

**SEMINOLE STATE COLLEGE OF  
FLORIDA**

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**Financial Audit**

For the Fiscal Year Ended  
June 30, 2014



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 2013-14 fiscal year are listed below:

Scott D. Howat, Chair  
Alex Setzer, Vice Chair from 8-19-13  
Cynthia L. Drago to 2-27-14, Vice Chair to 8-18-13 (1)  
Jeffrey M. Bauer (2)  
Wendy H. Brandon (2)  
Amy L. Lockhart from 2-28-14

Dr. E. Ann McGee, President

Notes: (1) Board member served beyond the end of term, May 31, 2013.  
(2) Board members served beyond the end of their term, May 31, 2014.

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

The audit team leader was Nancy Heyman, CPA, and the audit was supervised by Keith A. Wolfe, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 412-2869.

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SEMINOLE STATE COLLEGE OF FLORIDA  
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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

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

### Summary of Report on Internal Control and Compliance

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States; however, we noted a certain additional matter as summarized below.

#### ADDITIONAL MATTER

Finding No. 1: The College paid separation benefits totaling \$3,004,983 for 46 employees that exceeded the amount allowed by Section 215.425(4)(a), Florida Statutes, by \$1,830,885.

### 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:

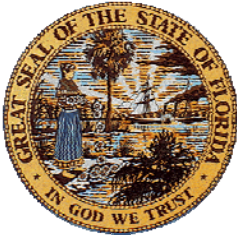
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied 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, 2014. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

### Audit Methodology

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



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT

### 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, 2014, 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, 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, 2014, 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  
February 26, 2015

**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, 2014, and should be read in conjunction with the financial statements and notes thereto. 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, 2014, and June 30, 2013.

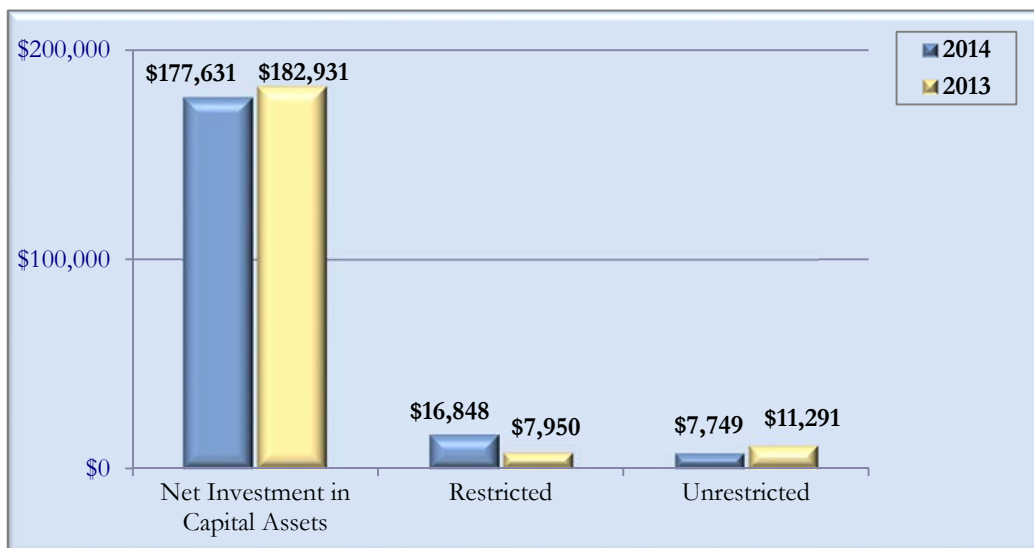
**FINANCIAL HIGHLIGHTS**

The College’s assets totaled \$220.9 million at June 30, 2014. This balance reflects a \$3.8 million, or 1.7 percent, increase as compared to the 2012-13 fiscal year, as a result of increases in cash and due from other governmental agencies, offset by a decrease in net capital assets. Liabilities increased by \$3.7 million, or 25.1 percent, totaling \$18.6 million at June 30, 2014, as compared to \$14.9 million at June 30, 2013. The liabilities increased as a result of the timing of payroll taxes and insurance payments as well as a \$3 million special termination benefits payable in the 2014-15 fiscal year as a result of a voluntary separation incentive program offered to employees during the 2013-14 fiscal year. As a result, the College’s net position increased slightly to a year-end balance of \$202.2 million.

The College’s operating revenues totaled \$30.1 million for the 2013-14 fiscal year, representing a 6.9 percent decrease as compared to the 2012-13 fiscal year due mainly to a decrease in net tuition and fee revenue as a result of declining student enrollment. Operating expenses totaled \$116.2 million for the 2013-14 fiscal year, representing an increase of 0.9 percent as compared to the 2012-13 fiscal year, mainly due to an increase in personnel services expenses which was offset by a decrease in scholarships and waivers expenses.

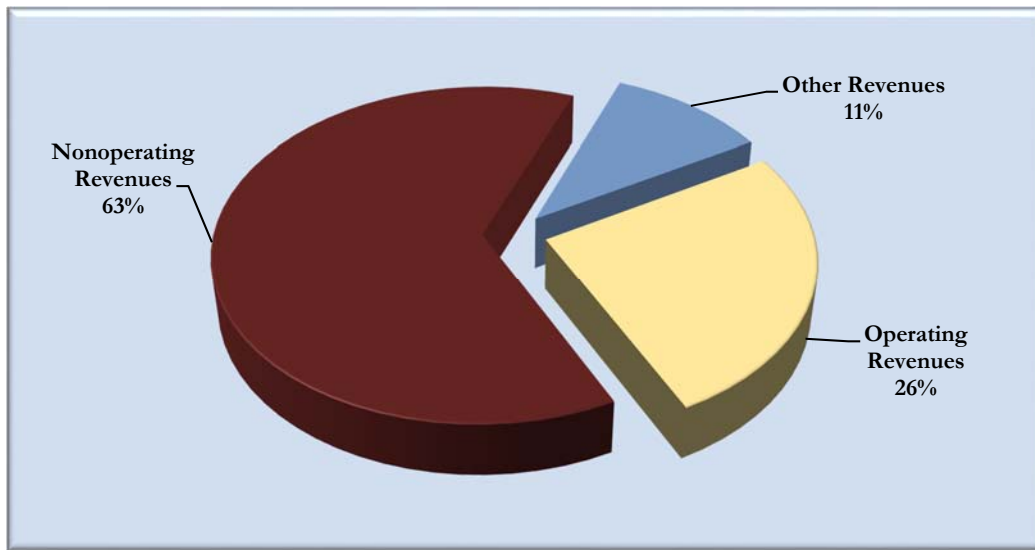
Net position represents the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

