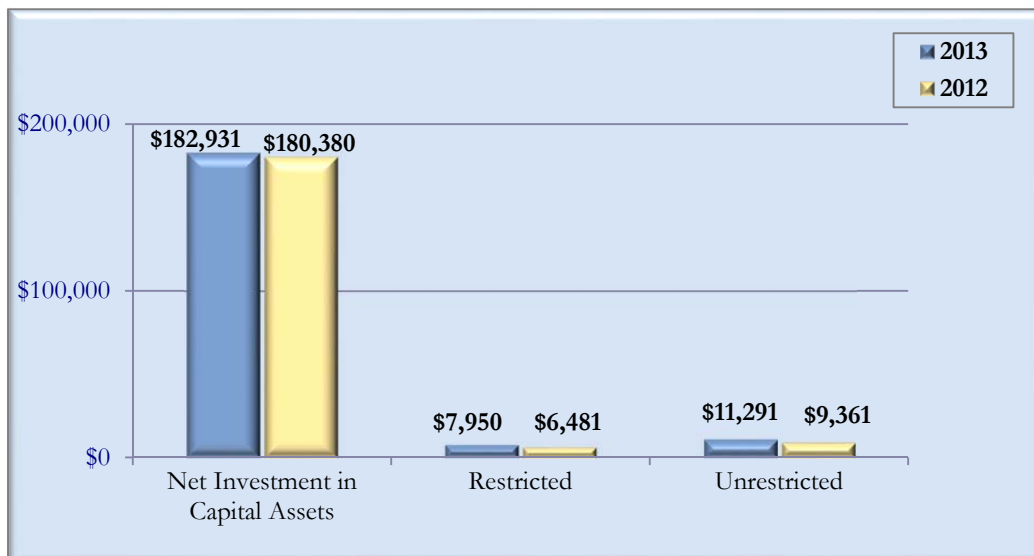
FINANCIAL HIGHLIGHTS

The College’s assets totaled \$217.1 million at June 30, 2013. This balance reflects a \$2.3 million, or 1.1 percent, decrease as compared to the 2011-12 fiscal year, resulting from a \$5 million reduction in capital assets, offset by increases in both current and other noncurrent assets. Liabilities decreased by \$8.3 million, or 35.6 percent, totaling \$14.9 million at June 30, 2013, compared to \$23.2 million at June 30, 2012. The liabilities decreased as a result of a reduction in capital related payables, as well as the early payoff of a loan related to the acquisition of property adjacent to the Altamonte Springs Campus. As a result, the College’s net position increased by \$6 million, resulting in a year-end balance of \$202.2 million.

The College’s operating revenues totaled \$32.4 million for the 2012-13 fiscal year, representing a 7.5 percent increase as compared to the 2011-12 fiscal year due mainly to tuition revenue increases. Operating expenses totaled \$115.2 million for the 2012-13 fiscal year, representing a decrease of 2.4 percent as compared to the 2011-12 fiscal year due mainly to decreases in materials and supplies and scholarship expenses, offset by an increase in personnel costs.

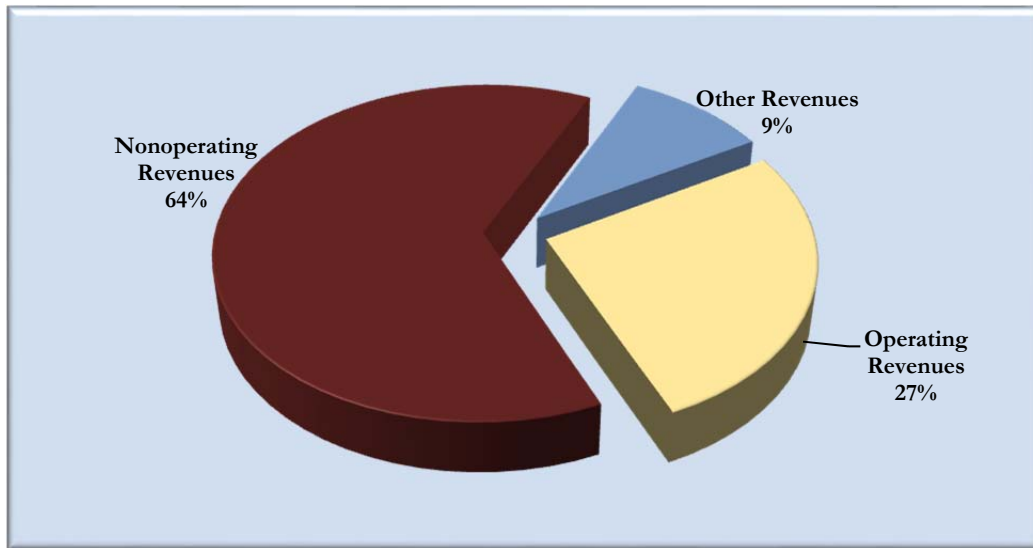
Net position represents the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net position by category for the fiscal years ended June 30, 2013, and 2012, is shown in the following graph:

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



The following chart provides a graphical presentation of College revenues by category for the 2012-13 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 position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College’s finances, and include activities for the following entities:

- Seminole State College of Florida (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Foundation for Seminole State College, 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 POSITION

The statement of net position reflects the assets and liabilities of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. Assets less liabilities equal net position, which is one indicator of the College’s current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the College’s financial condition.

