



AUDITOR GENERAL
DAVID W. MARTIN, CPA



TALLAHASSEE COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended June 30, 2007

During the audit period, the President of the College was Dr. William D. Law, Jr. Members of the College's Board of Trustees who served during the audit period are listed below:

<u>Board Member</u>	<u>County</u>
Lyn Stanfield, Chair from 8-21-06, Vice-Chair to 8-20-06	Leon
Dr. Kimberle Moon, Vice-Chair from 8-21-06	Gadsden
Kathy Shirah, Chair to 8-20-06	Wakulla
Dr. Alisa Ghazvini to 1-10-07 (1)	Leon
Bill Hebrock	Leon
Eugene Lamb from 6-18-07 (1)	Gadsden
Frank S. Messersmith	Wakulla
Karen Moore from 6-18-07 (2)	Leon

- Notes: (1) Position vacant from January 11, 2007, to June 17, 2007.
(2) Position vacant from July 1, 2006, to June 17, 2007.

TALLAHASSEE COMMUNITY COLLEGE

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EXECUTIVE SUMMARY

The audit of the financial statements of Tallahassee Community College for the fiscal year ended June 30, 2007, was conducted pursuant to the provisions of Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The scope of this audit included an examination of the financial statements of the College, a component unit of the State of Florida, and a determination as to whether management complied with applicable laws, rules, regulations, contracts, and grant agreements and other matters that are material to the financial statements. An examination of Federal awards administered by the College is included in our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2008-190.

The following provides a summary of the findings of our audit of the College's financial statements:

- We found that the College's financial statements presented fairly, in all material respects, the financial positions of the College and its discretely presented component units as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended.
- No significant deficiencies are noted in our report on the College's internal control over financial reporting.
- The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This audit was coordinated by Kathy Stich, CPA, and supervised by Cheryl B. Pueschel, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, via e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://www.myflorida.com/audgen>); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



850/488-5534
Fax: 850/488-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Tallahassee Community College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2007, as shown on pages 15 through 36. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, as described in Note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, are based solely upon the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Tallahassee Community College and of its aggregate discretely presented component units as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 5 through 14 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA
June 30, 2008



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



850/488-5534
Fax: 850/488-6975

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

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

We have audited the financial statements of Tallahassee Community College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2007, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report of the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the

College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to College management in our operational audit report No. 2008-190, dated June 18, 2008.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



David W. Martin, CPA
June 30, 2008

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, 2007, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statement Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$139.1 million at June 30, 2007. This balance reflects a \$12.4 million, or 9.8 percent, increase from the 2005-06 fiscal year, resulting from Management's decision to incur \$13 million in bonded debt to construct a student parking garage. At June 30, 2007, the funds received from the sale of the bonds remained largely unspent as the project was in the preliminary construction stage. While assets grew, liabilities increased by \$12 million, or 105.9 percent, totaling \$23.4 million at June 30, 2007, compared to \$11.4 million at June 30, 2006. The increase in liabilities was also due to the College's participation in the State Board of Administration Series, 2006A Capital Improvement Revenue Bond issue as noted above. As a result, the College's net assets increased by \$.4 million, reaching a year-end balance of \$115.7 million.

The College's revenues totaled \$118.2 million for the 2006-07 fiscal year, representing a 24 percent increase over the 2005-06 fiscal year due mainly to increase in student fee collection and State contracts and grants. Operating expenses totaled \$116.8 million for the 2006-07 fiscal year, representing an increase of 20.9 percent over the 2005-06 fiscal year due mainly to rising salary and benefit costs, additional grant-funded positions required to administer new programs, and the increased operating expenditures associated with those new programs.

OVERVIEW OF FINANCIAL STATEMENTS

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

- Tallahassee Community College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Tallahassee Community College Foundation, Inc. (Component Unit) – Serves as the fund-raising arm of the College and financially supports various academic endeavors of students, faculty, and staff.
- Public Safety Academy Housing, Inc. (PSAH) (Component Unit) – Established to obtain financing and construct a 200 room housing facility for students at the College's Pat Thomas Law Enforcement Academy. The housing facility was completed on January 4, 2006. Upon completion, PSAH executed an agreement with the College whereby the College leases the housing facility from PSAH and is responsible for operating and maintaining the facility. In exchange, PSAH receives a monthly lease payment in the

amount of its mortgage payment. During the 2006-07 fiscal year, these lease and note transactions accounted for substantially all of the PSAH financial activity.

- Tallahassee Community College Housing, Inc. (Component Unit) – This component unit’s apartment complex, including land, equipment, and furnishings, was sold on August 31, 2006. Accordingly, the 2006-07 fiscal year activities include only two months of operating transactions. This limits the ability to perform a comparative performance analysis with its 2005-06 fiscal year activities.

Although legally separate, these component units are important because the College is financially accountable for them, as the College reports its financial activities to the State of Florida.