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



The following chart provides a graphical presentation of College revenues by category for the 2013-14 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 of Florida, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

**THE STATEMENT OF NET 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, equals 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, 2014, and June 30, 2013, is shown in the following table:

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

	College		Component Unit	
	6-30-14	6-30-13	6-30-14	6-30-13
<b>Assets</b>				
Current Assets	\$ 25,089	\$ 20,597	\$ 1,446	\$ 3,844
Capital Assets, Net	183,053	189,000	894	894
Other Noncurrent Assets	12,724	7,479	16,552	12,834
<b>Total Assets</b>	<u>220,866</u>	<u>217,076</u>	<u>18,892</u>	<u>17,572</u>
<b>Liabilities</b>				
Current Liabilities	7,648	3,367	167	320
Noncurrent Liabilities	10,990	11,537		102
<b>Total Liabilities</b>	<u>18,638</u>	<u>14,904</u>	<u>167</u>	<u>422</u>
<b>Net Position</b>				
Net Investment in Capital Assets	177,631	182,931	894	792
Restricted	16,848	7,950	16,893	15,704
Unrestricted	7,749	11,291	938	654
<b>Total Net Position</b>	<u>\$ 202,228</u>	<u>\$ 202,172</u>	<u>\$ 18,725</u>	<u>\$ 17,150</u>

Total assets increased primarily as a result of an increase in current unrestricted and noncurrent restricted cash and cash equivalents, as well as an increase in due from other governmental agencies related to State Public Education Capital Outlay (PECO) funding. These increases are offset by a decrease in net capital assets as a result of depreciation expense exceeding the purchases of capital assets. Total liabilities increased by \$3 million as a result of the timing of payroll taxes and insurance payments and the accrual of expenses for a voluntary separation incentive program. The voluntary separation incentive program was approved by the Board on April 21, 2014, and payable to employees during the 2014-15 fiscal year.

**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 2013-14 and 2012-13 fiscal years:

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

	College		Component Unit	
	6-30-14	6-30-13	6-30-14	6-30-13
Operating Revenues	\$ 30,141	\$ 32,361	\$ 1,877	\$ 1,719
Less, Operating Expenses	116,248	115,171	2,247	2,262
<b>Operating Loss</b>	(86,107)	(82,810)	(370)	(543)
Net Nonoperating Revenues	73,663	77,116	1,945	1,340
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	(12,444)	(5,694)	1,575	797
Other Revenues	12,500	11,644		
<b>Net Increase In Net Position</b>	56	5,950	1,575	797
Net Position, Beginning of Year	202,172	196,222	17,150	16,353
<b>Net Position, End of Year</b>	<u>\$ 202,228</u>	<u>\$ 202,172</u>	<u>\$ 18,725</u>	<u>\$ 17,150</u>

**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.

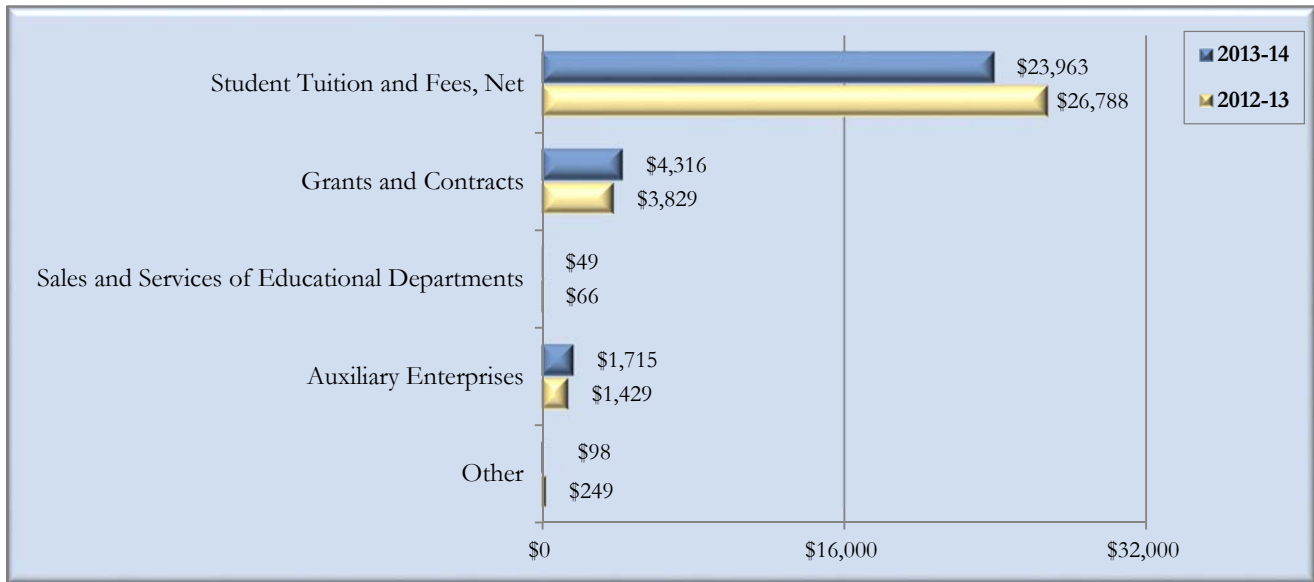
The following summarizes the operating revenues for the College and its component unit by source that were used to fund operating activities for the 2013-14 and 2012-13 fiscal years:

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

	College		Component Unit	
	6-30-14	6-30-13	6-30-14	6-30-13
Student Tuition and Fees, Net	\$ 23,963	\$ 26,788	\$	\$
Grants and Contracts	4,316	3,829		
Sales and Services of Educational Departments	49	66		
Auxiliary Enterprises	1,715	1,429		
Other	98	249	1,877	1,719
<b>Total Operating Revenues</b>	<u>\$ 30,141</u>	<u>\$ 32,361</u>	<u>\$ 1,877</u>	<u>\$ 1,719</u>

The following chart presents the College’s operating revenues for the 2013-14 and 2012-13 fiscal years:

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



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

- Net student tuition and fees decreased \$2.8 million, or 10.5 percent, due to a decrease in student enrollments primarily in the lower division advanced and professional courses, and in developmental education courses.
- Grants and contracts revenues increased by \$0.5 million, or 12.7 percent, primarily due to an increase in Federal National Science Foundation grants to the School of Design, Engineering and Construction, and Federal adult basic education grants.

