

SANTA FE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2009



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2008-09 fiscal year are listed below:

	<u>County</u>
Evelyn T. Womack, Vice Chair from 7-15-08 to 4-20-09, Chair from 4-21-09	Bradford
Dr. Bessie G. Jackson, Vice Chair from 4-21-09	Alachua
Winston J. Bradley, Chair to 7-14-08	Alachua
Breck A. Weingart, Vice Chair to 7-14-08, Chair from 7-15-08 to 2-17-09 (1)	Alachua
Glenna F. Brashear	Alachua
James A. Davis, Jr.	Bradford
G. Thomas Mallini	Alachua
Lt. Richard C. Solze, Jr.	Bradford

Dr. Jackson N. Sasser, President

Note: (1) Board Chair resigned, Trustee Womack served as Acting Chair until formal ratification by the Board, Trustee position remained vacant.

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 Leslie R. Coddington, CPA, and the audit was supervised by Philip B. Ciano, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

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

SANTA FE COLLEGE
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2009. 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, both in 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.



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Santa Fe College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2009, which collectively comprise the College's basic financial statements as shown on pages 14 through 46. 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 unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Santa Fe College and of its discretely presented component unit as of June 30, 2009, and the respective changes in financial position and cash flows thereof

for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Santa Fe 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 3 through 13, 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
January 8, 2010

MANAGEMENT’S DISCUSSION AND ANALYSIS

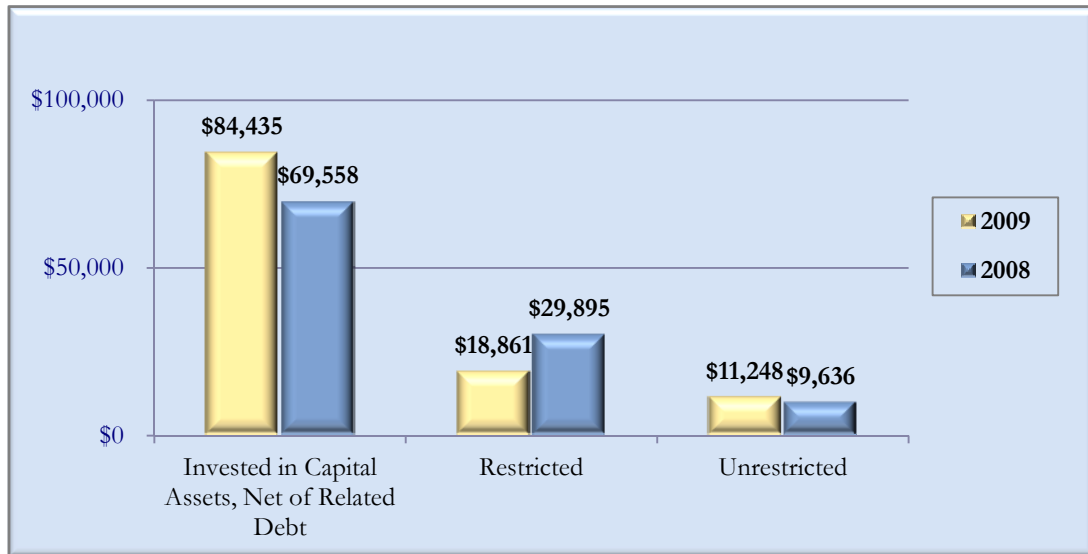
The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2009, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements-and Management’s Discussion and Analysis-for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and the financial statements and notes thereto, are the responsibility of College management.

The MD&A contains financial activities of the College and the Florida College System Risk Management Consortium (Consortium) for the 2008-09 and 2007-08 fiscal years, and of the College’s component unit, the Santa Fe College Foundation, Inc. (formerly known as the Santa Fe College Endowment Corporation, Inc.), for the fiscal years ended December 31, 2008, and 2007. To better distinguish the activities of the College and Consortium within the primary government, the financial information relating to the Consortium is separately identified.

FINANCIAL HIGHLIGHTS

Net assets represent the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net assets by category for the fiscal years ended June 30, 2009, and 2008, are shown in the following graph:

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



The College’s net investment in capital assets represents capital assets, net of accumulated depreciation and outstanding debt principal attributable to the acquisition, construction, or improvement of those assets. The College engaged in several construction projects during the fiscal year that included renovating/remodeling Building W (Health Sciences), constructing the Charles R. Perry Building Construction Institute (Building O), constructing the Charles R. & Nancy V. Perry Alachua Corporate Training Center, and various energy retrofitting and renewable energy minor construction projects. Therefore, the \$14.9 million, or 21.4 percent, increase in invested in capital assets

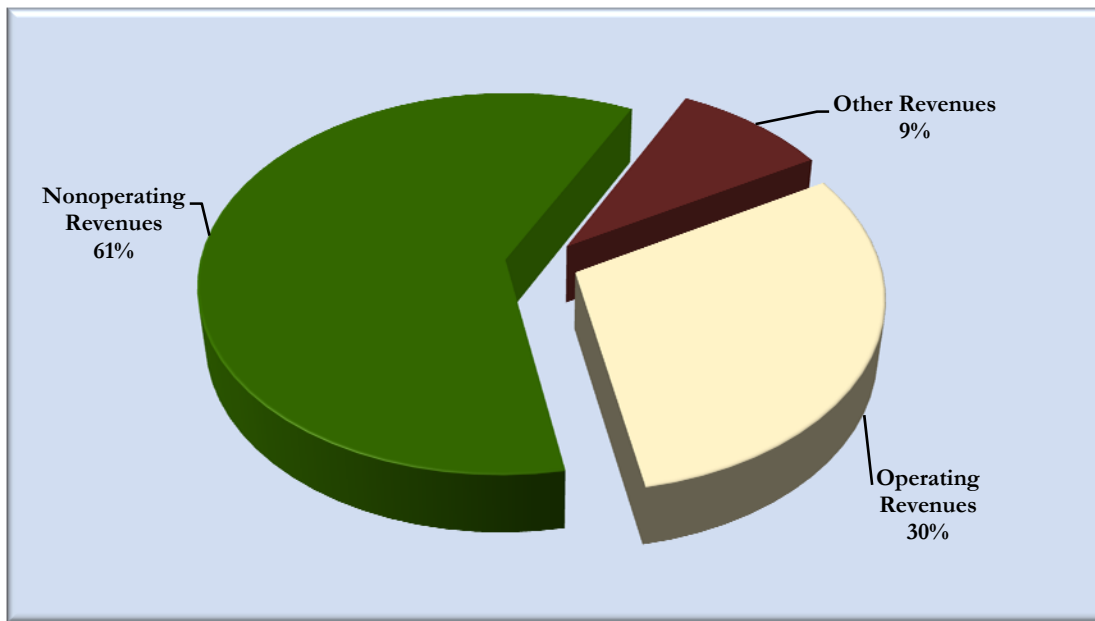
compared to the prior fiscal year was primarily due to the excess of additions to capital assets over depreciation expense during the 2008-09 fiscal year.

Restricted net assets are subject to externally imposed restrictions governing their use. The decrease in restricted net assets of \$11 million, or 36.9 percent, was primarily due to the decrease in the amount of restricted expendable capital for the construction of new facilities and the renovation and remodeling of existing structures. Variances from year to year for capital funding are expected based on the methods the State Legislature uses to allocate capital appropriations. Therefore, this portion of restricted net assets will continue to fluctuate each year.