A condensed statement of assets, liabilities, and net position of the College and its component unit as of June 30, 2013, and June 30, 2012, is shown in the following table:

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

	College		Component Unit	
	6-30-13	6-30-12	6-30-13	6-30-12
Assets				
Current Assets	\$ 20,597	\$ 18,375	\$ 3,844	\$ 1,395
Capital Assets, Net	189,000	194,000	894	872
Other Noncurrent Assets	7,479	7,007	12,834	14,447
Total Assets	<u>217,076</u>	<u>219,382</u>	<u>17,572</u>	<u>16,714</u>
Liabilities				
Current Liabilities	3,367	6,018	320	59
Noncurrent Liabilities	11,537	17,142	102	302
Total Liabilities	<u>14,904</u>	<u>23,160</u>	<u>422</u>	<u>361</u>
Net Position				
Net Investment in Capital Assets	182,931	180,380	792	570
Restricted	7,950	6,481	15,704	15,264
Unrestricted	11,291	9,361	654	519
Total Net Position	<u>\$ 202,172</u>	<u>\$ 196,222</u>	<u>\$ 17,150</u>	<u>\$ 16,353</u>

Total assets decreased primarily as a result of a \$5 million reduction in capital assets, partially offset by increases in current and other noncurrent assets. The increase in current assets is primarily due to the prepayment for property/casualty/workers compensation insurance premiums and increased accounts receivable balances. Total liabilities decreased from the prior fiscal year due to an early payoff of the loan related to the acquisition of property adjacent to the Altamonte Springs Campus, as well as a decrease in capital related payables.

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

The statement of revenues, expenses, and changes in net position presents the College's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the activities of the College and its component unit for the 2012-13 and 2011-12 fiscal years:

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

	College		Component Unit	
	6-30-13	6-30-12	6-30-13	6-30-12
Operating Revenues	\$ 32,361	\$ 30,105	\$ 1,719	\$ 4,907
Less, Operating Expenses	115,171	118,012	2,262	1,609
Operating Income (Loss)	(82,810)	(87,907)	(543)	3,298
Net Nonoperating Revenues	77,116	81,153	1,340	670
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(5,694)	(6,754)	797	3,968
Other Revenues	11,644	4,942		
Net Increase (Decrease) In Net Position	5,950	(1,812)	797	3,968
Net Position, Beginning of Year	196,222	198,034	16,353	12,385
Net Position, End of Year	\$ 202,172	\$ 196,222	\$ 17,150	\$ 16,353

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.

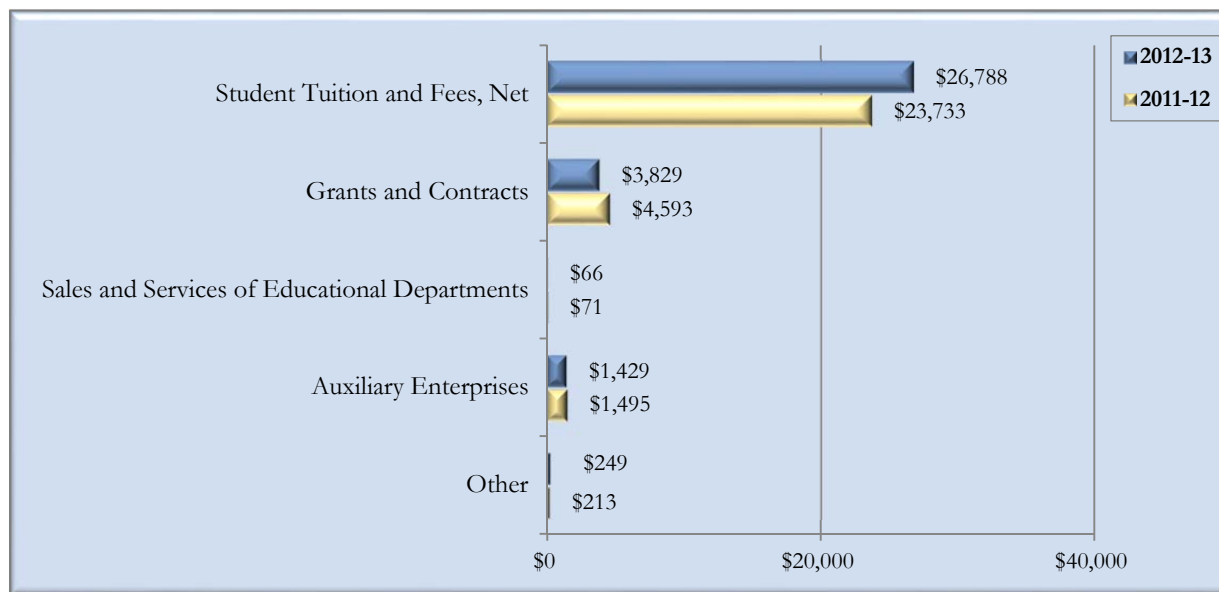
The following summarizes the operating revenues for the College and its component units by source that were used to fund operating activities for the 2012-13 and 2011-12 fiscal years:

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

	College		Component Unit	
	6-30-13	6-30-12	6-30-13	6-30-12
Student Tuition and Fees, Net	\$ 26,788	\$ 23,733	\$	\$
Grants and Contracts	3,829	4,593		
Sales and Services of Educational Departments	66	71		
Auxiliary Enterprises	1,429	1,495		
Other	249	213	1,719	4,907
Total Operating Revenues	\$ 32,361	\$ 30,105	\$ 1,719	\$ 4,907

The following chart presents the College’s operating revenues for the 2012-13 and 2011-12 fiscal years:

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



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

- Student tuition and fees increased \$3.1 million, or 12.9 percent, due to a decrease in the number of Federal Pell grant eligible students, which equates to a lesser scholarship allowance offset against tuition revenues.
- Grants and contracts revenues decreased by \$0.8 million, or 16.6 percent, primarily due to reduced levels of Federal job training grants. Additionally, State operating grants decreased primarily due to the State’s termination of funding for the Displaced Homemaker grant. While both Federal and State operating grants decreased, certain non-governmental grants increased over the prior fiscal year due to private grants for the Planetarium and healthcare programs.

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 position and has displayed the functional classification in the notes to financial statements.

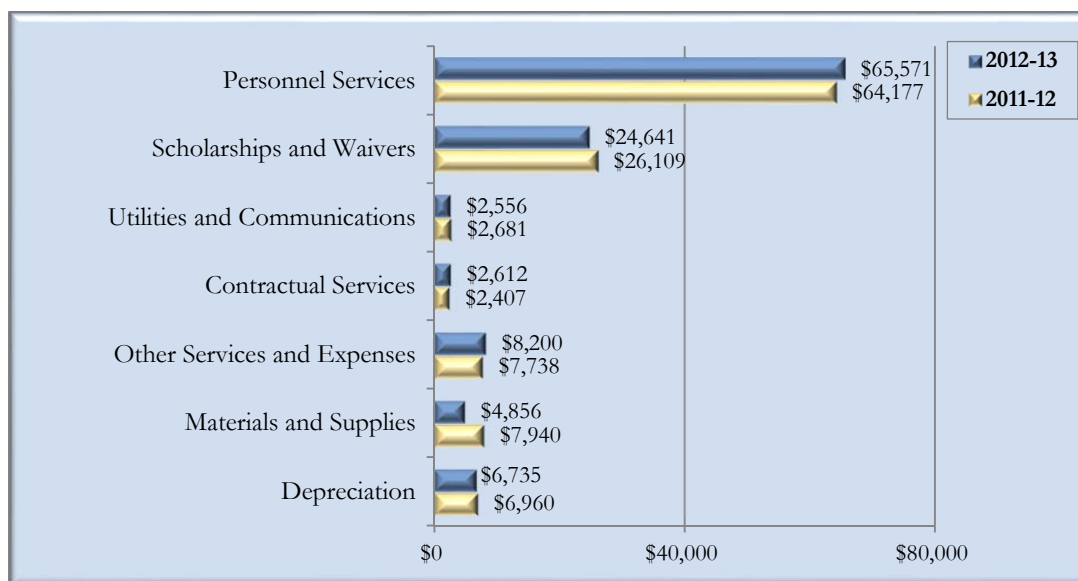
The following summarizes operating expenses by natural classification for the College and its component unit for the 2012-13 and 2011-12 fiscal years:

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

	College		Component Unit	
	6-30-13	6-30-12	6-30-13	6-30-12
Personnel Services	\$ 65,571	\$ 64,177	\$ 527	\$ 512
Scholarships and Waivers	24,641	26,109	1,429	880
Utilities and Communications	2,556	2,681		
Contractual Services	2,612	2,407	194	108
Other Services and Expenses	8,200	7,738	76	77
Materials and Supplies	4,856	7,940	36	32
Depreciation	6,735	6,960		
Total Operating Expenses	\$ 115,171	\$ 118,012	\$ 2,262	\$ 1,609

The following chart presents the College’s operating expenses for the 2012-13 and 2011-12 fiscal years:

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



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

- Personnel expenses increased \$1.4 million, or 2.2 percent, primarily due to higher compensation costs in the instructional and professional pay groups as well as increases in health insurance premiums, offset with a decrease in the compensated absences expenses.
- Materials and supplies expenses decreased \$3.1 million, or 38.8 percent, as compared to the prior fiscal year due to decreases in purchases of minor equipment and noncapitalized renovations.
- Scholarships and waivers decreased \$1.5 million, or 5.6 percent, primarily due to reduced Federal Pell grant awards.