**Operating Expenses**

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

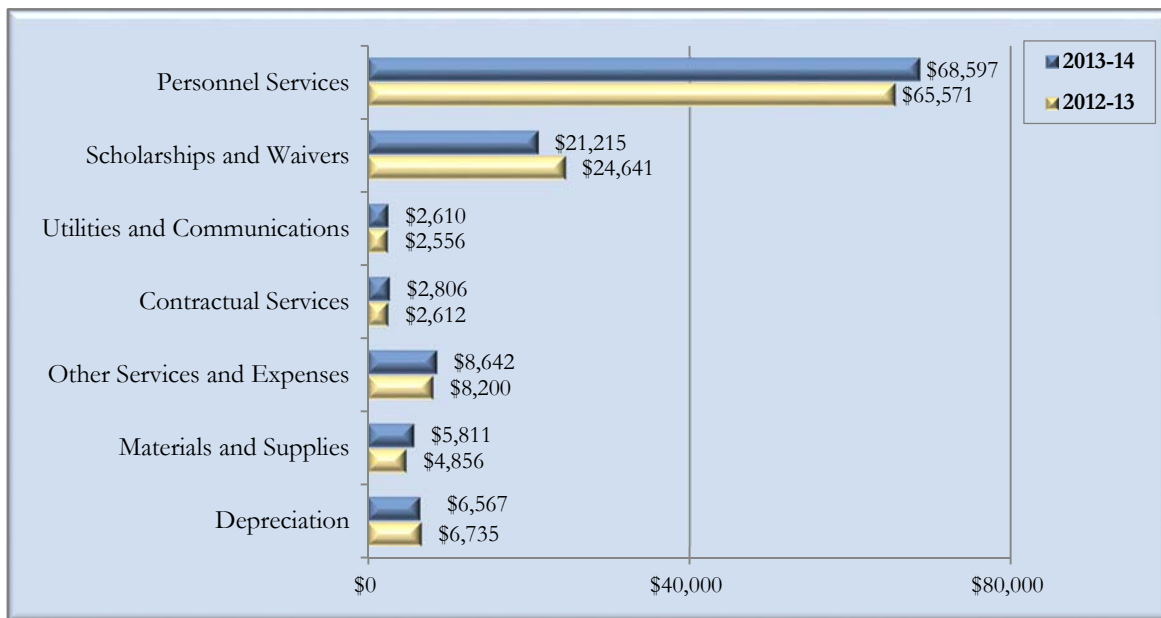
The following summarizes operating expenses by natural classification for the College and its component unit for the 2013-14 and 2012-13 fiscal years:

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

	College		Component Unit	
	6-30-14	6-30-13	6-30-14	6-30-13
Personnel Services	\$ 68,597	\$ 65,571	\$ 526	\$ 527
Scholarships and Waivers	21,215	24,641	1,404	1,429
Utilities and Communications	2,610	2,556		
Contractual Services	2,806	2,612	209	194
Other Services and Expenses	8,642	8,200	66	76
Materials and Supplies	5,811	4,856	42	36
Depreciation	6,567	6,735		
<b>Total Operating Expenses</b>	<b>\$ 116,248</b>	<b>\$ 115,171</b>	<b>\$ 2,247</b>	<b>\$ 2,262</b>

The following chart presents the College’s operating expenses for the 2013-14 and 2012-13 fiscal years:

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



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

- Personnel services expenses increased \$3 million, or 4.6 percent, primarily due to accrued payouts related to the voluntary separation incentive program and higher health insurance and retirement costs. The increases were partially offset by a decrease in personnel costs for adjunct professors as a result of a decrease in student enrollments.
- Scholarships and waivers decreased \$3.4 million, or 13.9 percent, primarily due to reduced Federal Pell grant awards and institutional scholarship awards.
- Materials and supplies expenses increased \$1 million, or 19.7 percent, over the prior fiscal year due to increased purchases of minor equipment and noncapitalized repairs.

### 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 2013-14 and 2012-13 fiscal years:

<b>Nonoperating Revenues (Expenses): College</b>		
<b>(In Thousands)</b>		
	<u>2013-14</u>	<u>2012-13</u>
State Noncapital Appropriations	\$ 37,336	\$ 37,211
Federal and State Student Financial Aid	36,224	40,132
Gifts and Grants	320	6
Investment Income	44	93
Other Nonoperating Revenues	10	29
Interest on Capital Asset-Related Debt	<u>(271)</u>	<u>(355)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$ 73,663</u></b>	<b><u>\$ 77,116</u></b>

Nonoperating revenue decreased \$3.5 million, or 4.5 percent, primarily from a reduction in Federal Pell grant awards as a result of a decrease in the enrollment of students eligible for these awards.

### 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 2013-14 and 2012-13 fiscal years:

<b>Other Revenues, Expenses, Gains, or Losses: College</b>		
<b>(In Thousands)</b>		
	<u>2013-14</u>	<u>2012-13</u>
State Capital Appropriations	\$ 8,946	\$ 8,219
Capital Grants, Contracts, Gifts, and Fees	<u>3,554</u>	<u>3,425</u>
<b>Total</b>	<b><u>\$12,500</u></b>	<b><u>\$11,644</u></b>

Other revenues, expenses, gains, or losses changes were primarily the result of an increase in State capital appropriations for general maintenance, repair, renovation, and remodeling projects.

### 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. 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 2013-14 and 2012-13 fiscal years:

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

	2013-14	2012-13
Cash Provided (Used) by:		
Operating Activities	\$ (72,888)	\$ (77,371)
Noncapital Financing Activities	73,871	77,327
Capital and Related Financing Activities	8,628	1,161
Investing Activities	58	105
<b>Net Increase in Cash and Cash Equivalents</b>	9,669	1,222
Cash and Cash Equivalents, Beginning of Year	20,762	19,540
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 30,431</b>	<b>\$ 20,762</b>

Major sources of funds came from net student tuition and fees (\$25.4 million), State noncapital appropriations (\$37.3 million), Federal and State financial aid grants (\$36.2 million), Federal Direct Student Loan program receipts (\$39 million), and State capital appropriations (\$6.5 million). Major uses of funds were for payments to employees (\$55.8 million), disbursements to students for Federal Direct Student Loans (\$39 million), payments for scholarships (\$21.2 million), payments to suppliers (\$16.6 million), and payments for employee benefits (\$8.3 million).

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

- Operating activities used \$4.5 million less cash as compared to the prior fiscal year. While payments to employees utilized more cash than in the prior fiscal year, and cash inflows for student tuition and fees decreased, these decreases were offset by reduced cash outflows for employee benefits and scholarship payments.
- Noncapital financing cash inflows decreased by \$3.5 million primarily as a result of a decrease in Federal and State financial aid.
- Cash provided by capital and related financing activities increased by \$7.5 million as a result of a prior year early payoff of a bank loan related to the acquisition of the Altamonte Springs property, as well as a decrease in cash outflows for purchases of capital assets. These increases to cash inflows were partially offset by a decrease in cash inflows from State capital appropriations.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At June 30, 2014, the College had \$254.1 million in capital assets, less accumulated depreciation of \$71 million, for net capital assets of \$183.1 million. Depreciation charges for the current fiscal year totaled \$6.6 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>2014</u>	<u>2013</u>
Land	\$ 32,365	\$ 32,365
Construction in Progress	340	250
Buildings	142,004	146,416
Other Structures and Improvements	6,205	7,285
Furniture, Machinery, and Equipment	949	1,042
Assets Under Capital Lease	332	497
Leasehold Improvements	858	1,145
<b>Capital Assets, Net</b>	<b><u>\$ 183,053</u></b>	<b><u>\$189,000</u></b>

Additional information about the College's capital assets is presented in the notes to the financial statements.