Unrestricted net assets generally are not subject to externally imposed restrictions. The College reports liabilities for accrued leave and postemployment healthcare and life benefits; however, State appropriations fund only the portion of accrued leave and postemployment benefits that are paid in the current fiscal year (see the notes to financial statements for further details). Even with this reporting requirement, unrestricted net assets have a positive balance.

The following chart provides a graphical presentation of College revenues by category for the fiscal year ended June 30, 2009:

Total Revenues: College



For the fiscal year ended June 30, 2009, College revenue and other support exceeded expenses, creating an increase in net assets of \$5.5 million (compared to a \$23.5 million increase the prior fiscal year). Annual State appropriations are classified as nonoperating revenues according to generally accepted accounting principles, although State-appropriated funds are used to support the operations of the College. Nonoperating revenues, comprising 61 percent of total revenues, included State appropriations, Federal Pell Grant revenue, State scholarship revenue, and investment income; all of which supported operating expenses of the College. Operating revenues, comprising 30 percent of total revenues, consisted primarily of student tuition and fees, grants and contracts, auxiliary services, and revenue received from agreements between local school boards and the College for high school programs. Other revenues,

comprising 9 percent of total revenues, primarily include capital appropriations and grants and donations designated for capital projects.

The component unit expenses exceeded revenues during the 2008 calendar year, resulting in a decrease in net assets of \$4.6 million (compared to a \$2.3 million increase in the prior fiscal year), primarily due to transfer of capital contributions in support of the construction of the Charles R. Perry Construction Institute and the Charles R. & Nancy V. Perry Center for Emerging Technologies, and the mark to market of the Foundation investments. These decreases were primarily offset by additions to the asset base in the form of private contributions from outside donors. Total assets consist primarily of investments, which make up 52 percent of the total assets and capital assets which make up 45 percent. These amounts reflect the three primary activities of the Foundation in the areas of scholarships, program enhancement, and facilities.

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, all of which provide information on the College as a whole and present a long-term view of the College's finances. The following activities are included in the College's basic financial statements:

Primary Government

- Santa Fe College (College) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Florida College System Risk Management Consortium (Consortium, a Statewide college risk management program) – Although legally separate, the College is the fiscal administrator for the program and is required to report certain financial activities to the State of Florida. The required financial information reported includes the assets of cash and cash equivalents and investments with a corresponding liability representing that the assets are held in custody by the College for the Consortium.

Component Unit

- Santa Fe College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

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

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

These two statements report Santa Fe 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 need to consider many other nonfinancial factors, such as certain trends, student retention, condition of the buildings, and 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 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, Consortium, and its component unit for the respective fiscal years ended are shown in the following table:

	Condensed Statement of Net Assets at (In Thousands)				Component Unit	
	Primary Government		Consortium (1)		12-31-08	12-31-07
	College					
	6-30-09	6-30-08	6-30-09	6-30-08		
Assets						
Current Assets	\$ 34,573	\$ 39,405	\$66,831	\$57,964	\$ 870	\$ 6,089
Capital Assets, Net	86,003	71,515			13,940	13,768
Other Noncurrent Assets	29,411	32,771		406	16,021	15,618
Total Assets	<u>149,987</u>	<u>143,691</u>	<u>66,831</u>	<u>58,370</u>	<u>30,831</u>	<u>35,475</u>
Liabilities						
Current Liabilities	13,157	11,786	66,831	57,964	13	20
Noncurrent Liabilities	22,286	22,816		406	950	1,020
Total Liabilities	<u>35,443</u>	<u>34,602</u>	<u>66,831</u>	<u>58,370</u>	<u>963</u>	<u>1,040</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	84,435	69,558			13,197	12,949
Restricted	18,861	29,895			16,795	21,604
Unrestricted	11,248	9,636			(124)	(118)
Total Net Assets	<u>\$ 114,544</u>	<u>\$ 109,089</u>	<u>\$</u>	<u>\$</u>	<u>\$ 29,868</u>	<u>\$ 34,435</u>
Increase in Net Assets	<u>\$ 5,455</u> 5.0%		<u>\$</u>		<u>\$ (4,567)</u> -13.3%	

Note: (1) The financial information reported for the Consortium includes the assets of restricted cash and cash equivalents and of restricted investments with a corresponding liability representing that the assets are held in custody by the College for the Consortium.

Comparative revenues and expenses of the College and its component unit (the College does not include operating results of the Consortium in its statements) for the respective fiscal years ended are shown in the following table:

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

	College		Component Unit	
	6-30-09	6-30-08	12-31-08	12-31-07
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 20,553	\$ 19,812	\$	\$
Federal Grants and Contracts	2,683	2,885		
State and Local Grants and Contracts	2,570	2,627		
Nongovernmental Grants and Contracts	126	97	774	907
Sales and Services of Educational Departments	704	693		
Auxiliary Enterprises	738	867		
Other Operating Revenues	296	214	322	370
Total Operating Revenues	27,670	27,195	1,096	1,277
Less, Operating Expenses	85,754	82,952	1,306	1,444
Operating Loss	(58,084)	(55,757)	(210)	(167)
Nonoperating Revenues (Expenses)				
State Appropriations	35,763	39,518		
Gifts and Grants	19,612	16,771		
Other Nonoperating Revenues (Losses)	426	2,114	(1,392)	38
Nonoperating Expenses	(725)	(791)		
Net Nonoperating Revenues	55,076	57,612	(1,392)	38
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
Capital Appropriations	(3,008)	1,855	(1,602)	(129)
Endowment Principal Additions	6,216	15,657		
Capital Grants, Contracts, Gifts, and Fees			428	461
Transfers in Support of College	2,247	5,950	468	1,963
			(3,861)	
Increase (Decrease) in Net Assets	5,455	23,462	(4,567)	2,295
Net Assets, Beginning of Year	109,089	85,627	34,435	32,140
Net Assets, End of Year	\$ 114,544	\$ 109,089	\$ 29,868	\$ 34,435

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. 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 Statement No. 35 as nonoperating.

College revenues decreased \$15.3 million, or 14.2 percent, compared to the prior fiscal year as a result of the following factors:

Operating Revenues:

- A 6 percent increase in the tuition rate as authorized by State of Florida law and an increase in student enrollment credit courses resulted in a \$2 million increase in gross student tuition and fee revenue. Scholarship allowance increased by \$1.3 million, or 18.3 percent, primarily due to an increase in the funding received from State scholarship programs and Federal Pell Grants.
- Other categories of operating revenue decreased by \$266,000, or 3.6 percent, which was primarily due to decreases in various restricted funding sources from Federal, State and local grants and contracts.

Nonoperating and Other Revenues and Gains:

- State appropriations decreased by \$3.8 million, or 9.5 percent, due to decreased funding in appropriated program funds.
- Gifts and grants revenue increased by \$2.8 million, or 16.9 percent, due to an increase in State and Federal scholarship and grant support.
- Other Nonoperating revenues decreased by \$1.7 million, principally due to a decrease in investment income earned on investments due to the fluctuating financial market.
- Capital appropriations and capital grants decreased by \$13.1 million, or 60.8 percent, due to decreased funding appropriated from the State and grants awarded to the College to support capital projects. Variances from year to year are expected based on the methods the State Legislature uses to allocate capital appropriations. Project expenditures related to this revenue will continue in the 2009-10 fiscal year.

Component unit revenues decreased \$3.1 million, or 84 percent, compared to the prior fiscal year as a result of the following factors:

- Investment losses were \$1.4 million, as a result of decreases in market value of investments over the previous year.
- Capital contributions decreased by \$1.5 million, or 76.1 percent, compared to the prior fiscal year as a result of a continued focus on scholarship/program enhancement contributions as opposed to on building and capital contributions.