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

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

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

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

A condensed statement of assets, liabilities, and net assets of the College and its component units for the fiscal years ended June 30, 2007, and June 30, 2006, is shown in the following table:

Assets, Liabilities, and Net Assets at June 30				
(In Thousands)				
	College		Component Units (1)	
	2007	2006	2007 (2)	2006
Assets				
Current Assets	\$ 42,923	\$ 28,792	\$ 6,092	\$ 8,290
Capital Assets, Net	96,134	97,822	8,264	12,712
Other Noncurrent Assets	61	65	16,381	2,439
Total Assets	<u>139,118</u>	<u>126,679</u>	<u>30,737</u>	<u>23,441</u>
Liabilities				
Current Liabilities	3,015	4,531	1,070	1,014
Noncurrent Liabilities	20,448	6,866	14,953	15,511
Total Liabilities	<u>23,463</u>	<u>11,397</u>	<u>16,023</u>	<u>16,525</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	94,308	96,291	(123)	(150)
Restricted	18,411	15,618	13,818	8,909
Unrestricted	2,936	3,373	1,019	(1,843)
Total Net Assets	<u>\$ 115,655</u>	<u>\$ 115,282</u>	<u>\$ 14,714</u>	<u>\$ 6,916</u>
Increase in Net Assets	<u>\$ 373</u>	0.3%	<u>\$ 7,798</u>	112.8%

Notes: (1) Amounts are for the fiscal year ended March 31st for the Tallahassee Community College Foundation, Inc., and Public Safety Academy Housing, Inc., and for the fiscal year ended June 30th for the Tallahassee Community College Housing, Inc.

(2) On August 31, 2006, Tallahassee Community College Housing, Inc., closed on the sale of its apartment complex and deposited \$7.6 million in escrow with the trustee to "in-substance" defease the outstanding Series 1990A, Student Housing Revenue Bonds.

Revenues and expenses of the College and its component units for the 2006-07 and 2005-06 fiscal years are shown in the following table:

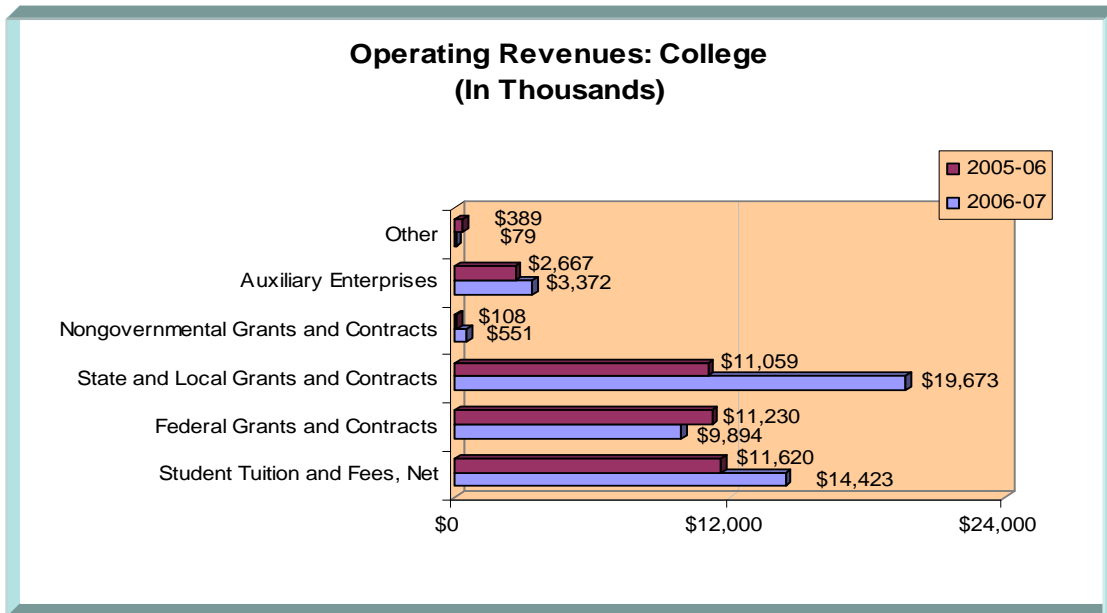
Operating Results for the Fiscal Years (In Thousands)				
	College		Component Units (1)	
	2006-07	2005-06	2006-07 (2)	2005-06
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 14,423	\$ 11,620	\$	\$
Federal Grants and Contracts	9,894	11,230		
State and Local Grants and Contracts	19,673	11,059		
Nongovernmental Grants and Contracts	551	108		
Auxiliary Enterprises	3,372	2,667		
Other Operating Revenues	79	389	6,982	5,664
Total Operating Revenues	47,992	37,073	6,982	5,664
Less, Operating Expenses	116,766	96,591	5,417	2,197
Operating Income (Loss)	(68,774)	(59,518)	1,565	3,467
Nonoperating Revenues (Expenses)				
State Appropriations	44,904	40,633		
Other Nonoperating Revenues	17,716	12,384	7,175	664
Other Nonoperating Expenses	(1,073)	(58)	(942)	(600)
Net Nonoperating Revenues	61,547	52,959	6,233	64
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(7,227)	(6,559)	7,798	3,531
Capital Appropriations	6,121	4,598		
Capital Grants, Contracts, Gifts, and Fees	1,479	651		
Increase (Decrease) in Net Assets	373	(1,310)	7,798	3,531
Net Assets, Beginning of Year	115,282	116,592	6,916	3,585
Adjustment to Beginning Net Assets				(200)
Net Assets, Beginning of Year, As Restated	115,282	116,592	6,916	3,385
Net Assets, End of Year	\$ 115,655	\$ 115,282	\$ 14,714	\$ 6,916

Notes: (1) Amounts are for the fiscal year ended March 31st for the Tallahassee Community College Foundation, Inc., and Public Safety Academy Housing, Inc., and for the fiscal year ended June 30th for the Tallahassee Community College Housing, Inc.
(2) On August 31, 2006, Tallahassee Community College Housing, Inc., closed on the sale of its apartment complex and deposited \$7.6 million in escrow with the trustee to "in-substance" defease the outstanding Series 1990A, Student Housing Revenue Bonds.