**DEBT ADMINISTRATION**

As of June 30, 2014, the College had \$5.4 million in outstanding bonds payable and a capital lease payable. The decrease in long-term debt of \$0.6 million was the result of principal payments on bond debt and capital leases.

The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2014, and June 30, 2013:

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

	<u>2014</u>	<u>2013</u>
Bonds Payable	\$ 5,085	\$ 5,570
Capital Lease Payable	337	498
<b>Total</b>	<b><u>\$ 5,422</u></b>	<b><u>\$ 6,068</u></b>

Additional information about the College's long-term debt is presented in the notes to the financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The College's economic condition is closely tied to that of the State of Florida. As a result of increases in economic growth and demand for the use of State resources, a modest increase in State funding is anticipated in the 2014-15 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. The Board of Trustees has maintained the current rate of tuition and fees paid by students. Therefore, the College anticipates a modest reduction in total operating revenues during the 2014-15 fiscal year. In response to lower revenue projections, the Board of Trustees will utilize \$1.1 million of unrestricted fund balance to support the current levels of operation and services. Additionally, the College has implemented a voluntary separation incentive program, which is expected to generate future savings after a three year pay back. These savings coupled with a reduction in full and part-time staffing are expected to address the short-term enrollment declines.

The continued strength of the College's financial position is reflected in the ability of the Board to designate reserves in excess of the five percent minimum statutory levels to lessen the possible impact of unforeseen changes in allocations or student enrollments in future years. In addition, the College continues to plan the development of more than 25 acres of land and 80,000 square feet of buildings adjacent to the existing Altamonte Springs Campus.

Expansion of this campus using a joint development strategy with the private sector will enable the College to meet future demand for healthcare and other general educational program offerings.

**REQUESTS FOR INFORMATION**

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

**BASIC FINANCIAL STATEMENTS**

**SEMINOLE STATE COLLEGE OF FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET POSITION  
June 30, 2014**

	<u>College</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 16,298,154	\$ 199,982
Restricted Cash and Cash Equivalents	1,443,194	874,170
Accounts Receivable, Net	3,379,995	352,727
Notes Receivable, Net	44,916	
Due from Other Governmental Agencies	3,691,392	10,868
Due from Component Unit/College	83,342	3,482
Prepaid Expenses	126,613	
Other Assets	21,870	5,000
<b>Total Current Assets</b>	<u>25,089,476</u>	<u>1,446,229</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	12,690,140	
Investments		699,352
Restricted Investments	33,594	14,589,155
Depreciable Capital Assets, Net	150,348,579	
Nondepreciable Capital Assets	32,704,567	893,599
Other Assets		1,263,273
<b>Total Noncurrent Assets</b>	<u>195,776,880</u>	<u>17,445,379</u>
<b>TOTAL ASSETS</b>	<u>220,866,356</u>	<u>18,891,608</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	862,249	25,567
Salary and Payroll Taxes Payable	2,676,422	
Retainage Payable	27,364	
Due to Other Governmental Agencies	3,253	
Due to Component Unit/College	3,482	83,342
Unearned Revenue	18,095	
Deposits Held for Others	283,966	57,941
Special Termination Benefits Payable	3,004,983	
Long-Term Liabilities - Current Portion:		
Bonds Payable	440,000	
Capital Lease Payable	166,013	
Compensated Absences Payable	162,091	
<b>Total Current Liabilities</b>	<u>7,647,918</u>	<u>166,850</u>
Noncurrent Liabilities:		
Bonds Payable	4,645,000	
Capital Lease Payable	170,913	
Compensated Absences Payable	5,537,458	
Other Postemployment Benefits Payable	636,701	
<b>Total Noncurrent Liabilities</b>	<u>10,990,072</u>	
<b>TOTAL LIABILITIES</b>	<u>18,637,990</u>	<u>166,850</u>

**SEMINOLE STATE COLLEGE OF FLORIDA  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET POSITION (CONTINUED)  
June 30, 2014**

	<b>College</b>	<b>Component Unit</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 177,631,220	\$ 893,599
Restricted:		
Nonexpendable:		
Endowment		6,030,885
Expendable:		
Grants and Loans	1,286,041	
Scholarships	644,495	10,862,657
Capital Projects	14,883,590	
Debt Service	33,594	
Unrestricted	7,749,426	937,617
<b>TOTAL NET POSITION</b>	<b>\$ 202,228,366</b>	<b>\$ 18,724,758</b>

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, 2014**

	<u>College</u>	<u>Component Unit</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$16,295,100	\$ 23,962,421	\$
Federal Grants and Contracts	3,043,305	
State and Local Grants and Contracts	339,641	
Nongovernmental Grants and Contracts	932,976	
Sales and Services of Educational Departments	48,637	
Auxiliary Enterprises	1,715,419	
Other Operating Revenues	98,366	1,877,212
<b>Total Operating Revenues</b>	<u>30,140,765</u>	<u>1,877,212</u>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	68,597,120	526,196
Scholarships and Waivers	21,215,180	1,404,257
Utilities and Communications	2,609,861	
Contractual Services	2,805,687	208,947
Other Services and Expenses	8,642,010	65,827
Materials and Supplies	5,811,169	41,755
Depreciation	6,566,464	
<b>Total Operating Expenses</b>	<u>116,247,491</u>	<u>2,246,982</u>
<b>Operating Loss</b>	<u>(86,106,726)</u>	<u>(369,770)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	37,336,172	69,197
Federal and State Student Financial Aid	36,224,280	
Gifts and Grants	319,650	127,166
Investment Income	44,313	360,650
Net Gain on Investments		1,388,025
Other Nonoperating Revenues	9,548	
Interest on Capital Asset-Related Debt	(271,186)	
<b>Net Nonoperating Revenues</b>	<u>73,662,777</u>	<u>1,945,038</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<u>(12,443,949)</u>	<u>1,575,268</u>
State Capital Appropriations	8,946,165	
Capital Grants, Contracts, Gifts, and Fees	3,554,114	
<b>Total Other Revenues</b>	<u>12,500,279</u>	
<b>Increase in Net Position</b>	56,330	1,575,268
Net Position, Beginning of Year	<u>202,172,036</u>	<u>17,149,490</u>
<b>Net Position, End of Year</b>	<u>\$ 202,228,366</u>	<u>\$ 18,724,758</u>