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 (none are reported for the Consortium) and its component unit for the respective fiscal years ended are shown in the following table:

**Operating Expenses
(In Thousands)**

	College		Component Unit	
	6-30-09	6-30-08	12-31-08	12-31-07
Operating Expenses				
Personnel Services	\$ 53,386	\$ 52,936	\$	\$
Scholarships and Waivers	12,894	11,369	467	498
Utilities and Communications	2,388	2,318		
Contractual Services	3,633	3,086		
Other Services and Expenses	3,202	3,338	538	645
Materials and Supplies	5,001	4,858		
Depreciation	5,250	5,047	301	301
Total Operating Expenses	\$ 85,754	\$ 82,952	\$ 1,306	\$ 1,444

College operating expenses increased by \$2.8 million, or 3.4 percent, compared to the prior fiscal year as a result of the following factors:

- The College provided a one-time, nonrecurring salary supplement to all full-time personnel and increased hourly/credit hour rates for part-time employees. Employer covered health insurance premiums increased, but total salary and benefit expenditures increased only slightly over the prior year by \$450,000. In anticipation of recurring State appropriation shortfalls, this minor increase was planned for by strategically not filling various vacant full-time positions.
- Gross scholarship expenses increased by \$2.8 million mostly due to increases in State scholarship programs (Bright Futures & Florida Student Academic Grant) and Federal Title IV financial aid. Scholarship expenses, like tuition and fees, are also shown net of scholarship allowances (amounts received from other than students and third party payers). Since scholarship allowances increased by \$1.3 million, net scholarship expenses increased by \$1.5 million.
- Utilities and communication expenses increased by \$70,000 primarily due to the addition of College facilities utilizing electricity and increased cost of fuel used by energy consumption.
- Contractual services increased by \$547,000 as a result of purposefully increasing the usage of part-time employees.
- Materials and supplies increased by \$143,000 primarily due to a slight increase in purchases over the prior year for noncapitalized tangible property and noncapitalized building and other structure repairs and maintenance.
- Depreciation expense increased by \$203,000 primarily due to the capitalization of several renovations to classroom buildings completed during this year.

Total operating expenses for the component unit decreased by \$138,000 compared to the prior fiscal year, primarily due to a decrease in scholarships awarded and academic program support. The component unit's expenses consist primarily of expenditures to benefit the College. Of the \$1.3 million in total operating expenses for the current fiscal year, \$973,000, or 74.8 percent, directly benefited the College as scholarship, program, or festival expenditures. An additional \$301,000 of expenses resulted from depreciation of buildings used by the College for classrooms and administrative offices. This brings expenditures for the direct or indirect benefit of the College to 98 percent of total expenditures for the fiscal year ended December 31, 2008.

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 and the Consortium's cash flows for the respective fiscal years ended are shown in the following table:

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

	College		Consortium	
	2008-09	2007-08	2008-09	2007-08
Cash Provided (Used) by:				
Operating Activities	\$ (55,139)	\$ (49,335)	\$ 8,893	\$ 6,431
Noncapital Financing Activities	55,380	56,322		
Capital and Related Financing Activities	(4,670)	6,413		
Investing Activities	813	601	6,301	(2,372)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,616)	14,001	15,194	4,059
Cash and Cash Equivalents, Beginning of Year	47,296	33,295	35,612	31,553
Cash and Cash Equivalents, End of Year	\$ 43,680	\$ 47,296	\$ 50,806	\$ 35,612

The College's cash and cash equivalents decreased during the 2008-09 fiscal year. The following discussion amplifies the overview of cash flows:

- Major sources of operating funds came from student tuition and fees and governmental grants and contracts. Cash outflows for operating activities are primarily salaries and benefits paid to employees, payments to students for scholarships, and payments to vendors for services and supplies. The increase in cash used for operating activities of \$5.8 million is primarily due to a decrease of \$1.9 million in the student tuition and fees and other various receipts, an increase of \$1.8 million in payments for salaries and benefits, an increase of \$1.5 million in payments to students for scholarships and an increase of \$630,000 in payments to vendors for items related to travel, materials and supplies, noncapitalized tangible property, and utilities and communications.
- The primary sources of funds in noncapital financing activities are State appropriations, Federal Pell Grants, and State scholarships. Cash flows from noncapital financing decreased by \$942,000 predominantly due to an increase of \$2.8 million in Federal grants and State scholarships and a reduction of \$3.8 million in State appropriations.
- The primary inflow and outflow of capital and related financing activities are State capital appropriations and the purchase of capital assets. Net cash outflows for capital and related financing activities increased \$11.1 million due to the increase of \$1.8 million in capital appropriations from the State and other granting agencies and a \$12.9 million increase in the purchases of capital assets.

- Cash flows for investing activities of the College increased by \$212,000 due to a decrease in investment income of \$950,000 and a net increase in the purchase of various investments of \$1,162,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2009, the College had \$148.7 million in capital assets, less accumulated depreciation of \$62.7 million, for net capital assets of \$86 million. Depreciation charges for the current fiscal year totaled \$5.3 million. The following table summarizes the College's capital assets activity for the 2008-09 fiscal year:

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

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 3,764	\$	\$	\$ 3,764
Buildings	92,314	1,424		93,738
Other Structures and Improvements	21,222	505		21,727
Furniture, Machinery, and Equipment	8,034	731	615	8,150
Assets Under Capital Leases	48			48
Construction in Progress	4,219	17,704	626	21,297
Total	129,601	20,364	1,241	148,724
Less, Accumulated Depreciation:				
Buildings	38,342	3,052		41,394
Other Structures and Improvements	13,383	1,268		14,651
Furniture, Machinery, and Equipment	6,341	921	615	6,647
Assets Under Capital Leases	20	9		29
Total Accumulated Depreciation	58,086	5,250	615	62,721
Capital Assets, Net	\$ 71,515	\$ 15,114	\$ 626	\$ 86,003

The College has \$4.3 million in construction contract commitments at June 30, 2009. The contract commitments are for projects that include the construction of a Performing/Fine Arts Building, Health Sciences (Building W) renovation, Classroom and Lab Renovations, and various telecommunication, utility and energy management projects. State appropriations together with local funds are expected to finance the construction and renovation of facilities. More detailed information about the College's capital assets is presented in the notes to financial statements.