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 give up or receive something of equal or similar value.

The following chart presents the College’s operating revenues for the 2006-07 and 2005-06 fiscal years:



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

- An increase in State contracts primarily attributable to the mobile home retrofit project.
- Increased enrollment, resulting in higher student fee collections.

Operating Expenses

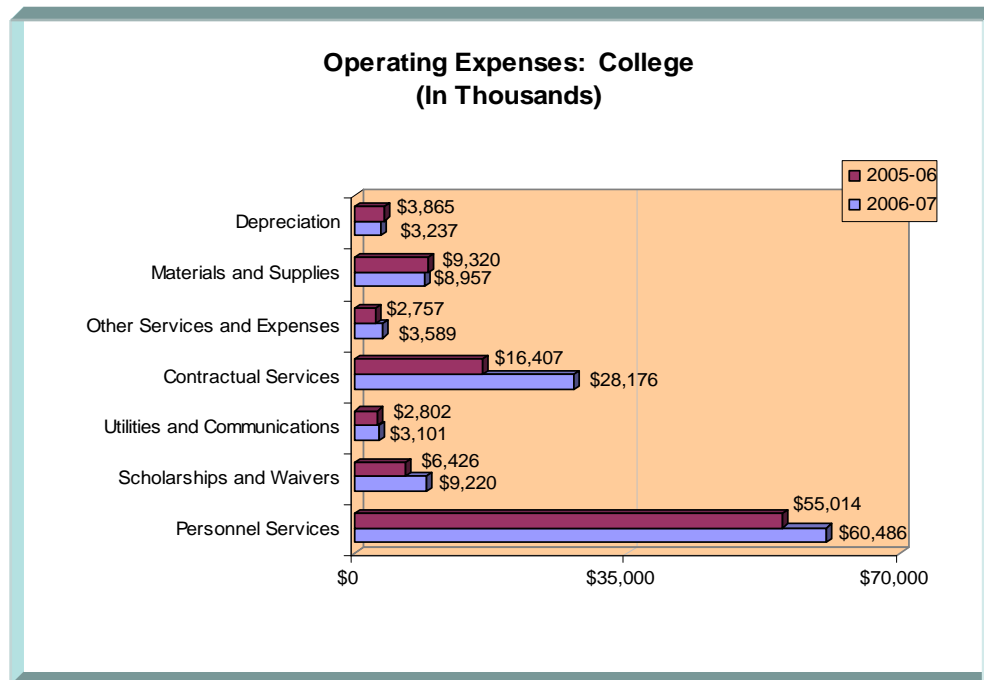
Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen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

Operating expenses for the College and its component units for the 2006-07 and 2005-06 fiscal years are presented in the following table:

	Operating Expenses (In Thousands)			
	<u>College</u>		<u>Component Units (1)</u>	
	2006-07	2005-06	2006-07	2005-06
Operating Expenses				
Personnel Services	\$ 60,486	\$ 55,014	\$ 434	\$ 479
Scholarships and Waivers	9,220	6,426	509	537
Utilities and Communications	3,101	2,802	19	44
Contractual Services	28,176	16,407	155	217
Other Services and Expenses	3,589	2,757	3,898	550
Materials and Supplies	8,957	9,320	27	60
Depreciation	3,237	3,865	375	310
Total Operating Expenses	\$ 116,766	\$ 96,591	\$ 5,417	\$ 2,197

Note: (1) Amounts are for the fiscal year ended March 31st for the Tallahassee Community College Foundation, Inc., and Public Safety Academy Housing, Inc., and for the fiscal year ended June 30th for the Tallahassee Community College Housing, Inc.

The following chart presents the College’s operating expenses for the 2006-07 and 2005-06 fiscal years:



Operating expense changes were the result of the following factors:

- Personnel Services increases were due to several factors including rising health and retirement rates and an annual salary increase of approximately 3.5 percent for College employees. Newly established faculty positions to support rising enrollment and additional grant-funded positions to administer new contracts also contributed.
- Contractual Services increases were primarily attributable to the College’s expanded contract and grant activity.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2006-07 and 2005-06 fiscal years:

Nonoperating Revenues (Expenses): College (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
State Appropriations	\$ 44,904	\$ 40,633
Gifts and Grants	15,573	11,232
Investment Income	2,143	977
Other Nonoperating Revenue		175
Interest on Capital Asset-Related Debt	(362)	(58)
Other Nonoperating Expenses	(711)	
Net Nonoperating Revenues	<u>\$ 61,547</u>	<u>\$ 52,959</u>

Total nonoperating revenue changes were the result of the following factors:

- State appropriations increased due to the continued strong support of post-secondary education by the Florida Legislature.
- Rising interest rates resulted in increased investment income.