Nonoperating Revenues and Expenses

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 and expenses for the 2012-13 and 2011-12 fiscal years:

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

	2012-13	2011-12
State Noncapital Appropriations	\$37,211	\$35,743
Federal and State Student Financial Aid	40,132	46,241
Gifts and Grants	6	
Investment Income	93	119
Other Nonoperating Revenues	29	30
Interest on Capital Asset-Related Debt	(355)	(980)
Net Nonoperating Revenues	\$77,116	\$81,153

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

- State noncapital appropriations increased \$1.5 million, or 4.1 percent, due to a nonrecurring appropriation for healthcare program expansions.
- Federal and State student financial aid decreased \$6.1 million, or 13.2 percent, primarily due to decreases in Federal Pell awards as a result of decreased enrollment of students eligible for Federal Pell awards.
- Interest on capital asset-related debt decreased \$0.6 million, or 63.8 percent, as a result of the early payoff of the loan on the property adjacent to the Altamonte Springs Campus during the 2012-13 fiscal year, and an early payoff of the Energy Management System loan during the 2011-12 fiscal year.

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 2012-13 and 2011-12 fiscal years:

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

	2012-13	2011-12
State Capital Appropriations	\$ 8,219	\$ 1,413
Capital Grants, Contracts, Gifts, and Fees	3,425	3,529
Total	\$11,644	\$ 4,942

Other revenues, expenses, gains, or losses changes were primarily the result of an increase in State capital appropriations for funding the acquisition of the property adjacent to the Altamonte Springs Campus.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the College’s financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College’s ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities

show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

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.

The following summarizes the College's cash flows for the 2012-13 and 2011-12 fiscal years:

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

	2012-13	2011-12
Cash Provided (Used) by:		
Operating Activities	\$(77,371)	\$(79,404)
Noncapital Financing Activities	77,327	82,048
Capital and Related Financing Activities	1,161	(6,161)
Investing Activities	105	473
Net Increase (Decrease) in Cash and Cash Equivalents	1,222	(3,044)
Cash and Cash Equivalents, Beginning of Year	19,540	22,584
Cash and Cash Equivalents, End of Year	\$ 20,762	\$ 19,540

Major sources of funds came from net tuition and fees (\$26.3 million), State noncapital appropriations (\$37.2 million), State capital appropriations (\$8.3 million) and Federal and State financial aid grants and Federal Direct Student Loan program receipts (\$84 million). Major uses of funds were for payments to employees (\$54.3 million), disbursements to students for Federal Direct Student Loans (\$43.9 million), payment for scholarships (\$24.6 million), payments to suppliers (\$16.6 million), payments for employee benefits (\$10.8 million), and for principal paid on capital debt and leases (\$7.6 million).

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

- Operating activities used \$2 million less cash compared to the prior fiscal year. While payments to employees utilized more cash than in the prior fiscal year, and cash inflows for grants and contracts decreased, these decreases were offset by an increase in cash inflows from net tuition and fees, as well as, reduced outflows for scholarship payments.
- Noncapital financing cash flows decreased by \$4.7 million primarily as a result of a decrease in Federal and State financial aid, which was offset by an increase in State noncapital appropriations inflows.
- Cash flows from capital and related financing increased by \$7.3 million as a result of increased capital appropriations from the State related to the acquisition of the Altamonte Springs property, which was offset by a decrease in debt proceeds related to a bank loan procured in the prior fiscal year. Additionally there was a decrease in cash outflows for the purchases of capital assets and an increase in cash outflows for debt principal payments related to the early payoff of the bank loan procured in the prior fiscal year.
- The cash flows from investing activities are the result of interest income earned on the College's demand deposits in the bank and with the State's Special Purpose Investment Account. In the prior fiscal year, refunding bond proceeds were deposited with a fiscal agent and used to pay the SBE Capital Outlay Bonds, Series 2002B when called in January 2013. This resulted in a \$0.4 million decrease in cash inflows from investing activities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2013, the College had \$254.4 million in capital assets, less accumulated depreciation of \$65.4 million, for net capital assets of \$189 million. Depreciation charges for the current fiscal year totaled \$6.7 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

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

<u>Capital Assets</u>	<u>2013</u>	<u>2012</u>
Land	\$ 32,365	\$ 32,365
Construction in Progress	250	3,838
Buildings	146,416	145,866
Other Structures and Improvements	7,285	8,365
Furniture, Machinery, and Equipment	1,042	1,333
Assets Under Capital Leases	497	803
Leasehold Improvements	1,145	1,430
Capital Assets, Net	<u>\$189,000</u>	<u>\$ 194,000</u>

CAPITAL EXPENSES AND COMMITMENTS

Capital expenses through June 30, 2013, were incurred on the following projects:

- Renovation of F Building faculty offices totaling \$1 million.
- Payments of \$0.2 million for the final closeout of the University Partnership Building.
- Payments totaling \$0.2 million for the construction of a baseball practice facility.

All the above projects were accounted for as construction in progress and upon completion were capitalized as additions to buildings in the 2012-13 fiscal year. The College did not have any major capital commitments at June 30, 2013.