The component unit had \$17.1 million in capital assets, less accumulated depreciation of \$3.1 million, for net capital assets of \$14 million. Depreciation charges for the current fiscal year totaled \$301,000. Details of the component unit's capital assets activity for the fiscal year ended December 31, 2008, are shown in the following table:

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

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 3,284	\$ 457	\$	\$ 3,741
Buildings and Improvements	12,262	16		12,278
Film Costs in Production	962			962
Library Books and Art Collection	106			106
Total	16,614	473		17,087
Less, Accumulated Depreciation	2,846	301		3,147
Capital Assets, Net	\$ 13,768	\$ 172	\$	\$ 13,940

DEBT ADMINISTRATION

At fiscal year-end, the College had \$15.3 million in long-term debt outstanding versus \$16.2 million at the end of the prior fiscal year. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2009, and June 30, 2008:

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

	2009	2008
SBE Capital Improvement Revenue Bonds	\$ 13,725	\$ 14,220
SBE Capital Outlay Bonds	1,540	1,740
Installment Purchases		181
Capital Leases	27	36
Total	\$ 15,292	\$ 16,177

Proceeds from bonds are used to construct and renovate College facilities. During the 2008-09 fiscal year, debt repayments and reductions totaled \$495,000 for the State Board of Education Capital Improvement Revenue bonds, \$200,000 for the State Board of Education bonds, \$181,000 for the installment purchase plan, and \$9,000 for the capital leases. 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

Santa Fe College’s economic position is closely tied to that of the State of Florida. Approximately one-half of the College’s planned recurring 2009-10 operating funds are received through State appropriations. Initial State allocations for the 2009-10 fiscal year were approximately four percent less than the 2008-09 fiscal year allocation. To partially offset these reductions, the Board of Trustees adopted an eight percent increase, the maximum rate prescribed by Florida Statutes, in tuition rates to take effect beginning with the Fall 2009 term. Due to the continuation of limited economic growth the exact amount of State allocations to be received by the College continues to be somewhat uncertain at this time. As a result of this uncertainty, the College established a designated

reserve in excess of the statutory level to be utilized as needed for maintaining operations during the upcoming fiscal year.

On-going efforts to develop new revenue sources and contain costs continue to serve the College well in its commitment to the growth of educational programs, improved student access, and overall excellence in service to its students and communities. The conservative budgetary stance taken by the College provides a framework for a focused response in support of our educational mission and provides financial stability in the face of limited economic growth and increased demand for State resources.

The component unit's reliance on charitable giving is also affected by the general state of the economy as well as by the health of the stock market and prospective donors' perception of the benefiting organization. Toward this latter factor, the College has historically enjoyed a very positive reputation in the communities it serves. Unlike recent past years, for a second year in a row the State Legislature did not fund the match to all of the private donations received by the component unit this past year. The continuation of the component unit's history of very steady growth is expected.

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 Finance and Information Technology Services/CFO, Santa Fe College, 3000 Northwest 83rd Street, Gainesville, Florida, 32606.

BASIC FINANCIAL STATEMENTS

**SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2009**

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 16,610,008	\$
Restricted Cash and Cash Equivalents	4,795,017	867,009
Investments	1,139,454	
Accounts Receivable, Net	3,063,669	
Notes Receivable, Net	1,521	3,455
Due from Other Governmental Agencies	8,910,430	
Due from Component Unit	6,666	
Inventories	38,444	
Prepaid Expenses	8,430	
Risk Management Consortium:		
Restricted Cash and Cash Equivalents	50,806,420	
Restricted Investments	16,024,740	
Total Current Assets	<u>101,404,799</u>	<u>870,464</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	22,274,914	
Investments	6,911,720	
Restricted Investments	224,585	
Endowment Investments		15,948,169
Notes Receivable		72,429
Depreciable Capital Assets, Net	60,941,413	9,137,430
Nondepreciable Capital Assets	25,061,197	4,802,247
Total Noncurrent Assets	<u>115,413,829</u>	<u>29,960,275</u>
TOTAL ASSETS	<u>\$ 216,818,628</u>	<u>\$ 30,830,739</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,813,999	\$ 12,532
Salary and Payroll Taxes Payable	4,145,343	
Retainage Payable	1,398,273	
Deferred Revenue	3,778,398	
Deposits Held for Others	400,771	
Long-Term Liabilities - Current Portion:		
Bonds Payable	720,000	
Capital Leases Payable	9,847	
Compensated Absences Payable	889,958	
Risk Management Consortium:		
Deposits Held for Others	66,831,160	
Total Current Liabilities	<u>79,987,749</u>	<u>12,532</u>

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2009

	College	Component Unit
Liabilities (Continued)		
Noncurrent Liabilities:		
Bonds Payable	\$ 14,545,000	\$
Capital Leases Payable	16,965	
Compensated Absences Payable	7,397,970	
Postemployment Benefits Payable	148,689	
Estimated Arbitrage Rebate Payable	177,764	
Other Noncurrent Liabilities		950,423
	22,286,388	950,423
Total Noncurrent Liabilities		
	102,274,137	962,955
TOTAL LIABILITIES		
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	84,435,797	13,197,284
Restricted:		
Nonexpendable:		
Endowment		16,619,464
Expendable:		
Grants and Other	1,558,969	175,057
Loans	512,591	
Capital Projects	16,742,552	
Debt Service	46,821	
Unrestricted	11,247,761	(124,021)
	114,544,491	29,867,784
Total Net Assets		
	\$ 216,818,628	\$ 30,830,739
TOTAL LIABILITIES AND NET ASSETS		

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

SANTA FE 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, 2009

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$8,139,301	\$ 20,553,574	\$
Federal Grants and Contracts	2,682,667	
State and Local Grants and Contracts	2,569,919	
Nongovernmental Grants and Contracts	125,697	773,550
Sales and Services of Educational Departments	704,247	
Auxiliary Enterprises	737,883	
Other Operating Revenues	296,259	322,382
Total Operating Revenues	27,670,246	1,095,932
EXPENSES		
Operating Expenses:		
Personnel Services	53,385,855	
Scholarships and Waivers	12,894,089	466,929
Utilities and Communications	2,387,493	
Contractual Services	3,632,893	
Other Services and Expenses	3,202,238	537,797
Materials and Supplies	5,001,155	
Depreciation	5,250,427	301,462
Total Operating Expenses	85,754,150	1,306,188
Operating Loss	(58,083,904)	(210,256)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	35,763,396	
Gifts and Grants	19,611,740	
Investment Income (Loss)	419,483	(1,392,374)
Other Nonoperating Revenues	4,830	
Gain on Disposal of Capital Assets	1,995	
Interest on Capital Asset-Related Debt	(725,414)	
Net Nonoperating Revenues (Expenses)	55,076,030	(1,392,374)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(3,007,874)	(1,602,630)
Capital Appropriations	6,216,070	
Endowment Principal Additions		427,930
Capital Grants, Contracts, Gifts, and Fees	2,247,070	468,186
Transfers in Support of College		(3,861,115)
Total Other Revenues	8,463,140	(2,964,999)
Increase (Decrease) in Net Assets	5,455,266	(4,567,629)
Net Assets, Beginning of Year	109,089,225	34,435,413
Net Assets, End of Year	\$ 114,544,491	\$ 29,867,784

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

**SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2009**

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 19,845,737
Grants and Contracts	5,503,551
Payments to Suppliers	(11,839,177)
Payments for Utilities and Communications	(2,387,493)
Payments to Employees	(44,279,288)
Payments for Employee Benefits	(10,102,373)
Payments for Scholarships	(12,894,089)
Net Loans Issued to Students	(202,750)
Collection of Loans to Students	208,157
Auxiliary Enterprises	780,903
Sales and Service of Educational Departments	705,764
Other Disbursements	(477,778)
Risk Management Consortium: Other Receipts	8,893,494
Net Cash Used by Operating Activities	(46,245,342)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	35,763,396
Gifts and Grants Received for Other Than Capital or Endowment Purposes	19,611,740
Student Direct Lending Receipts	23,383,996
Student Direct Lending Disbursements	(23,383,996)
Other Nonoperating Receipts	4,830
Net Cash Provided by Noncapital Financing Activities	55,379,966
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	13,118,566
Capital Grants and Gifts	2,247,070
Proceeds from Sale of Capital Assets	2,830
Purchases of Capital Assets	(18,427,533)
Principal Paid on Capital Debt and Leases	(885,674)
Interest Paid on Capital Debt and Leases	(725,414)
Net Cash Used by Capital and Related Financing Activities	(4,670,155)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	1,120,320
Purchases of Investments	(307,248)
Risk Management Consortium: Proceeds from Sales and Maturities of Investments	6,301,215
Net Cash Provided by Investing Activities	7,114,287
Net Increase in Cash and Cash Equivalents	11,578,756
Cash and Cash Equivalents, Beginning of Year	82,907,603
Cash and Cash Equivalents, End of Year	\$ 94,486,359
Cash and Cash Equivalents, End of Year:	
College	\$ 43,679,939
Consortium	50,806,420
Total Cash and Cash Equivalents, End of Year	\$ 94,486,359