Other Revenues, Expenses, Gains, or Losses

This category is composed of capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2006-07 and 2005-06 fiscal years:

Other Revenues, Expenses, Gains, or Losses: College (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
Capital Appropriations	\$ 6,121	\$ 4,598
Capital Grants, Contracts, Gifts, and Fees	1,479	651
Total	<u>\$ 7,600</u>	<u>\$ 5,249</u>

THE STATEMENT OF CASH FLOWS

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

The statement of cash flows also helps users assess:

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

A summary of the College's cash flows for the 2006-07 and 2005-06 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College		
(In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
Cash Provided (Used) by:		
Operating Activities	\$ (64,412)	\$ (58,314)
Noncapital Financing Activities	60,477	51,864
Capital and Related Financing Activities	17,305	1,012
Investing Activities	<u>2,097</u>	<u>957</u>
Net Increase (Decrease) in Cash and Cash Equivalents	15,467	(4,481)
Cash and Cash Equivalents, Beginning of Year	<u>16,227</u>	<u>20,708</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 31,694</u></u>	<u><u>\$ 16,227</u></u>

Major sources of funds came from State appropriations (\$44.9 million), net student tuition and fees (\$14 million), and grants and contracts (\$32 million). In addition, the College received \$13 million from the issuance of State Board of Administration, Series 2006A Capital Improvement Revenue Bonds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2007, the College had \$139 million in capital assets, less accumulated depreciation of \$42.9 million, for net capital assets of \$96.1 million. Depreciation charges for the current fiscal year totaled \$3.2 million. The following table summarizes the College's capital assets for the 2006-07 fiscal year:

Capital Assets: College (In Thousands)				
<u>Capital Assets</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land	\$ 9,787	\$	\$	\$ 9,787
Buildings	109,536	578		110,114
Other Structures and Improvements	8,858	259		9,117
Furniture, Machinery, and Equipment	8,545	922	787	8,680
Assets Under Capital Leases	119	558	43	634
Construction in Progress	588	650	588	650
Total	137,433	2,967	1,418	138,982
Less, Accumulated Depreciation:				
Buildings	24,344	2,615		26,959
Other Structures and Improvements	7,923	256		8,179
Furniture, Machinery, and Equipment	7,276	197		7,473
Assets Under Capital Leases	69	168		237
Total Accumulated Depreciation	39,612	3,236		42,848
Capital Assets, Net	\$ 97,821	\$ (269)	\$ 1,418	\$ 96,134

The College plans \$14.5 million of capital expenditures for the 2007-08 fiscal year. Projects planned include a new 256-space north parking lot. Construction is underway for the new 1,226-space parking garage. State appropriations together with local funds are expected to finance the construction, renovation, and purchase of land and facilities. More information about the College’s capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$14.8 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2007, and June 30, 2006:

Long-Term Debt, at June 30: College (In Thousands)		
	<u>2007</u>	<u>2006</u>
SBA Capital Improvement Revenue Bonds	\$ 13,000	\$
SBE Capital Outlay Bonds	1,335	1,455
Capital Leases	491	76
Total	\$ 14,826	\$ 1,531

During the 2006-07 fiscal year, the State Board of Administration (SBA) issued Series 2006A Capital Improvement Revenue Bonds. The College participated in the issue to the extent of \$13 million for the purpose of constructing a new student parking garage. Additionally, the College leased equipment totaling \$558,215.

Debt repayments totaled \$120,000 for State Board of Education (SBE) bonds and \$143,241 for capital leases during the 2006-07 fiscal year. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Tallahassee Community College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the coming year. In response to the lack of substantial State appropriation increases, the Board of Trustees increased the tuition rate five percent to take effect beginning with the Spring 2008 term. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

REQUESTS FOR INFORMATION

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

FINANCIAL SECTION

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
As of June 30, 2007

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 6,319,118	\$ 698,025
Restricted Cash and Cash Equivalents	25,375,151	5,071,034
Accounts Receivable, Net	1,987,861	323,471
Notes Receivable, Net	63,205	
Due from Other Governmental Agencies	9,037,598	
Due from Component Unit	37,160	
Inventories	101,687	
Prepaid Expenses	1,000	
	42,922,780	6,092,530
Noncurrent Assets:		
Restricted Cash and Cash Equivalents		7,109,271
Restricted Investments	61,082	7,211,144
Depreciable Capital Assets, Net	85,696,516	8,263,890
Nondepreciable Capital Assets	10,437,440	
Other Assets		2,060,593
	96,195,038	24,644,898
	\$ 139,117,818	\$ 30,737,428
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 699,974	\$ 512,546
Salary and Payroll Taxes Payable	65,077	
Retainage Payable	23,525	
Deferred Revenue	28,432	
Deposits Held for Others	896,701	
Long-Term Liabilities - Current Portion:		
Bonds Payable	105,000	285,000
Mortgage Note Payable		272,634
Capital Leases Payable	139,777	
Special Termination Benefits Payable	122,004	
Compensated Absences Payable	873,348	
Deposits Held for Others	61,581	
	3,015,419	1,070,180
Noncurrent Liabilities:		
Bonds Payable	14,230,000	6,670,000
Mortgage Note Payable		8,283,282
Capital Leases Payable	351,407	
Special Termination Benefits Payable	372,975	
Compensated Absences Payable	5,131,696	
Deposits Held for Others	361,839	
	20,447,917	14,953,282
	23,463,336	16,023,462

**TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2007**

	<u>College</u>	<u>Component Units</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 94,307,771	\$ (122,836)
Restricted:		
Nonexpendable:		
Endowment		7,221,598
Expendable:		
Grants and Loans	9,677,232	
Scholarships	212,404	6,596,603
Capital Projects	8,459,764	
Debt Service	61,082	
Unrestricted	<u>2,936,229</u>	<u>1,018,601</u>
Total Net Assets	<u>115,654,482</u>	<u>14,713,966</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$139,117,818</u>	<u>\$30,737,428</u>

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

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2007

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$7,539,865	\$ 14,422,659	\$
Federal Grants and Contracts	9,893,949	
State and Local Grants and Contracts	19,673,398	
Nongovernmental Grants and Contracts	550,766	
Auxiliary Enterprises	3,372,486	
Other Operating Revenues	78,781	6,982,001
Total Operating Revenues	47,992,039	6,982,001
EXPENSES		
Operating Expenses:		
Personnel Services	60,485,783	433,604
Scholarships and Waivers	9,220,232	509,248
Utilities and Communications	3,101,125	18,695
Contractual Services	28,176,454	155,299
Other Services and Expenses	3,588,986	3,898,520
Materials and Supplies	8,956,799	26,563
Depreciation	3,236,606	375,039
Total Operating Expenses	116,765,985	5,416,968
Operating Income (Loss)	(68,773,946)	1,565,033
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	44,904,165	
Gifts and Grants	15,573,004	
Investment Income	2,143,064	960,309
Other Nonoperating Revenues		6,214,974
Interest on Capital Asset-Related Debt	(362,712)	(942,839)
Other Nonoperating Expenses	(710,740)	
Net Nonoperating Revenues	61,546,781	6,232,444
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(7,227,165)	7,797,477
Capital Appropriations	6,120,582	
Capital Grants, Contracts, Gifts, and Fees	1,478,973	
Total Other Revenues	7,599,555	
Increase in Net Assets	372,390	7,797,477
Net Assets, Beginning of Year	115,282,092	6,916,489
Net Assets, End of Year	\$ 115,654,482	\$ 14,713,966

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

**TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2007**

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 14,015,914
Grants and Contracts	31,973,832
Payments to Suppliers	(40,573,448)
Payments for Utilities and Communications	(2,834,370)
Payments to Employees	(48,793,716)
Payments for Employee Benefits	(10,665,168)
Payments for Scholarships	(9,221,871)
Net Loans Issued to Students	(19,138)
Collection of Loans to Students	16,161
Auxiliary Enterprises	(775,471)
Other Receipts	2,465,307
	(64,411,968)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	44,904,165
Gifts and Grants Received for Other Than Capital or Endowment Purposes	15,573,004
	60,477,169
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	13,000,000
Capital Appropriations	5,159,089
Capital Grants, Gifts, and Fees	1,478,973
Purchases of Capital Assets	(1,844,281)
Principal Paid on Capital Debt and Leases	(123,864)
Interest Paid on Capital Debt and Leases	(365,448)
	17,304,469
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	3,573
Investment Income	2,093,674
	2,097,247
Net Increase in Cash and Cash Equivalents	15,466,917
Cash and Cash Equivalents, Beginning of Year	16,227,352
	\$ 31,694,269

**TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2007**

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (68,773,946)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,236,606
Changes in Assets and Liabilities:	
Receivables, Net	1,411,242
Inventories	(55,909)
Accounts Payable	549,324
Deferred Revenue	(107,374)
Deposits Held for Others	(1,029,191)
Compensated Absences Payable	357,280
	\$ (64,411,968)

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

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Tallahassee Community College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of seven members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Community 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 law and State Board of Education rules. Geographic boundaries of the District correspond with those of Gadsden, Leon, and Wakulla Counties.

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

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

- The Tallahassee Community College Foundation, Inc.: This organization provides funding and services to support and foster the pursuit of higher education at the College.
- The Tallahassee Community College Housing, Inc.: This organization provides support and assistance to the College through operation of a housing complex that provides housing opportunities to students of the College.
- Public Safety Academy Housing, Inc. (PSAH): This organization provides support and assistance to the College through operation of a housing complex that provides short-term lodging opportunities to students of the College's Pat Thomas Law Enforcement Academy.

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

The College's component units are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The component units' audited financial statements are available to the public at the College. The financial data of Tallahassee Community College Foundation, Inc., Tallahassee Community College Housing, Inc., and Public Safety Academy Housing, Inc., reported on the accompanying financial statements was derived from the audited financial statements for the fiscal year ended March 31, 2007, June 30, 2007, and March 31, 2007, respectively. Additional condensed financial statements for the College's component units are included in a subsequent note.