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

**SEMINOLE STATE COLLEGE OF FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2014**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 25,367,979
Grants and Contracts	4,364,994
Payments to Suppliers	(16,610,401)
Payments for Utilities and Communications	(2,657,637)
Payments to Employees	(55,844,274)
Payments for Employee Benefits	(8,314,928)
Payments for Scholarships	(21,248,238)
Loans Issued to Students	(18,639)
Collection on Loans to Students	182,657
Auxiliary Enterprises	1,717,528
Sales and Service of Educational Departments	49,341
Other Receipts	122,932
	<b>(72,888,686)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	37,336,172
Federal and State Student Financial Aid	36,228,701
Federal Direct Loan Program Receipts	39,035,017
Federal Direct Loan Program Disbursements	(39,048,064)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	319,650
	<b>73,871,476</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	6,507,584
Capital Grants and Gifts	3,554,114
Proceeds from Sale of Capital Assets	9,548
Purchases of Capital Assets	(525,542)
Principal Paid on Capital Debt and Lease	(646,253)
Interest Paid on Capital Debt and Lease	(271,186)
	<b>8,628,265</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	14,044
Investment Income	44,313
	<b>58,357</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>9,669,412</b>
Cash and Cash Equivalents, Beginning of Year	20,762,076
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 30,431,488</b>

**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, 2014**

	<u>College</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (86,106,726)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,566,464
Changes in Assets and Liabilities:	
Receivables, Net	1,594,289
Due from Other Governmental Agencies	29,910
Prepaid Expenses	705,716
Accounts Payable	(172,219)
Salaries and Payroll Taxes Payable	1,376,087
Unearned Revenue	3,879
Deposits Held for Others	16,914
Special Termination Benefits Payable	3,004,983
Compensated Absences Payable	(76,634)
Other Postemployment Benefits Payable	168,651
	<u>168,651</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b><u>\$ (72,888,686)</u></b>

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, 2014**

**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, 2014.

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, 2014**

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, 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, 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 difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College determines its scholarship allowance by identifying

**SEMINOLE STATE COLLEGE OF FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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

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

**Cash and Cash Equivalents.** The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, cash placed with the State Treasury Special Purpose Investment Account (SPIA), 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 SPIA investment pool to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to 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, 2014, the College reported as cash equivalents at fair value \$4,327,720 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 2.57 years, and fair value factor of 1.0074 at June 30, 2014. 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, 2014, the College also reported as cash equivalents at fair value \$5,016,185 in a money market account. The funds invested in the money market account carried a credit rating of AAAm by Standard & Poor's.

**Capital Assets.** College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; assets under capital lease, 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:
  - Computer Equipment – 3 years

**SEMINOLE STATE COLLEGE OF FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

- 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 \$33,594 at June 30, 2014, 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, United States Treasury Bonds, United States mortgage-backed securities, mutual funds, domestic and international equities, and real estate investment trusts. Investments held by the Foundation at June 30, 2014, 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, 2014**

Investment	Average Maturity	Credit Quality Rating	Fair Value
Corporate Bonds	6.31 years	AA+-Baa3	\$ 1,584,568
United States Treasury Bonds	8.76 years	AAA	734,604
United States Mortgage Backed Securities	17.14 years	(1)	847,044
Mutual Funds	N/A	(2)	4,648,423
Domestic Equities	N/A	(2)	5,723,854
International Equities	N/A	(2)	1,505,362
Real Estate Investment Trusts	N/A	(2)	244,652
<b>Total Foundation Investments</b>			<b><u>\$ 15,288,507</u></b>

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 managed portfolio must be domestic; up to 25 percent of the total managed portfolio can be international), a target allocation of 30 percent fixed income, with an allowable range of 30 to 85 percent, and a target allocation of 15 percent alternative investments, with a maximum of 25 percent. For investments of non-endowed funds, the investment policy includes target allocations of 25 percent equities, with a maximum 45 percent (up to 30 percent and 15 percent, respectively, of the total managed portfolio can be domestic and 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. Management believes the Foundation is in compliance with its investment policy for the year ended June 30, 2014.

*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 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 a failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Foundation maintains investment accounts with stock brokerage firms. The accounts contain cash and securities. At June 30, 2014, approximately \$156,000 of cash equivalents in these accounts was

**SEMINOLE STATE COLLEGE OF FLORIDA**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2014**

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.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for bookstore, food service, vending machine sales, payroll receivables, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$2,640,339 allowance for doubtful accounts.

**4. NOTES RECEIVABLE**

Notes receivable represent student loans made short-term loan program of \$86,174. Notes receivable are reported net of a \$41,258 allowance for doubtful notes.

**5. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount consists of \$2,649,141 of Public Education Capital Outlay allocations due from the State for renovation, repair, and remodeling of College facilities, and \$1,042,251 due from Federal, State, and local agencies for student fees or other contractual obligations.

**6. DUE FROM AND TO COMPONENT UNIT/COLLEGE**

The \$83,342 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, 2014**

**7. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 32,364,540	\$	\$	\$ 32,364,540
Construction in Progress	250,164	89,863		340,027
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 32,614,704</b>	<b>\$ 89,863</b>	<b>\$</b>	<b>\$ 32,704,567</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 188,399,049	\$	\$	\$ 188,399,049
Other Structures and Improvements	16,391,794			16,391,794
Furniture, Machinery, and Equipment	9,426,456	529,993	909,675	9,046,774
Assets Under Capital Lease	828,755			828,755
Leasehold Improvements	3,097,419			3,097,419
Computer Software	3,595,938			3,595,938
<b>Total Depreciable Capital Assets</b>	<b>221,739,411</b>	<b>529,993</b>	<b>909,675</b>	<b>221,359,729</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	41,983,146	4,411,707		46,394,853
Other Structures and Improvements	9,107,073	1,079,746		10,186,819
Furniture, Machinery, and Equipment	8,384,372	623,092	909,675	8,097,789
Assets Under Capital Lease	331,089	165,751		496,840
Leasehold Improvements	1,952,743	286,168		2,238,911
Computer Software	3,595,938			3,595,938
<b>Total Accumulated Depreciation</b>	<b>65,354,361</b>	<b>6,566,464</b>	<b>909,675</b>	<b>71,011,150</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 156,385,050</b>	<b>\$ (6,036,471)</b>	<b>\$</b>	<b>\$ 150,348,579</b>

**8. SPECIAL TERMINATION BENEFITS PAYABLE**

On April 21, 2014, the Board approved a Voluntary Separation Incentive Program (Program) that was available to all eligible full-time employees. As of June 30, 2014, 46 employees elected to participate in the Program and the College reported a special termination benefits payable of \$3,004,983. The payable includes payments for salary incentives, health insurance incentive payments, and the College’s cost for the payroll taxes on the incentive payments. The College has reported this amount as a current liability as all payments will be made within the 2014-15 fiscal year. Eligibility criteria and benefits for the Program are as follows:

- Full-time faculty and staff who meet certain criteria are eligible to participate in the VSIP program:
  - Any combination of a person’s age and full-time service that equals or exceed the number 70.
  - Currently employed as of June 30, 2014, and remain employed until their separation date.
  - If the employee is in the Deferred Retirement Option Program, their program end date must be after June 30, 2017.
  - The employee must agree to separate from the College between June 30, 2014 and January 5, 2015.