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2009

	College
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (58,083,904)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,250,427
Changes in Assets and Liabilities:	
Notes Receivable, Net	5,407
Other Receivables, Net	(2,346,754)
Inventories	(2,892)
Other Assets	55,050
Accounts Payable	(1,493,089)
Deferred Revenue	1,808,721
Deposits Held for Others	8,509,724
Compensated Absences Payable	(15,667)
Postemployment Benefits Payable	67,635
	\$ (46,245,342)
NET CASH USED BY OPERATING ACTIVITIES	

SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITY

During the 2008-09 fiscal year, the College and Consortium recognized unrealized losses of \$294,018 and \$432,294, respectively, on investing activities. The unrealized losses were recognized as reductions to investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.

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

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reported within the College's financial statements are certain assets and liabilities of the Florida College System Risk Management Consortium (Consortium). The College is the fiscal agent for the Consortium, which is the administrator for the Health and Life Plan and the Property and Casualty Plan for participating State colleges. As fiscal agent, the College is responsible for receiving, disbursing, and administering all moneys due to or payable from the Consortium and for personnel functions (hiring, records maintenance, etc.) of the Consortium. The financial information reported for the Consortium includes restricted cash and cash equivalents and investments with a corresponding liability representing that the assets are held in custody by the College for the Consortium. Annual audits of the Consortium and its financial activities are conducted by independent certified public accountants, and are available at the College.

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 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 Santa Fe College Foundation, Inc. (Foundation), formerly known as the Santa Fe College Endowment Corporation, Inc., is included within the College's reporting entity as a discretely presented component unit.

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2008.

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 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

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.

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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

The College follows 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 the third party making payment on behalf of the student. The College identifies within its accounting system amounts paid for tuition and fees from grants, loans, or other nonthird-party financial aid sources. The total amount of these payments is deducted from student tuition and fees.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents for the College consists of cash on hand, cash in demand accounts, and funds invested with the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME, and the State Treasury Special Purpose Investment Account (SPIA). For the purpose of

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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 LGIP and the SPIA to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2009, the College and the Consortium reported as cash equivalents at fair value \$28,719,685 and \$48,722,828, respectively, of moneys held in the 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 and Poor's and had an effective duration of 1.84 years at June 30, 2009. 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 financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2009, the College and the Consortium reported as cash equivalents at fair value \$6,642,275 and 294,531, respectively, of moneys held in the LGIP administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The investments in the LGIP, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The LGIP carried a credit rating of AAAM by Standard and Poor's and had a weighted-average days to maturity (WAM) of 46 days as of June 30, 2009. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the LGIP to interest rate changes. The investments in the LGIP are reported at fair value, which is amortized cost.

The amount reported as cash and cash equivalents for the component unit consists of restricted cash in checking and money market accounts and restricted certificates of deposit with original maturities of less than three months. Component unit cash and cash equivalents are either insured by Federal depository insurance or private insurance up to specified limits.

Capital Assets. College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and assets under capital leases. These assets are

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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. All new buildings are capitalized, and capitalization of building improvements is dependent on whether or not the improvement adds to an existing building's useful life or significantly changes a building's character. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

Property and equipment acquisitions of the College's component unit are recorded at cost, if purchased. Contributed property and equipment are recorded at estimated value, as determined by the donor or the component unit, at the date of receipt. Capitalized assets have a useful life greater than one year and an original cost of \$500 or greater. Buildings and equipment are depreciated using the straight-line method, based on a 40 year useful life for buildings and 5 to 7 years useful life for equipment.

Noncurrent Liabilities. Noncurrent liabilities of the College include principal amounts of bonds payable, capital leases payable, compensated absences payable, postemployment benefits payable, and estimate arbitrage rebate payable that are not scheduled to be paid within the next fiscal year.

2. INVESTMENTS

College and Consortium

The College's Board of Trustees and the Consortium have adopted written investment policies providing that surplus funds of the College and the Consortium 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 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;

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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 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.

The general investment policy of both the College and Consortium is to apply the prudent person rule: investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment. In addition to the investments allowed by Section 218.415(16), Florida Statutes, the investment policies of the College and the Consortium authorize investments in repurchase agreements, corporate notes, and money market instruments. The Consortium also includes asset-backed securities as an authorized investment.

The College's and the Consortium's investments at June 30, 2009, are reported at fair value, as follows:

**SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

Investment Type	Fair Value	Modified Average Duration (In Years)
<u>College</u>		
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 387,172	(1)
State Board of Administration Debt Service Accounts	224,585	
United States Treasury Notes	2,210,795	1.882
Obligations of United State Government- Sponsored Enterprises (GSEs)	3,700,119	1.763
Corporate Bonds - Nonconvertible	582,184	0.714
Mortgage-Backed Pass-Throughs	1,157,826	1.791
Money Market Mutual Funds	<u>13,078</u>	(1)
Total College Investments	<u>8,275,759</u>	
Portfolio Modified Average Duration - College		1.719
<u>Consortium</u>		
State Board of Administration Fund B Surplus Funds Trust Fund	569,259	(1)
Obligations of United States Government- Sponsored Enterprises (GSEs)	400,624	0.041
Money Market Mutual Funds	<u>15,054,857</u>	(1)
Total Consortium Investments	<u>16,024,740</u>	
Portfolio Modified Average Duration - Consortium		0.041
Total Investments - College and Consortium	<u>\$24,300,499</u>	

Note: (1) The College and Consortium opted to use the weighted-average maturity interest rate risk method for the money market mutual funds (23 days) and the State Board of Administration Fund B Surplus Funds Trust Fund (6.87 years).

State Board of Administration Fund B Surplus Funds Trust Fund. On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund (LGIP) to also establish the Fund B Surplus Funds Trust Fund (Fund B). Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the LGIP.

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

At June 30, 2009, the College and the Consortium reported investments at fair value of \$387,172 and \$569,259, respectively, for amounts held in Fund B. The investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.51370946 at June 30, 2009. The weighted-average life (WAL) of Fund B at June 30, 2009, was 6.87 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2009. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

State Board of Administration Debt Service Accounts. The College reported investments at fair value totaling \$224,585 at June 30, 2009, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments and potential bond arbitrage payments on bonds issued by the State Board of Education and the State Board of Administration 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 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 financial statements of the State's Comprehensive Annual Financial Report.