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

On August 31, 2006, Tallahassee Community College Housing, Inc., closed on the sale of its apartment complex including land, equipment, and furnishings. The sale price of the complex totaled \$11.1 million of which approximately \$7.6 million was deposited in escrow with the trustee to "in-substance" defease the outstanding Series 1990A Student Housing Revenue Bonds.

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

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

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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

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

The Public Safety Academy Housing, Inc., and the College follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

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 appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is considered a nonoperating expense.

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

the third party making payment on behalf of the student. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenues.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows for Proprietary and Non-Expendable Trust Funds*.

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and funds invested with the State Board of Administration and the State Treasury. For the purpose of reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury Special Purpose Investment Account (SPIA) and State Board of Administration Local Government Surplus Funds Trust Fund investment pools 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, 2007, the College reported as cash equivalents at fair value \$13,614,320 of moneys held in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The State Treasury has taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.21 years at June 30, 2007. 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 investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2007, the College reported as cash equivalents at fair value \$15,831,077 of moneys held in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The College's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign credit

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

risk. The investment pool was not rated by a nationally recognized statistical rating agency as of June 30, 2007.

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

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

Land, buildings, and equipment of the College's component units are stated at cost except for donated property which is stated at fair market value at the date of the donation, and is net of accumulated depreciation of \$418,200. The College's component units depreciate buildings and equipment using the straight-line method over estimated lives ranging from 10 to 39 years for buildings and improvements and from 7 to 10 years for furniture and equipment.

2. INVESTMENTS

Section 218.415(16), Florida Statutes, authorizes the College to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; 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

**TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

Trustees as authorized by law. State Board of Education 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 at fair value totaling \$61,082 at June 30, 2007, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of more than three months, and are reported at fair value. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

Component Units Investments

Investments reported by the College's component units consisted of those held by the Tallahassee Community College Foundation, Inc., at March 31, 2007, and Tallahassee Community College Housing, Inc., at June 30, 2007, which are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Equities	\$ 4,543,021
Corporate and Government Bonds	1,442,229
Demand Deposits	<u>1,225,894</u>
Total Investments	<u>\$ 7,211,144</u>

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for returned checks, student fees deferments, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$454,528 allowance for uncollectible accounts.

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

4. NOTES RECEIVABLE

Notes receivable represent unpaid notes for veteran student's fees of \$126,534 and short-term loan program of \$4,911. Notes receivable are reported net of a \$68,240 allowance for uncollectible notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of contract and grant reimbursements due from State and Federal agencies and Public Education Capital Outlay allocations due from the State to the College for construction, renovation, and maintenance of College facilities.

6. DUE FROM COMPONENT UNIT

The College recorded a due from component unit of \$37,160, which represents amounts due from a real property lease in the amount of \$449 and scholarship expenditures in the amount of \$36,711 made by the College which will be reimbursed by the Tallahassee Community College Foundation, Inc. (Foundation). The College's financial statements are reported for the fiscal year ended June 30, 2007. The Foundation's financial statements are reported as of the most recent fiscal year for which an audit report is available. The Foundation has a fiscal year other than June 30. Accordingly, amounts reported by the College as due from the Foundation on the statement of net assets do not agree with amounts reported by the Foundation as due to the College.

7. INVENTORIES

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

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2007, is shown below:

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 9,787,282	\$	\$	\$ 9,787,282
Construction in Progress	587,846	650,157	587,845	650,158
Total Nondepreciable Capital Assets	\$ 10,375,128	\$ 650,157	\$ 587,845	\$ 10,437,440
Depreciable Capital Assets:				
Buildings	\$ 109,536,138	\$ 577,698	\$	\$ 110,113,836
Other Structures and Improvements	8,858,363	259,140		9,117,503
Furniture, Machinery, and Equipment	8,544,981	921,892	787,290	8,679,583
Assets Under Capital Leases	119,660	558,215	43,450	634,425
Total Depreciable Capital Assets	127,059,142	2,316,945	830,740	128,545,347
Less, Accumulated Depreciation:				
Buildings	24,343,850	2,615,246		26,959,096
Other Structures and Improvements	7,923,968	255,866		8,179,834
Furniture, Machinery, and Equipment	7,275,554	197,469		7,473,023
Assets Under Capital Leases	68,853	168,025		236,878
Total Accumulated Depreciation	39,612,225	3,236,606		42,848,831
Total Depreciable Capital Assets, Net	\$ 87,446,917	\$ (919,661)	\$ 830,740	\$ 85,696,516

9. DEFERRED REVENUE

Deferred revenue includes student fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2007, the College reported deferred revenue of \$28,432.

10. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2007, include bonds, capital leases, compensated absences, special termination benefits, and deposits held in custody. Long-term liabilities activity for the fiscal year ended June 30, 2007, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 1,455,000	\$ 13,000,000	\$ 120,000	\$ 14,335,000	\$ 105,000
Capital Leases Payable	76,210	558,215	143,241	491,184	139,777
Special Termination Benefits	372,113	245,107	122,241	494,979	122,004
Compensated Absences Payable	5,647,764	1,026,879	669,599	6,005,044	873,348
Deposits Held in Custody	2,349,312	56,837	1,982,729	423,420	61,581
Total Long-Term Liabilities	\$ 9,900,399	\$ 14,887,038	\$ 3,037,810	\$ 21,749,627	\$ 1,301,710

**TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

Bonds Payable - College. The State Board of Education 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 State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.