DEBT ADMINISTRATION

As of June 30, 2013, the College had \$6.1 million in outstanding bonds payable and a capital lease payable, representing a decrease of \$7.6 million, or 55.5 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2013, and June 30, 2012:

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

	<u>2013</u>	<u>2012</u>
Bonds Payable	\$ 5,570	\$ 6,045
Loan Payable		6,775
Capital Lease Payable	498	801
Total	<u>\$ 6,068</u>	<u>\$13,621</u>

During the 2012-13 fiscal year, there were no bond sales and debt payments totaled \$7.6 million, including the early payoff of the loan payable. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The 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, a modest increase in State funding is anticipated in the 2013-14 fiscal year. In similar fashion, changes in the unemployment rate correlate to changes in enrollment at Seminole State College of Florida. The modest reduction in the unemployment rate in Central Florida is anticipated to result in a modest decrease in enrollment; and the Board of Trustees decided to maintain the current rate of tuition and fees paid by students. Therefore, the College anticipates no significant change in total operating revenues during the 2013-14 fiscal year. In response to no change in anticipated revenues, the Board of Trustees will utilize \$1.5 million of unrestricted fund balance to support new baccalaureate degree programs while maintaining current levels of operation and service.

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

SEMINOLE STATE COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET POSITION June 30, 2013

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 11,104,572	\$ 4,651
Restricted Cash and Cash Equivalents	2,225,797	3,626,063
Accounts Receivable, Net	4,654,543	212,597
Notes Receivable, Net	208,934	
Due from Other Governmental Agencies	1,291,864	
Due from Component Unit	256,784	
Prepaid Expenses	854,199	
Other Assets		1,000
Total Current Assets	20,596,693	3,844,311
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	7,431,707	
Investments		608,527
Restricted Investments	47,638	10,888,549
Depreciable Capital Assets, Net	156,385,050	
Nondepreciable Capital Assets	32,614,704	893,599
Other Assets		1,336,832
Total Noncurrent Assets	196,479,099	13,727,507
TOTAL ASSETS	217,075,792	17,571,818
LIABILITIES		
Current Liabilities:		
Accounts Payable	988,831	8,689
Salary and Payroll Taxes Payable	1,300,335	
Due to Other Governmental Agencies	3,140	
Due to College		256,784
Unearned Revenue	14,216	
Deposits Held for Others	284,822	54,772
Long-Term Liabilities - Current Portion:		
Bonds Payable	485,000	
Capital Lease Payable	161,253	
Compensated Absences Payable	129,056	
Total Current Liabilities	3,366,653	320,245
Noncurrent Liabilities:		
Bonds Payable	5,085,000	
Notes Payable		102,083
Capital Lease Payable	336,926	
Compensated Absences Payable	5,647,127	
Other Postemployment Benefits Payable	468,050	
Total Noncurrent Liabilities	11,537,103	102,083
TOTAL LIABILITIES	14,903,756	422,328

**SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2013**

	College	Component Unit
NET POSITION		
Net Investment in Capital Assets	\$ 182,931,575	\$ 791,516
Restricted:		
Nonexpendable:		
Endowment		5,900,719
Expendable:		
Grants and Loans	2,147,794	
Scholarships	637,704	9,803,287
Capital Projects	5,116,722	
Debt Service	47,638	
Other		
Unrestricted	11,290,603	653,968
TOTAL NET POSITION	\$ 202,172,036	\$ 17,149,490

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

SEMINOLE STATE COLLEGE of FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2013

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$17,749,952	\$ 26,788,466	\$
Federal Grants and Contracts	2,526,436	
State and Local Grants and Contracts	463,755	
Nongovernmental Grants and Contracts	838,706	
Sales and Services of Educational Departments	65,905	
Auxiliary Enterprises	1,428,873	
Other Operating Revenues	248,893	1,719,421
Total Operating Revenues	32,361,034	1,719,421
EXPENSES		
Operating Expenses:		
Personnel Services	65,571,421	526,784
Scholarships and Waivers	24,640,676	1,429,565
Utilities and Communications	2,555,508	
Contractual Services	2,612,151	194,054
Other Services and Expenses	8,199,899	76,282
Materials and Supplies	4,856,342	35,782
Depreciation	6,735,127	
Total Operating Expenses	115,171,124	2,262,467
Operating Loss	(82,810,090)	(543,046)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	37,211,411	69,016
Federal and State Student Financial Aid	40,131,544	
Gifts and Grants	6,000	148,331
Investment Income	92,645	484,221
Net Gain on Investments		638,086
Other Nonoperating Revenues	28,644	
Interest on Capital Asset-Related Debt	(354,514)	
Net Nonoperating Revenues	77,115,730	1,339,654
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(5,694,360)	796,608
State Capital Appropriations	8,219,407	
Capital Grants, Contracts, Gifts, and Fees	3,425,081	
Total Other Revenues	11,644,488	
Increase in Net Position	5,950,128	796,608
Net Position, Beginning of Year	196,221,908	16,352,882
Net Position, End of Year	\$ 202,172,036	\$ 17,149,490