Other Investments

The College and the Consortium invested in various debt and equity securities and money market mutual funds. The following risks apply to College and Consortium investments:

Interest Rate Risk: Interest Rate Risk is the risk that changing interest rates will adversely affect the fair value of an investment. The investment policies of the College and the Consortium limit the maximum average duration of their investment portfolios to no greater than 120 percent of the target benchmarks' average duration:

- College: Merrill Lynch 1-3 Year U.S. Treasury Index
- Consortium: Merrill Lynch 1-5 Year U.S. Treasury Index

At June 30, 2009, the Merrill Lynch 1-3 and 1-5 Year U.S. Treasury Indexes' modified average durations were 1.81 and 2.59 years, respectively. Recognizing that market volatility is a function of duration, the investment policies of the College and the Consortium also state that the portfolios are to be maintained as short- to intermediary-term duration portfolios. The maximum duration of floating rate and individual securities is five years from date of purchase. Furthermore, the investment policies are designed to limit principal fluctuation so that no more than 20 percent of the College's and 45 percent of the Consortium's portfolios have an effective duration greater than three years. An additional objective is to provide sufficient

**SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

liquidity and stability of principal, so that no less than 10 percent of the portfolios have an effective duration of one year or less. Due to potential hurricane claims, and at the recommendation of the investment subcommittee, the Consortium's portfolio has a significant percentage of its total investments in investments with duration of one year or less.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policies of the College and the Consortium provide for the following regarding credit risk:

- Repurchase agreements must be fully collateralized at 102 percent by United States Treasuries.
- Asset-backed securities must, at minimum, be rated "AAA" by either Standard & Poor's or Moody's for the Consortium; such securities are not an authorized investment for the College.
- Money market instruments, including, but not limited to commercial paper, time deposits, and banker's acceptances, at the time of purchase must, at a minimum, be rated "A1/P1" or the equivalent by Standard & Poor's and/or Moody's and all other nationally recognized credit rating organizations.
- Corporate bonds and notes must have at least an "AAA" rating for the College by at least two of the following three credit rating organizations: Standard & Poor's, Moody's, or Fitch; and at least an "A" rating for the Consortium by both Standard & Poor's and Moody's.
- Money market funds must be registered with the SEC with the highest credit quality rating from a nationally recognized rating company.
- A total quality rating of 8 for the College and 7 for the Consortium or higher must be maintained using the following scale:
 - United States Government Fully Guaranteed 10
 - Government-Sponsored Enterprises 9
 - "AAA" – Rated Securities 8
 - "AA" – Rated Securities 7
 - "A" – Rated Securities 6

As of June 30, 2009, using the above scale, the College's and the Consortium's total quality ratings were 9.11 and 8.03, respectively.

At June 30, 2009, the investments of the College and the Consortium in obligations of the United States Government-sponsored enterprises, corporate bonds and notes – nonconvertible, mortgage-backed pass-throughs, money market mutual funds, and State Board of Administration Fund B Surplus Funds Trust Fund accounts were rated as follows:

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Investment Type	Fair Value	Credit Quality Rating
<u>College</u>		
Obligations of United States Government- Sponsored Enterprises (GSEs)	\$ 3,700,119	AAA
Corporate Bonds and Notes - Nonconvertible	\$ 409,107	AA
	173,077	A
Total Corporate Bonds and Notes - Nonconvertible	\$ 582,184	
Mortgage-Backed Pass-Throughs	\$ 1,157,826	AAA
Money Market Mutual Funds	\$ 13,078	AAA
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 387,172	NR
<u>Consortium</u>		
Obligations of United States Government- Sponsored Enterprises (GSEs)	\$ 400,624	AAA
Money Market Mutual Funds	\$ 15,054,857	AAA
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 569,259	NR

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments purchased on behalf of the College pursuant to Section 218.415, Florida Statutes, must be properly earmarked and: (1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the College's interest in the security; (2) if in a book entry form, the investment must be held for the credit of the College by a depository chartered by the Federal Government, the State, or any other State or territory of the United States that has a branch of principal place of business in this State, or by a national association organized and existing under the laws of the United States that is authorized to accept and execute trusts and is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or (3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. Investment policies of the College and the Consortium require that all securities purchased be properly designated as an asset of the College or the Consortium and held in safekeeping by a third party custodial bank or other third party custodial

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institution. The College's and Consortium's investments are held by a safekeeping agent in the name of the College or the Consortium.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investment in a single issuer. The investment policies of the College and the Consortium provide that a maximum of 5 percent of the portfolios may be invested in securities of a single issuer, excluding United States Government, government agencies, and government-sponsored enterprise securities.

Component Unit

Investments held by the College's component unit (Foundation) at December 31, 2008, were reported at fair value as follows:

Investment Type	Fair Value	Investment Maturities (In Years)				
		Less than 1	1-3	4-7	8-18	More Than 18
Investment in Debt Obligations:						
Obligations of United States Government Agencies and Instrumentalities	\$ 952,268	\$	\$	\$	\$ 952,268	\$
Mortgage-Backed Pass-Throughs	1,583,041				10,155	1,572,886
Domestic Bonds and Notes	9,572,974	488,413	495,336	1,121,545	3,369,378	4,098,302
Total Investments in Debt Obligations	12,108,283	\$488,413	\$495,336	\$1,121,545	\$4,331,801	\$5,671,188
Other Investments:						
Certificates of Deposit	285,576					
Domestic Equities	3,415,282					
Money Market Mutual Funds	139,028					
Total Other Investments	3,839,886					
Total Component Unit Investments	\$15,948,169					

There was a \$2,600,088 unrealized loss in the fair value of investments during the year ended December 31, 2008. The carrying value of investments at December 31, 2008, includes all material changes in fair value, including unrealized losses.

The Foundation invested in various debt and equity securities. To smooth distributions from the aggregate portfolio, the Foundation uses the moving average method of determining year-to-year spending. This policy provides for a more consistent and predictable spending for programs and it allows the Foundation to design an investment strategy that is more consistent with a higher expected average return over time. The following risks apply to the Foundation's investments:

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Interest Rate Risk: The Foundation's investment policy does not limit debt obligation maturities. However, the Foundation manages its exposure to fair value losses arising from increasing interest rates through the segmented-time distribution method.

Credit Risk: The Foundation's investment policy limits investments to investment grade securities (BBB or higher) issued by banks, corporations, or the Federal Government. Those securities listed at below investment grade have been downgraded subsequent to purchase. In each case the Foundation's Board of Directors, through its Finance Committee, has determined that the downgraded security has a reasonable expectation of recovery and has elected to maintain its position. The policy provides that 20 percent of the total investment in securities may be made in preferred corporate securities. Obligations of United States government agencies and instrumentalities, certificates of deposit, and domestic equities do not require disclosure of credit quality. Obligations of United States government agencies and instrumentalities, domestic bonds and notes, and mortgage-backed pass-throughs held by the Foundation at December 31, 2008, were rated as follows:

Investment Type	Fair Value	Credit Quality Ratings	
		Standard & Poor's	Moody's
Obligations of United States Government Agencies and Instrumentalities (GSEs)	\$ 952,268	AAA	Aaa
Mortgage-Backed Pass-Throughs	\$1,583,041	Not Rated	Not Rated
Domestic Bonds and Notes	\$1,040,757	AAA	Aaa
	4,781,390	AA to A	A to Aa
	3,473,008	BBB to B	Baa to Caa
	277,819	CCC to N/R	A to C
Total Domestic Bonds and Notes	\$9,572,974		

Custodial Credit Risk: The Foundation has no formal policy on custodial credit risk. However, all investments are issued in the Foundation's name.

Concentration of Credit Risk: Composition of the Foundation's investment portfolio is limited by its investment policy, which restricts investment in: (1) any one company to no more than 5 percent of the aggregate fund and (2) any one industry, whether it be fixed income or equity investment, to no more than 30 percent of the aggregate fund.