On November 1, 2006, the State Board of Administration's Division of Bond Finance on behalf of the Department of Education and participating community colleges issued Community College Capital Improvement Revenue Bonds, Series 2006A. These bonds mature serially and constitute a joint obligation of the participating community colleges and are secured by and payable solely from a pledge of the participating community colleges capital improvement fee collections. The State Board of Administration administers the principal and interest payments, investment of Retirement of Indebtedness Fund resources, and compliance with reserve requirements. The College had the following bonds payable outstanding at June 30, 2007:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds: Series 2005A	\$ 1,335,000	5.0	2017
State Board of Administration Capital Improvement Revenue Bonds: Series 2006A	<u>13,000,000</u>	3.5 - 5.0	2028
Total Bonds Payable	<u><u>\$14,335,000</u></u>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2007, are as follows:

Fiscal Year Ending June 30	<u>Capital Outlay and Capital Improvement Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 105,000	\$ 739,625	\$ 844,625
2009	535,000	629,750	1,164,750
2010	555,000	606,950	1,161,950
2011	575,000	583,300	1,158,300
2012	605,000	558,700	1,163,700
2013-17	3,435,000	2,380,650	5,815,650
2018-22	3,320,000	1,590,000	4,910,000
2023-27	4,240,000	657,013	4,897,013
2028	<u>965,000</u>	<u>16,887</u>	<u>981,887</u>
Total	<u><u>\$ 14,335,000</u></u>	<u><u>\$ 7,762,875</u></u>	<u><u>\$ 22,097,875</u></u>

TALLAHASSEE COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Bond Payable – Component Unit. Bonds payable, issued by Tallahassee Community College Housing, Inc., consist of Series 1990A, Student Housing Revenue Bonds issued May 1, 1990. The bonds are not general obligations of the Tallahassee Community College Housing, Inc., but are limited obligations payable solely from revenue and other amounts derived from the operation of the housing facility. As of June 30, 2007, the scheduled maturities of bonds payable are as follows:

Fiscal Year Ending June 30	Student Housing Revenue Bonds		
	Principal	Interest	Total
2008	\$ 285,000	\$ 441,888	\$ 726,888
2009	270,000	424,000	694,000
2010	320,000	402,800	722,800
2011	370,000	378,288	748,288
2012	340,000	355,763	695,763
2013-17	2,225,000	1,347,526	3,572,526
2018-22	2,865,000	497,538	3,362,538
2023	280,000		280,000
Total	\$ 6,955,000	\$ 3,847,803	\$ 10,802,803

Mortgage Notes Payable - Component Unit. The Public Safety Academy Housing, Inc., executed a mortgage note payable on May 21, 2004, to construct a housing facility to provide short-term lodging for students of the Pat Thomas Law Enforcement Academy. The amount of the note is \$9,000,000 and bears interest at a variable rate, which is currently 5.45 percent. The note is collateralized by a leasehold mortgage in real estate, first priority security interest in all personal property located at the facility, and the assignment of rents derived from the operation of the housing facility. Annual requirements to amortize the mortgage note as of March 31, 2007, are as follows:

Fiscal Year Ending March 31	Mortgage Note Payable		
	Principal	Interest	Total
2008	\$ 272,634	\$ 467,279	\$ 739,913
2009	289,344	450,569	739,913
2010	305,744	434,169	739,913
2011	323,073	416,840	739,913
2012	340,316	399,597	739,913
2013-17	2,018,823	1,680,742	3,699,565
2018-22	2,659,851	1,039,714	3,699,565
2023-26	2,346,131	238,122	2,584,253
Total	\$ 8,555,916	\$ 5,127,032	\$ 13,682,948

Capital Leases Payable. Networking hardware (servers and switches) in the amount of \$634,425 is being acquired under capital lease agreements. The interest rates range from 2.68 to 6.43 percent. Future

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minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2007, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2008	\$ 169,335
2009	169,335
2010	150,314
2011	<u>64,986</u>
Total Minimum Payments	553,970
Less, Amount Representing Interest	<u>(62,786)</u>
Present Value of Minimum Payments	<u><u>\$ 491,184</u></u>

Deposits Held for Others. Under a Board established policy, new employees in executive/administrative, managerial/professional, and classified staff positions have six days of pay withheld from the first pay period until their employment at the College is concluded. The six days of pay is paid in the employee's last paycheck. At June 30, 2007, the College reported a total liability of \$423,420 for salaries withheld from employees. Of this amount, \$61,581 is considered a current liability as this is expected to be paid in the coming fiscal year.

Special Termination Benefits Payable. Under a Board-established Retirement Incentive Program, employees who were hired prior to July 1, 1995, and elect to retire within 36 months from the achievement of normal retirement, as defined in Sections 121.091 and 238.07, Florida Statutes, receive an incentive payment of 10 percent based upon their annualized salary at retirement. In addition, the employee receives payment for a maximum of 1,440 hours of sick leave. The College reported a special termination benefits payable of \$494,979 in accrued salaries and payroll taxes as of June 30, 2007, for 18 employees who gave notice to retire under the Retirement Incentive Program.