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- The Program provides eligible employees with the following payments on termination of employment:
  - The compensation incentive will be an amount equal to the employee’s annual base pay in effect on June 15, 2014 (excludes overtime, supplements, etc.).
  - The health insurance incentive for employees whose age is less than 65 will be a payment of \$500 per month for a maximum of 18 months or until the employee reaches age 65.
  - Additional payments for vacation leave and accumulated sick leave will be in accordance with College policy.

**9. LONG-TERM LIABILITIES**

Long-term liabilities of the College at June 30, 2014, 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, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 5,570,000	\$	\$ 485,000	\$ 5,085,000	\$ 440,000
Capital Lease Payable	498,179		161,253	336,926	166,013
Compensated Absences Payable	5,776,183	914,541	991,175	5,699,549	162,091
Other Postemployment Benefits Payable	468,050	209,878	41,227	636,701	
<b>Total Long-Term Liabilities</b>	<b>\$ 12,312,412</b>	<b>\$ 1,124,419</b>	<b>\$ 1,678,655</b>	<b>\$ 11,758,176</b>	<b>\$ 768,104</b>

**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.

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Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
<b>SBE Capital Outlay Bonds:</b>			
Series 2005A	\$ 225,000	5.0	2017
Series 2005B	55,000	5.0	2018
Series 2006A	775,000	4.0-5.0	2026
Series 2010A	240,000	4.0-5.0	2022
Series 2011A, Refunding	75,000	5.0	2015
<b>Florida Department of Education Capital Improvement Revenue Bonds:</b>			
Series 2006A	<u>3,715,000</u>	3.5-5.0	2027
<b>Total</b>	<b><u>\$ 5,085,000</u></b>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
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	340,000	164,344	504,344
2020-2024	1,960,000	553,563	2,513,563
2025-2027	<u>1,270,000</u>	<u>95,156</u>	<u>1,365,156</u>
<b>Total</b>	<b><u>\$ 5,085,000</u></b>	<b><u>\$ 1,641,005</u></b>	<b><u>\$ 6,726,005</u></b>

**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, 2014, are as follows:

Fiscal Year Ending June 30	Amount
2015	\$ 175,959
2016	<u>175,958</u>
<b>Total Minimum Payments</b>	<b>351,917</b>
Less, Amount Representing Interest	<u>14,991</u>
<b>Present Value of Minimum Payments</b>	<b><u>\$ 336,926</u></b>

**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

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primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2014, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$5,699,549. The current portion of the compensated absences liability, \$162,091, 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 has established and can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 65 retirees received postemployment healthcare benefits and 37 retirees received postemployment life insurance benefits. The College provided required contributions of \$41,227 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 \$458,943, 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 fiscal year, the amount actually contributed to the Plan, and changes in the College's net OPEB obligation:

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Description	Amount
Normal Cost (Service Cost for One Year)	\$ 139,744
Amortization of Unfunded Actuarial Accrued Liability	67,014
<b>Annual Required Contribution</b>	206,758
Interest on Net OPEB Obligation	18,722
Adjustment to Annual Required Contribution	(15,602)
<b>Annual OPEB Cost (Expense)</b>	209,878
Contribution Toward the OPEB Cost	(41,227)
<b>Increase in Net OPEB Obligation</b>	168,651
Net OPEB Obligation, Beginning of Year	468,050
<b>Net OPEB Obligation, End of Year</b>	\$ 636,701

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, 2014, and for the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	\$ 234,816	15.8%	\$ 291,466
2012-13	236,134	25.2%	468,050
2013-14	209,878	19.6%	636,701

*Funded Status and Funding Progress.* As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$2,010,410 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,010,410 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$35,618,504 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.6 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.

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*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, 2013, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the College's 2013-14 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 8.5 percent pre-Medicare and 6.25 percent Medicare for the 2013-14 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 5 years for pre-Medicare and 4 years for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2014, was 23 years.

## 10. RETIREMENT PROGRAMS

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

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

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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 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 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, 2012, June 30, 2013, and June 30, 2014, totaled \$2,199,681, \$2,335,718, and \$3,188,539, respectively, which were equal to the required contributions for each fiscal year.

There were 195 College participants in the Investment Plan during the 2013-14 fiscal year. The College’s contributions including employee contributions to the Investment Plan totaled \$900,982, which was equal to the required contribution for the 2013-14 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’ Web site ([www.myfloridacfo.com](http://www.myfloridacfo.com)). An annual report on the FRS, which includes its financial statements, required

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supplementary information, actuarial report, and other relevant information, is available from the Florida Division of Retirement's Web site ([www.frs.myflorida.com](http://www.frs.myflorida.com)).

**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, 7.34 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 75 College participants during the 2013-14 fiscal year. The College's contributions to the Program totaled \$256,184 and employee contributions totaled \$149,233 for the 2013-14 fiscal year.

**Senior Management Service Local Annuity Program.** Section 121.055(1)(b)2., Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the FRS, Senior Management Service Class, may elect to withdraw from the FRS altogether and participate in a local annuity program. Pursuant thereto, the College established the Senior Management Service Class Local Annuity Program (Local Annuity Program). Employees in eligible positions are allowed to make an irrevocable election to participate in the Local Annuity Program, rather than the FRS.

The Local Annuity Program is defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. The College contributes 12.49 percent of the employee's salary to the Local Annuity Program. The participants may make contributions toward the LAP by way of salary reduction or by deduction of a percentage of the employee's gross compensation not to exceed the percentage contributed by the employer.

There were three College participants during the 2013-14 fiscal year. The College's contributions to the Annuity Program totaled \$39,837 and there were no employee contributions for the 2013-14 fiscal year.