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3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, Title IV Federal grant repayments due from students, agency billings, and commissions and/or rent due from vendors under contracts for food, vending, and bookstore operations. The receivables for students are reported net of a \$215,397 allowance for uncollectible student accounts. Other receivables are considered to be fully collectible.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the College's short-term loan program and are reported net of a \$1,367 allowance for uncollectible notes.

The College's component unit sold a parcel of land held for resale in March 2000 and carries a mortgage note as part of the sale. The note bears interest at nine percent and carries an outstanding balance of \$75,884 at December 31, 2008, of which \$3,455 is current.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$ 7,910,135 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

6. DUE FROM COMPONENT UNIT

The \$6,666 reported due from the component unit primarily consists of the remaining amount owed to the College by the Foundation for donor contributed matching funds. The College's financial statements are reported for the fiscal year ended June 30, 2009. The College's component unit's financial statements are reported for the calendar year ended December 31, 2008. Accordingly, amounts reported by the College as due from the component unit on the statement of net assets do not agree with amounts reported by the component unit as due to the College. This receivable is expected to be fully collectible.

7. CAPITAL ASSETS

Capital assets activity of the College for the fiscal year ended June 30, 2009, is shown below:

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Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 3,763,775	\$	\$	\$ 3,763,775
Construction in Progress	4,219,956	17,703,440	625,974	21,297,422
Total Nondepreciable Capital Assets	\$ 7,983,731	\$ 17,703,440	\$ 625,974	\$ 25,061,197
Depreciable Capital Assets:				
Buildings	\$ 92,313,572	\$ 1,424,529	\$	\$ 93,738,101
Other Structures and Improvements	21,221,574	505,720		21,727,294
Furniture, Machinery, and Equipment	8,034,158	730,775	615,360	8,149,573
Assets Under Capital Leases	48,148			48,148
Total Depreciable Capital Assets	121,617,452	2,661,024	615,360	123,663,116
Less, Accumulated Depreciation:				
Buildings	38,342,389	3,052,061		41,394,450
Other Structures and Improvements	13,383,611	1,267,729		14,651,340
Furniture, Machinery, and Equipment	6,340,542	921,007	614,526	6,647,023
Assets Under Capital Leases	19,260	9,630		28,890
Total Accumulated Depreciation	58,085,802	5,250,427	614,526	62,721,703
Total Depreciable Capital Assets, Net	\$ 63,531,650	\$ (2,589,403)	\$ 834	\$ 60,941,413

Capital assets activity of the College's component unit for the fiscal year ended December 31, 2008, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 3,284,123	\$ 457,520	\$	\$ 3,741,643
Art Collection	98,612			98,612
Film Costs in Production	961,992			961,992
Total Nondepreciable Capital Assets	\$ 4,344,727	\$ 457,520	\$	\$ 4,802,247
Depreciable Capital Assets:				
Buildings and Improvements	\$ 12,261,934	\$ 15,684	\$	\$ 12,277,618
Library Books	7,415			7,415
Total Depreciable Capital Assets	12,269,349	15,684		12,285,033
Less, Accumulated Depreciation:				
Buildings	2,838,726	301,462		3,140,188
Library Books	7,415			7,415
Total Accumulated Depreciation	2,846,141	301,462		3,147,603
Total Depreciable Capital Assets, Net	\$ 9,423,208	\$ (285,778)	\$	\$ 9,137,430

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8. DEFERRED REVENUE

Deferred revenue of the College, as of June 30, 2009, totaled \$3,778,398 and primarily includes student tuition and fees received prior to the fiscal year end related to subsequent accounting periods.

9. LONG-TERM LIABILITIES

Long-term liabilities of the College include bonds, installment purchases, capital leases, compensated absences, bond arbitrage, and postemployment healthcare and life benefits. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 15,960,000	\$	\$ 695,000	\$ 15,265,000	\$ 720,000
Installment Purchases Payable	181,443		181,443		
Capital Leases Payable	36,043		9,231	26,812	9,847
Compensated Absences Payable	8,303,595	842,259	857,926	8,287,928	889,958
Estimated Arbitrage Rebate Payable		177,764		177,764	
Postemployment Benefits Payable	81,054	67,635		148,689	
Total Long-Term Liabilities	\$ 24,562,135	\$ 1,087,658	\$ 1,743,600	\$ 23,906,193	\$ 1,619,805

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

➤ Capital Outlay Bonds

These bonds are issued by the State Board of Education 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.

➤ Capital Improvement Revenue Bonds

These bonds are issued by the State Board of Administration (SBA), Division of Bond Finance on behalf of the College. These bonds mature serially and are secured by a pledge of certain capital improvement fees collected by the College, plus investment earnings thereon. Principal and interest payments are also secured by a municipal bond insurance policy. The College is required to deposit its pledged revenues, upon collection, into the reserve account with the SBA. The SBA administers principal and interest payments, investment of reserve account resources, and compliance with reserve requirements.

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The College had the following bonds payable outstanding at June 30, 2009:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education			
Capital Outlay Bonds:			
Series 2002B	\$ 1,190,000	4.0 - 5.375	2015
Series 2005A	<u>350,000</u>	5.00	2017
Subtotal	1,540,000		
State Board of Administration:			
Capital Improvement Revenue Bonds:			
Series 2006A	<u>13,725,000</u>	3.50 - 5.00	2027
Total Bonds Payable	<u><u>\$ 15,265,000</u></u>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 720,000	\$ 691,938	\$ 1,411,938
2011	765,000	660,450	1,425,450
2012	795,000	626,906	1,421,906
2013	835,000	594,756	1,429,756
2014	875,000	558,019	1,433,019
2015-2019	3,780,000	2,248,725	6,028,725
2020-2024	4,345,000	1,299,625	5,644,625
2025-2027	<u>3,150,000</u>	<u>238,550</u>	<u>3,388,550</u>
Total	<u><u>\$ 15,265,000</u></u>	<u><u>\$ 6,918,969</u></u>	<u><u>\$ 22,183,969</u></u>

Capital Leases Payable. Copier equipment in the amount of \$48,148 is being acquired under capital lease agreements. The imputed interest rates ranged from 5.33 percent to 10.36 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2009, are as follows:

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Fiscal Year Ending June 30	Amount
2010	\$ 11,311
2011	11,311
2012	6,599
Total Minimum Payments	29,221
Less, Amount Representing Interest	(2,409)
Present Value of Minimum Payments	\$ 26,812

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, 2009, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$8,287,928. Of this amount, \$889,958 is considered a current liability as this is expected to be paid in the coming fiscal year. The current portion of the compensated absences liability was determined by calculating the ratio of actual 2008-09 fiscal year reductions of compensated absences payable to the total possible current leave liability at June 30, 2008, and applying that ratio to the total possible current leave liability at June 30, 2009.

Estimated Arbitrage Rebate Payable. This represents the amount of arbitrage rebate liability for the Capital Improvement Revenue Bonds, Series 2006A. These bonds and the related arbitrage rebate liability are administered by the State Board of Administration, Division of Bond Finance, on behalf of the College.

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

Plan Description. The College contributes to a cost-sharing, multiple-employer defined-benefit plan administered by the Consortium for postemployment healthcare and life insurance 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

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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. Retirees are required to enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. The College and the Consortium do not issue stand-alone annual reports for the Plans and they are not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contribution rates can be amended by the Board of Trustees. The College has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2008-09 fiscal year, 148 retirees received postemployment healthcare benefits, and 68 retirees received postemployment life insurance benefits. The College provided required contributions of \$66,238 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 \$759,397.