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

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2013

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 26,338,186
Grants and Contracts	3,686,703
Payments to Suppliers	(16,600,414)
Payments for Utilities and Communications	(2,519,070)
Payments to Employees	(54,290,336)
Payments for Employee Benefits	(10,830,294)
Payments for Scholarships	(24,614,698)
Loans Issued to Students	(555,659)
Collection on Loans to Students	402,494
Auxiliary Enterprises	1,291,564
Sales and Service of Educational Departments	63,336
Other Receipts	257,032
	(77,371,156)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	37,211,411
Federal and State Student Financial Aid	40,131,544
Federal Direct Loan Program Receipts	43,832,302
Federal Direct Loan Program Disbursements	(43,854,769)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	6,000
	77,326,488
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	8,324,653
Capital Grants and Gifts	3,425,081
Proceeds from Sale of Capital Assets	28,644
Purchases of Capital Assets	(2,648,498)
Principal Paid on Capital Debt and Leases	(7,552,072)
Interest Paid on Capital Debt and Leases	(416,500)
	1,161,308
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	12,287
Investment Income	92,645
	104,932
Net Increase in Cash and Cash Equivalents	1,221,572
Cash and Cash Equivalents, Beginning of Year	19,540,504
	\$ 20,762,076

**SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2013**

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (82,810,090)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,735,127
Changes in Assets and Liabilities:	
Receivables, Net	(864,943)
Due From Other Governmental Agencies	12,521
Prepaid Expenses	(810,683)
Accounts Payable	(69,875)
Salaries and Payroll Taxes Payable	139,619
Unearned Revenue	1,063
Deposits Held for Others	2,069
Compensated Absences Payable	117,452
Other Postemployment Benefits Payable	176,584
	<u>176,584</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (77,371,156)</u>

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

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Foundation for Seminole State College of Florida, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2013.

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

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

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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 Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - 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 follows GASB standards of accounting and financial reporting.

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

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, gifts and grants, investment income, and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

The statement of net position 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 position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College determines its scholarship allowance by

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

identifying those student transactions where the student's classes were paid by an applicable financial aid resource. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fees revenues.

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

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

At June 30, 2013, the College reported as cash equivalents at fair value \$4,288,695 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.65 years, and had a fair value factor of 0.9975 at June 30, 2013. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2013, the College also reported as cash equivalents at fair value \$5,013,442 in a money market account. The funds invested in the money market account carried a credit rating of AAAM by Standard and Poor's.

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

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:

**SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

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

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

2. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the State Board of Administration (SBA); interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education (SBE) Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments.

Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

State Board of Administration Debt Service Accounts

The College reported investments totaling \$47,638 at June 30, 2013, 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 of the Foundation, consist of corporate bonds, foreign bonds, domestic and international equities, real estate investment trusts, United States mortgage-backed securities, and mutual funds. Investment held by the Foundation at June 30, 2013, are reported at fair value, as follows:

**SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

Investment	Average Maturity	Credit Quality Rating	Fair Value
Corporate Bonds	7.25 years	Aa3-B1	\$ 1,460,789
Foreign Bonds	2.43 months	AAA-AA	376,571
US Mortgage-Backed Securities	8.17 years	(1)	82,743
Mutual Funds	N/A	(2)	3,982,794
Domestic Equities	N/A	(2)	4,646,709
International Equities	N/A	(2)	574,533
Real Estate Investment Trusts	N/A	(2)	372,937
Total Foundation Investments			\$ 11,497,076

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

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

The goal of the Foundation's investment program for endowments is set forth in the investment policy as approved by the Foundation's Board of Directors and Finance Committee. The objective is to provide a steady growing income stream to support the Foundation's mission while providing sufficient reinvestment to protect the endowment from inflation. For investments of endowed funds, the investment policy includes target allocations of 55 percent equities, with an allowable range of 15 to 70 percent, (at least 15 percent of the total manage portfolio must be domestic; up to 25 percent of the total managed portfolio can be international), a target allocation of 30 percent fixed income, with an allowable range of 30 to 85 percent, and a target allocation of 15 percent alternative investments, with a maximum of 25 percent. For investments of non-endowed funds, the investment policy includes target allocations of 25 percent equities, with a maximum of 30 percent (up to 15 percent of the total managed portfolio can be international), a target allocation of 75 percent fixed income, with an allowable range of 70 to 100 percent, and a target allocation of zero percent alternative investments, with a maximum of 5 percent. The Foundation is in compliance with its investment policy for the year ended June 30, 2013.

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

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

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation maintains investment accounts with stock brokerage firms. The accounts contain cash and securities. At June 30, 2013, approximately \$2,536,000 of cash equivalents in these

**SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

accounts was not insured. The Florida Security for Public Deposits Act establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements, and characteristics of eligible collateral. Under the Act, Foundation deposits in qualified public depositories are fully insured. The qualified public depository must pledge at least 50 percent of the daily balance for a month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer.

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

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates between the United States dollar and foreign currencies could adversely affect an investment's fair value. The Foundation's investment policy limits its foreign investments to stocks and bonds of non-United States companies not to exceed 25 percent of the total managed portfolio for endowed funds and up to 15 percent of the total managed non-endowed funds. At June 30, 2013, the Foundation had \$376,571 in foreign fixed income bonds.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for bookstore, food service and vending machine sales, payroll receivables, returned checks, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$1,982,791 allowance for doubtful accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under a short-term loan program of \$244,600. Notes receivable are reported net of a \$35,666 allowance for doubtful notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount consists of \$210,560 of Public Education Capital Outlay allocations due from the State for renovation, repair, and remodeling of College facilities, and \$1,081,304 due from Federal, State, and local agencies for student fees or other contractual obligations.

6. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The \$256,784 reported as due from component unit consists of amounts owed to the College by the Foundation for scholarships, student aid, and other contractual obligations.

SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

7. CAPITAL ASSETS

Capital assets activity of the College for the fiscal year ended June 30, 2013, is shown below:

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 32,364,540	\$	\$	\$	\$ 32,364,540
Construction in Progress	3,838,029		1,418,223	5,006,088	250,164
Total Nondepreciable Capital Assets	\$ 36,202,569	\$	\$ 1,418,223	\$ 5,006,088	\$ 32,614,704
Depreciable Capital Assets:					
Buildings	\$ 183,794,157	\$	\$ 5,027,204	\$ 422,312	\$ 188,399,049
Other Structures and Improvements	16,391,794				16,391,794
Furniture, Machinery, and Equipment	9,030,735	1,585,050	316,875	1,506,204	9,426,456
Assets Under Capital Lease	2,413,805	(1,585,050)			828,755
Leasehold Improvements	3,097,419				3,097,419
Computer Software	3,595,938				3,595,938
Total Depreciable Capital Assets	218,323,848		5,344,079	1,928,516	221,739,411
Less, Accumulated Depreciation:					
Buildings	37,928,338		4,456,005	401,197	41,983,146
Other Structures and Improvements	8,027,327		1,079,746		9,107,073
Furniture, Machinery, and Equipment	7,697,730	1,585,050	607,796	1,506,204	8,384,372
Assets Under Capital Lease	1,610,728	(1,585,050)	305,411		331,089
Leasehold Improvements	1,666,575		286,168		1,952,743
Computer Software	3,595,937		1		3,595,938
Total Accumulated Depreciation	60,526,635		6,735,127	1,907,401	65,354,361
Total Depreciable Capital Assets, Net	\$ 157,797,213	\$	\$ (1,391,048)	\$ 21,115	\$ 156,385,050

Note: (1) The College reclassified certain property reported as property under capital lease to furniture, machinery, and equipment during the 2012-13 fiscal year.

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2013, include bonds payable, capital lease payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2013, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 6,045,000	\$	\$ 475,000	\$ 5,570,000	\$ 485,000
Loan Payable	6,774,559		6,774,559		
Capital Lease Payable	800,692		302,513	498,179	161,253
Compensated Absences Payable	5,658,731	592,131	474,679	5,776,183	129,056
Other Postemployment Benefits Payable	291,466	236,134	59,550	468,050	
Total Long-Term Liabilities	\$ 19,570,448	\$ 828,265	\$ 8,086,301	\$ 12,312,412	\$ 775,309

**SEMINOLE STATE COLLEGE OF FLORIDA
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

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

- **SBE Capital Outlay Bonds.** The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College’s portion of the State-assessed motor vehicle license tax and by the State’s full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.
- **Capital Improvement Revenue Bonds, Series 2006A.** These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and Section 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Section 1009.23(11), Florida Statutes, by the Series 2006A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2006A bonds. The Series 2006A bonds constitute the first series of bonds to be issued pursuant to a Master Authorizing Resolution. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all colleges participating in any series of bonds then outstanding. The Series 2006A bonds will share the lien of such additional bonds on the Series 2006A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The bonds were issued for new construction and renovation and remodeling of educational facilities.

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2005A	\$ 305,000	5.0	2017
Series 2005B	70,000	5.0	2018
Series 2006A	800,000	4.0 - 5.0	2026
Series 2010A	260,000	4.0 - 5.0	2022
Series 2011A, Refunding	215,000	4.0 - 5.0	2015
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2006A	<u>3,920,000</u>	3.5 - 5.0	2027
Total	<u>\$ 5,570,000</u>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2014	\$ 485,000	\$ 256,480	\$ 741,480
2015	440,000	234,530	674,530
2016	385,000	214,950	599,950
2017	365,000	198,206	563,206
2018	325,000	180,256	505,256
2019-2023	1,885,000	645,694	2,530,694
2024-2027	<u>1,685,000</u>	<u>167,369</u>	<u>1,852,369</u>
Total	<u>\$ 5,570,000</u>	<u>\$ 1,897,485</u>	<u>\$ 7,467,485</u>

**SEMINOLE STATE COLLEGE OF FLORIDA
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Capital Lease Payable. Telecommunications equipment in the amount of \$828,755 is being acquired under a capital lease agreement. The stated interest rate is 2.91 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Amount
2014	\$ 175,959
2015	175,959
2016	175,958
Total Minimum Payments	527,876
Less, Amount Representing Interest	29,697
Present Value of Minimum Payments	\$ 498,179

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, 2013, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$5,776,183. The current portion of the compensated absences liability, \$129,056, is the amount expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program.