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 appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2007, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$6,005,044. Of this amount, \$873,348 is considered the current liability as it is expected to be paid in the coming fiscal year and is calculated as a percentage of total liability, based on the

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average ratio of employees who terminated service to total number of authorized positions, for each of the preceding five years.

11. RETIREMENT PROGRAMS

Florida Retirement System. Most employees working in regularly established positions of the College are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions 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. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

A Deferred Retirement Option Program (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 the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2006-07 fiscal year were as follows:

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Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class or plan 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 to the Plan for the fiscal years ended June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$2,524,200, \$2,733,648, and \$3,582,816, respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. College employees already participating in the State Community College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 152 College participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$614,152.

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

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing community college contributes, on behalf of the participant, 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the community college to the participant's annuity account.

There were 47 College participants during the 2006-07 fiscal year. Required employer contributions made to the Program totaled \$332,831.

12. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2007, are as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
North Parking Lot:			
Architect	\$ 80,500	\$	\$ 80,500
General Contractor	805,755	186,500	619,255
Parking Garage:			
Architect	863,164	253,736	609,428
General Contractor	<u>12,741,747</u>	<u>48,750</u>	<u>12,692,997</u>
Total	<u>\$ 14,491,166</u>	<u>\$ 488,986</u>	<u>\$ 14,002,180</u>

13. 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 Community Colleges Risk Management Consortium, which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public community colleges for the purpose of joining a cooperative effort to develop, implement, and participate in

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a coordinated Statewide community college risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$115 million. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health and life, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

14. LITIGATION

The College is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the College's legal counsel and management, should not materially affect the College's financial position.

15. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the Community College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college's apportionment considering the following components: base budget, which includes the State appropriation to the Community College Program Fund in the current year plus the related student tuition and fees assigned in the current General Appropriations Act; the cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which are determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates are deducted from the sum of these components to determine the net annual State apportionment to each college.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the College on an annual basis. The College is authorized to receive and expend these resources only upon applying for and receiving an encumbrance authorization from the Florida Department of Education.

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The following is a summary of State revenue sources and amounts:

<u>Source</u>	<u>Amount</u>
Community College Program Fund	\$ 27,272,161
Restricted Contracts and Grants	19,673,398
College Center for Library Automation	13,389,426
Gross Receipts Tax (Public Education Capital Outlay)	5,705,590
Education Enhancement Trust Fund (Lottery)	3,293,913
Florida Student Assistance Grants	2,435,294
Bright Futures Scholarship Program	1,857,994
Performance Based Incentives	647,519
Motor Vehicle License Tax (Capital Outlay and Debt Service)	414,992
Other State Sources	312,761
Total	<u><u>\$ 75,003,048</u></u>

16. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 30,284,991
Public Services	12,220,341
Academic Support	19,602,473
Student Services	12,952,806
Institutional Support	21,570,609
Operation and Maintenance of Plant	5,028,149
Scholarships and Fellowships	9,010,217
Depreciation	3,236,606
Auxiliary Enterprises	2,859,793
Total Operating Expenses	<u><u>\$ 116,765,985</u></u>

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17. COMPONENT UNITS

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

	Direct-Support Organizations			Total
	Tallahassee Community College Foundation, Inc. 3-31-07	Tallahassee Community College Housing, Inc. 6-30-07	Public Safety Academy Housing, Inc. 3-31-07	
Condensed Statement of Net Assets				
Assets:				
Current Assets	\$ 5,214,814	\$ 787,021	\$ 90,695	\$ 6,092,530
Capital Assets, Net	920		8,262,970	8,263,890
Other Noncurrent Assets	8,912,504	7,298,057	170,447	16,381,008
Total Assets	14,128,238	8,085,078	8,524,112	30,737,428
Liabilities:				
Current Liabilities	22,390	735,003	312,787	1,070,180
Noncurrent Liabilities		6,670,000	8,283,282	14,953,282
Total Liabilities	22,390	7,405,003	8,596,069	16,023,462
Net Assets:				
Invested in Capital Assets, Net of Related Debt			(122,836)	(122,836)
Restricted	13,818,201			13,818,201
Unrestricted	287,647	680,075	50,879	1,018,601
Total Net Assets	\$ 14,105,848	\$ 680,075	\$ (71,957)	\$ 14,713,966
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	\$ 5,915,572	\$ 326,471	\$ 739,958	\$ 6,982,001
Operating Expenses	1,513,071	3,558,624	345,273	5,416,968
Operating Income (Loss)	4,402,501	(3,232,153)	394,685	1,565,033
Net Nonoperating Revenues (Expenses)	597,772	6,114,210	(479,538)	6,232,444
Increase (Decrease) in Net Assets	5,000,273	2,882,057	(84,853)	7,797,477
Net Assets, Beginning of Year	9,105,575	(2,201,982)	12,896	6,916,489
Net Assets, End of Year	\$ 14,105,848	\$ 680,075	\$ (71,957)	\$ 14,713,966

18. SUBSEQUENT EVENTS

As discussed in Note 1, at June 30, 2007, the College had \$15,831,077 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the College withdrew all but \$10,000 invested at that time from the Pool.