## **11. 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:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2014**

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

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2015	\$ 1,400,599
2016	1,029,807
2017	457,034
2018	253,730
2019	25,550
2020-2023	<u>44,585</u>
<b>Total Minimum Payments Required</b>	<b><u>\$ 3,211,305</u></b>

**12. RISK MANAGEMENT PROGRAMS**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess reinsurance from commercial companies provided coverage for property insurance of up to \$125 million to February 28, 2014, and up to \$150 million from March 1, 2014. 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 reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and

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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	\$ 37,944,534
Academic Support	8,682,512
Student Services	12,188,757
Institutional Support	17,426,597
Operation and Maintenance of Plant	11,467,167
Scholarships and Waivers	21,215,180
Depreciation	6,566,464
Auxiliary Enterprises	<u>756,280</u>
<b>Total Operating Expenses</b>	<b><u><u>\$ 116,247,491</u></u></b>

**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]
7/1/2009	\$ -	\$ 822,033	\$ 822,003	0%	\$ 34,652,305	2.4%
7/1/2011	-	1,797,992	1,797,992	0%	35,398,952	5.1%
7/1/2013	-	2,010,410	2,010,410	0%	35,618,504	5.6%

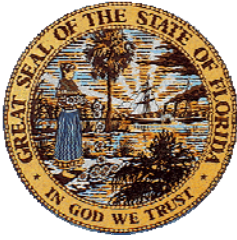
Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the actuarial accrued liability.

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

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

The July 1, 2013, unfunded actuarial accrued liability of \$2,010,410 was higher than the July 1, 2011, liability of \$1,797,992 due to:

- Demographic assumptions (rates of termination, retirement, disability, and mortality) were revised to be consistent with those used by the Florida Retirement System.
- The assumed per capita costs of healthcare were updated.
- 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 conditions for retirement eligibility and rates of retirement were supplemented to accommodate those employees hired on or after July 1, 2011.



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 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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 26, 2015, 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*; however, we noted a certain matter, which is described in the **FINDING AND RECOMMENDATION** section of this report.

Management's response to the finding described in the **FINDING AND RECOMMENDATION** section of this report is included as Exhibit A. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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  
February 26, 2015

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**FINDING AND RECOMMENDATION**


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**ADDITIONAL MATTER**

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**Finding No. 1: Severance Pay – Enhanced Separation Benefits**


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Section 215.425(4)(a), Florida Statutes, provides that a unit of government that enters into an employment agreement that contains a provision for severance pay must include a provision in the employment agreement that precludes severance pay from exceeding 20 weeks of compensation. Section 215.425(4)(b), Florida Statutes, provides that an employee or contractor may receive severance pay that is not provided for in an employment agreement if the pay represents the settlement of an employment dispute and the amount does not exceed six weeks of compensation.

On April 21, 2014, the Board approved a Voluntary Separation Incentive Program (Program) for eligible College employees. Under the Program, eligible employees electing to participate were required to sign a Separation Agreement and to separate employment with the College during the period June 30, 2014, through January 5, 2015. Although employment status ends with the separation date, participants could be re-employed by the College on a part-time basis or, under certain circumstances, on a full-time basis after three years from the separation date. The Program provided that upon separation of employment the employees would receive a one-time payment consisting of the amount of their annual base salary in effect on June 15, 2014, and if the employee participated in the College's health insurance plan and was under the age of 65, a health insurance subsidy payment of \$500 per month for a maximum of 18 months or until the employee reaches age 65, or a maximum of \$9,000.

At June 30, 2014, the College reported a liability for the Program of \$3,004,983 for 46 employees that elected to participate in the Program. As the Separation Agreements for the 46 employees contained a severance pay provision and the separation payments represent severance pay as contemplated by Section 215.425(4)(a), Florida Statutes, the benefits provided by the Program were subject to the limitations of 215.425(4)(a), Florida Statutes. However, the benefits provided under the Program exceeded the amounts allowed in Section 215.425(4)(a), Florida Statutes by \$1,830,885.

In response to our inquiries, College personnel provided an email from the College's legal counsel indicating that the Program was consistent with Section 1001.64, Florida Statutes, which provides that the Board is responsible for cost-effective policy decisions appropriate to the College mission. Although Section 1001.64, Florida Statutes, provides that the Board must operate in a cost-effective manner, it must do so while complying with applicable law, including Section 215.425(4)(a), Florida Statutes. The legal counsel also indicated that the College's Program was not a separation pay plan. However, separation payments under the Program represent "severance pay" as defined in Section 215.425(4)(d), Florida Statutes, which includes "the actual or constructive compensation, including salary, benefits, or perquisites, for employment services yet to be rendered which is provided to an employee who has been or is about to be terminated<sup>1</sup>."

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**Recommendation:**     **The College should ensure that future employment separation arrangements are in accordance with Section 215.425, Florida Statutes.**

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<sup>1</sup> Section 215.425, Florida Statutes, does not define the term "termination." However, Section 121.021(39), Florida Statutes, for purposes of the Florida Retirement System, indicates that termination is when an employee ceases all employment relationships with an employer.

Follow-up to Management's Response

*In its response, the College contends that the Voluntary Separation Incentive Program (Program) is authorized by law because it is a voluntary incentive program and not a separation plan involving the payment of severance pay. However, the Program requires the College to make separation incentive payments to participants solely because they are terminating employment. These payments to employees who are about to be terminated appear to be severance pay as defined in Section 215.425(4)(d), Florida Statutes, and thus subject to the limitations provided in Section 215.425(4), Florida Statutes. The College provided various legal references indicating that these limitations did not apply to the Program; however, the cited references predate the enactment of Chapter 2011-143, Laws of Florida, which created Section 215.425(4), Florida Statutes. Prior to the enactment of this law there were no monetary limitations on the payment of contractually obligated severance payments. Accordingly, we remain of the opinion that employment separation payments made under the Program were subject to the limitations specified in Section 215.425(4), Florida Statutes.*

EXHIBIT A  
MANAGEMENT’S RESPONSE



100 Weldon Boulevard | Sanford, FL 32773-6199 | 407.708.2010 | fax 407.708.2011 | seminolestate.edu  
District Board of Trustees

February 26, 2015

Mr. David W. Martin, CPA  
Auditor General  
State of Florida  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Re: Preliminary and Tentative Finding in Financial Audit of Seminole State College of Florida for the Fiscal Year Ended June 30, 2014 (the “Preliminary and Tentative Finding”)

Dear Mr. Martin:

The District Board of Trustees of Seminole State College of Florida (the “College”), are in receipt of your Preliminary and Tentative Finding, which was forwarded to us by President Dr. E. Ann McGee. Please consider this correspondence as the College’s response to your office’s Preliminary and Tentative Finding, pursuant to Section 11.45(4)(d), *Florida Statutes*.