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

Plan Description. The College contributes to an agent, multiple-employer, defined-benefit plan administered by the Consortium for 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

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JUNE 30, 2013

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 2012-13 fiscal year, 66 retirees received postemployment healthcare benefits. The College provided required contributions of \$59,550 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 \$509,936, which represents 1.3 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 174,258
Amortization of Unfunded Actuarial Accrued Liability	<u>59,933</u>
Annual Required Contribution	234,191
Interest on Net OPEB Obligation	11,659
Adjustment to Annual Required Contribution	<u>(9,716)</u>
Annual OPEB Cost (Expense)	236,134
Contribution Toward the OPEB Cost	<u>(59,550)</u>
Increase in Net OPEB Obligation	176,584
Net OPEB Obligation, Beginning of Year	<u>291,466</u>
Net OPEB Obligation, End of Year	<u>\$ 468,050</u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2013, and for the two preceding fiscal years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010-11	\$ 96,002	59.0%	\$ 93,716
2011-12	234,816	15.8%	291,466
2012-13	236,134	25.2%	468,050

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

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employees) was \$40,237,742 for the 2012-13 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.5 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, 2013, and the College's 2012-13 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is based upon the likely return of the assets if placed in trust to pay benefits. The actuarial assumptions also included a payroll growth rate of 4 percent per year, an inflation rate of 3 percent per year, and an annual healthcare cost trend rate of 9.5 percent pre-Medicare and 7.5 percent Medicare for the 2012-13 fiscal year, reduced by decrements to an ultimate rate of 5 percent after six years pre-Medicare and five years 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, 2013, was 24 years.

9. 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), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

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JUNE 30, 2013**

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 2012-13 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	5.18
Florida Retirement System, Senior Management Service	3.00	6.30
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	5.44
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

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JUNE 30, 2013**

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, 2011, June 30, 2012, and June 30, 2013, totaled \$3,044,283, \$2,199,681, and \$2,335,718, respectively, which were equal to the required contributions for each fiscal year.

There were 179 College participants in the Investment Plan during the 2012-13 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled \$658,776, which was equal to the required contribution for the 2012-13 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 eight 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, 5.64 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 64 College participants as of June 30, 2013. The College's contributions to the Program totaled \$290,698 and employee contributions totaled \$169,514 for the 2012-13 fiscal year.

Senior Management Service Class Local Annuity Program. Section 121.055, Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the Florida Retirement System, Senior Management Service Class, may elect to withdraw from the FRS altogether and participate in a lifetime monthly annuity program offered by the local agency. Pursuant thereto, the College, during the 1997-98 fiscal year established the Senior Management Service Class Local Annuity Program (Local Annuity Program). Employees in the eligible positions are allowed to make an irrevocable election to participate in the Local Annuity Program, rather than in the FRS. Under the Local Annuity Program, the College contributes 12.49 percent of the participant's salary toward an annuity provided by approved fund sponsors. The participants may make contributions toward the Local Annuity Program by way of salary reduction or by deduction of a

**SEMINOLE STATE COLLEGE OF FLORIDA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

percentage of the employee’s gross compensation not to exceed the percentage amount contributed by the employer.

There were two College participants during the 2012-13 fiscal year. The College’s contributions to the Local Annuity Program totaled \$35,304 and there were no employee contributions for the 2012-13 fiscal year.

10. OPERATING LEASE COMMITMENTS

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

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

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2014	\$ 1,476,893
2015	1,033,407
2016	647,016
2017	160,987
2018	12,373
2019-2023	<u>55,730</u>
Total Minimum Payments Required	<u>\$ 3,386,406</u>

11. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$90 million to February 28, 2013, and up to \$125 million from March 1, 2013. Insurance coverage obtained through the Consortium included fire and

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013**

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.

12. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position 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	\$ 36,876,878
Academic Support	8,289,369
Student Services	11,774,133
Institutional Support	15,135,848
Operation and Maintenance of Plant	11,013,287
Scholarships and Waivers	24,640,676
Depreciation	6,735,127
Auxiliary Enterprises	<u>705,806</u>
Total Operating Expenses	<u><u>\$ 115,171,124</u></u>

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 715,854	\$ 715,854	0%	\$ 31,261,578	2.3%
7/1/2009		822,003	822,003	0%	34,652,305	2.4%
7/1/2011		1,797,992	1,797,992	0%	35,398,952	5.1%

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

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

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

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

- Assumed conditions for retirement eligibility were changed from 62 year with 6 years of service or any age with 30 years of service to age 55 years with 6 years of service or any age with 30 or more years of service for Regular and Senior Management Service classes and to age 48 with 6 years of service.
- The investment rate of return (discount rate) was increased from 3 to 4 percent.
- Demographic assumptions (rates of withdrawal, retirement, disability and mortality) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of 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.
- The payroll growth rate was increased from 3 to 4 percent.



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

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

Report on the Financial Statements

We have audited, in accordance with the 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, the financial statements of Seminole State College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 24, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who 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 of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we reported to College management in our operational audit report No. 2014-022.

Purpose of this Report

The purpose of the **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 solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
January 24, 2014