As you know, the College created a Voluntary Separation Incentive Program (“VSIP”) for its faculty and staff to allow them to voluntarily separate from the College on a date of their choosing in exchange for a defined set of incentives, including a Separation Incentive Payment and Separation Health Insurance Incentive Payment (the “Incentives”). The Preliminary and Tentative Finding states that the \$3,004,983.00 in Incentives for forty-six (46) employees participating in the VSIP exceeded the amount of “separation benefits” allowed by Section 215.425(4)(a), *Florida Statutes*, by \$1,830,885.00. For the reasons stated below, the College respectfully objects to the Preliminary and Tentative Finding and requests that your office eliminate the Finding.

First, the College objects to the Preliminary and Tentative Finding to the extent it characterizes the VSIP as a separation pay plan rather than an incentive plan. Under the VSIP, qualified employees at the College have the option to execute an agreement electing to voluntarily resign

Persons are advised that, if they decide to appeal any decision made at these meetings/hearings, they will need a record of the proceedings. For such purpose, they may need to insure that a verbatim record of the proceedings is made, which record includes the testimony and evidence upon which the appeal is to be based, per section 286.0105, Florida Statutes.

Services will be available to participants with sensory impairments if requested at least one week in advance. Please notify the President’s Office if these services are needed.

District Board of Trustees

Alex Setzer, Chairman | Scott D. Howat, Vice-Chair | Jeffrey M. Bauer | Wendy H. Brandon | Amy Lockhart | E. Ann McGee, President

Altamonte Springs | Geneva | Heathrow | Oviedo | Sanford/Lake Mary  
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**EXHIBIT A (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

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their employment or enter into early retirement in exchange for a defined set of incentives. The Preliminary and Tentative Finding mistakenly treats this voluntary incentive plan, available to all qualified employees, as severance pay which amounts to forbidden "extra compensation" in violation of Section 215.425, *Florida Statutes*. However, the Attorney General of Florida has found that such incentive plans do not amount to "extra compensation" and are consistent with Section 215.425, *Florida Statutes*, where, as here, the proposed incentives are not bonuses, but rather increased benefits to currently employed personnel who elect an early retirement option. See Florida Attorney General, Advisory Legal Opinion 97-21 (Mar. 31, 1997). Incentive plans like the VSIP merely provide defined incentives for employees to voluntarily take an early retirement or resign from their positions at a future date of their choosing. See *id.* Importantly, VSIP participants are currently employed when they sign their Voluntary Separation Agreements, and continue working until a separation date of their choosing, which could be months away. See *Brown v. City of Jacksonville Beach*, 696 So. 2d 946, 946 (Fla. 1st DCA 1997) (holding that where the employee was still rendering services on the date when the retirement contract was executed, providing additional retirement income, the retirement contract did not violate Section 215.425, *Florida Statutes*). Further, the VSIP operates to preserve public funds by resulting in significant cost savings for the College within only a few years.

Second, the College objects to the Preliminary and Tentative Finding's characterization of the VSIP Incentives as "severance pay." While correctly citing to the definition of "severance pay," in Section 215.425(4)(d), *Florida Statutes*, the Preliminary and Tentative Finding errs in applying that definition to the College's VSIP. Unlike an employee receiving severance pay, a VSIP participant is not an employee who "has recently been or is about to be terminated." The Preliminary and Tentative Finding correctly notes that "termination" is not defined in Section 215.425, *Florida Statutes*. In the absence of guidance, the Preliminary and Tentative Finding chooses to adopt the definition of "termination" from Florida's Retirement System ("FRS") statute. See Fla. Stat. § 121.021(39). However, the FRS definition of "termination" in the Preliminary and Tentative Finding – that "termination is when an employee ceases all employment relationships with an employer" – is incomplete.

The FRS statute defines "termination" as occurring "when a member ceases all employment relationships with participating employers," but makes an exception for members electing to participate in the State of Florida's early retirement program, the Deferred Retirement Option Program ("DROP"). See Fla. Stat. § 121.021(39)(b). In addition, for members electing to participate in DROP with termination dates occurring on or after July 1, 2010, if the member becomes employed by any such employer within the next six calendar months, termination will be deemed not to have occurred. See Fla. Stat. § 121.021(39)(b)(2). While the two programs are not identical, VSIP and DROP are similar in that they both are designed to allow employees to retire while having the option of continuing to work. In addition, both programs are voluntary, and participation is elected solely by the eligible employee while the employee is still active. Further, both programs involve a period of continued employment after the program is elected, and a lump sum payout of benefits on a defined separation date. Just as DROP's payout should not be interpreted as "severance pay" for participating employees, neither should VSIP's Incentives.

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**MANAGEMENT'S RESPONSE**

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In addition, the legislative history of the amended Section 215.425, *Florida Statutes*, is clear that incentive programs such as the VSIP do not violate the statute. The Bill Analysis and Fiscal Impact Statement for SB 88, which is the bill to amend Section 215.425, *Florida Statutes*, amongst other sections, makes it clear that the intent of the amendment is to prohibit additional benefits being provided to employees which were not anticipated at the hiring date of the employee or which are additional benefits not being offered to all employees as part of a retirement plan. The Bill Analysis and Fiscal Impact Statement for SB 88 even stated that the attorney general opinions held that "lump-sum supplemental payments as an increased benefit to qualified current employees who elect early retirement" do not violate Section 215.425, *Florida Statutes*. It is clear upon review of this legislative history that there is no intention in changing the attorney general opinions; rather, the amended statute is only intended to clarify the language in the statute to comply with the attorney general opinions. See pages 2 and 5 of The Bill Analysis and Fiscal Impact Statement for SB 88. Accordingly, the VSIP, which offers lump sum payments (as increased benefits) to all qualified employees to elect early retirement, does not violate Section 215.425, *Florida Statutes*.

In sum, because the VSIP is an incentive plan rather than a separation plan involving the payment of severance, the College objects to the Preliminary and Tentative Finding that the VSIP program's Incentives constitute "separation benefits" subject to the limitations set forth in Section 215.425, *Florida Statutes*. Rather than an impermissible use of public funds, the VSIP complies with the statute and its intent by representing an important cost-saving measure that the College has implemented to preserve public funds and fulfill its educational mission. In order that the College may be able to continue providing these cost-saving incentives to its faculty and staff, the College respectfully requests that your office eliminate its Preliminary and Tentative Finding.

The College looks forward to your response. Please do not hesitate to contact the College if it can be of any further assistance in your consideration of this matter.

Sincerely,



Alex Setzer  
Chairman  
District Board of Trustees  
Seminole State College of Florida

cc: Dr. E. Ann McGee  
President  
Seminole State College of Florida  
100 Weldon Boulevard  
Sanford, Florida 32773-6199

**EXHIBIT A (CONTINUED)**  
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