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 Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation:

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Description	Amount
Normal Cost (Service Cost for One Year)	\$ 92,583
Amortization of Unfunded Actuarial Accrued Liability	41,560
Interest on Normal Cost and Amortization	-
Annual Required Contribution	134,143
Interest on Net OPEB Obligation	2,432
Adjustment to Annual Required Contribution	<u>(2,702)</u>
Annual OPEB Cost (Expense)	133,873
Contribution Toward the OPEB Cost	<u>(66,238)</u>
Increase in Net OPEB Obligation	67,635
Net OPEB Obligation, Beginning of Year	<u>81,054</u>
Net OPEB Obligation, End of Year	<u>\$ 148,689</u>

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009, and for the transition and preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	134,143	39.6%	81,054
2008-09	133,873	49.5%	148,689

Funded Status and Funding Progress. As of June 30, 2009, the actuarial accrued liability for benefits was \$1,322,888 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,322,888 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$43,597,696 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.03 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 the 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.

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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 initial OPEB actuarial valuation as of July 1, 2007, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2008, with an updated UAAL estimate at June 30, 2009, to estimate the 2008-09 fiscal year ARC. This method was selected because it is the same method used in the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent for the 2008-09 fiscal year, reduced by 1 percent per year through 2009-10, then 0.5 percent per year thereafter, to an ultimate rate of 5 percent after 5 years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years. The remaining amortization period at June 30, 2009, was 28 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 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. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirements plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at 6 years of service. All vested 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; however, there is a benefit reduction

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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.

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 2008-09 fiscal year were as follows:

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 postemployment 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 for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$2,875,885, \$2,919,863, and \$2,986,685, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State 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, Senior Management Service Class, etc.). Contributions are directed to

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individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 57 College participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$209,664.

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

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

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes, on behalf of the participant, 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 college to the participant's annuity account.

There were 102 College participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$500,116.

Senior Management Service Class Local Annuity Program. Section 121.055, Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the FRS, Senior Management Service Class may elect to withdraw from the FRS altogether and participate in a lifetime monthly annuity program offered by the local agency. Pursuant thereto, the College established a Senior Management Service Class Local Annuity Program (Program). Employees in the eligible positions are allowed to make an irrevocable election to participate in the Program, rather than in the FRS. Under the Program, the College contributes the same percentage of participant's

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A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009**

salary as would have been contributed to the FRS, Senior Management Service Class, toward an annuity provided by approved fund sponsors. The participant does not make any contributions to the Program. As of June 30, 2009, three College employees had opted to participate in the Program. Required contributions made by the College to the Program totaled \$57,349 during the 2008-09 fiscal year.

11. CONSTRUCTION COMMITMENTS

The College's construction commitments at June 30, 2009, are as follows:

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JUNE 30, 2009**

Project	Total Commitment	Completed to Date	Balance Committed
Building B,M,V Air Handler Upgrade:			
Engineer	\$ 167,365	\$ 97,704	\$ 69,661
Construction Manager	922,174	84,870	837,304
Alachua Corporate Training Center:			
Architect	396,213	352,929	43,284
Construction Manager	6,779,809	5,976,429	803,380
Building B, P Math Lab Renovation:			
Architect	26,020		26,020
General Contractor	17,073		17,073
Building A, B Roofing:			
Architect	61,439	39,853	21,586
Building V, D Solar & Water Heater Installation:			
Engineer	44,551	32,961	11,590
Construction Manager	264,502	152,668	111,834
Building X, Planetarium Chiller Addition:			
Engineer	11,915	8,605	3,310
Construction Manager	41,417		41,417
Charles R. Perry Building Construction Institute:			
Architect	381,860	365,302	16,558
Construction Manager	3,691,542	3,601,850	89,692
Fire Alarm Central Reporting Station:			
Engineer	28,950	15,120	13,830
Master Plan:			
Architect	185,301	138,411	46,890
Optical Fiber Distribution System:			
General Contractor	81,500		81,500
Parking Lot 21 Construction:			
Engineer	2,030		2,030
Construction Manager	161,870	142,234	19,636
Performing/Fine Arts Building:			
Architect	1,536,800	830,500	706,300
Construction Manager	142,272	82,097	60,175
Building I, K, Renovation of Telecommunication Closets:			
Construction Manager	26,162		26,162
Building W, Zoo Renovations:			
Architect	359,075	326,541	32,534
Construction Manager	3,434,826	2,410,810	1,024,016
Rewire Building I:			
General Contractor	52,000		52,000
Building W, Flooring:			
General Contractor	166,993	46,052	120,941
Total	\$ 18,983,659	\$ 14,704,936	\$ 4,278,723

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

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JUNE 30, 2009

risks primarily through the Florida College System Risk Management Consortium, which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$200 million through February 2009 and \$175 million starting March 1, 2009. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Additionally, health and hospitalization, life, dental, and vision coverage for employees are obtained through the Consortium.

13. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the 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 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.

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

SANTA FE COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 31,348,065
Gross Receipts Tax (Public Education Capital Outlay)	5,763,632
Bright Futures Scholarship Program	5,718,444
Education Enhancement Trust Fund (Lottery)	4,346,998
Florida Student Assistance Grants	2,378,588
Restricted Contracts and Grants	822,634
Motor Vehicle License Tax (Capital Outlay and Debt Service)	452,438
Other State Sources	134,090
Total	<u><u>\$ 50,964,889</u></u>

14. 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	\$ 30,848,737
Public Services	1,445,144
Academic Support	6,461,640
Student Services	8,867,501
Institutional Support	10,929,443
Operation and Maintenance of Plant	8,971,175
Scholarships and Fellowships	12,900,129
Depreciation	5,250,427
Auxiliary Enterprises	79,954
Total Operating Expenses	<u><u>\$ 85,754,150</u></u>

15. CURRENT UNRESTRICTED FUNDS

The Southern Association of Colleges and Schools, Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in

**SANTA FE COLLEGE
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JUNE 30, 2009**

unrestricted net assets. To meet this requirement, statements of net assets and of revenues, expenses, and changes in net assets for the current unrestricted funds are presented, as follows:

Statement of Current Unrestricted Funds Net Assets

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 16,117,836
Investments	1,139,454
Accounts Receivable, Net	2,988,786
Due from Other Governmental Agencies	76,114
Inventories	38,444
Prepaid Expenses	7,739

Total Current Assets	<u>20,368,373</u>
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NonCurrent Assets:

Investments	<u>6,911,720</u>
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TOTAL ASSETS	<u><u>\$ 27,280,093</u></u>
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LIABILITIES

Current Liabilities:

Accounts Payable	\$ 686,704
Salary and Payroll Taxes Payable	4,004,429
Deferred Revenue	3,006,534
Compensated Absences Payable	878,583

Total Current Liabilities	<u>8,576,250</u>
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Noncurrent Liabilities:

Compensated Absences Payable	7,307,392
Postemployment Benefits Payable	148,689

TOTAL LIABILITIES	<u>16,032,331</u>
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TOTAL NET ASSETS	<u>11,247,762</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 27,280,093</u></u>
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SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2009

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

REVENUES

Operating Revenues:

Student Tuition and Fees, Net of Scholarship Allowances of \$8,139,301	\$ 17,773,715
Federal Grants and Contracts	166,849
State and Local Grants and Contracts	1,549,578
Sales and Services of Educational Departments	674,844
Auxiliary Enterprises	737,883
Other Operating Revenue	269,149

Total Operating Revenues 21,172,018

EXPENSES

Operating Expenses:

Personnel Services	50,147,714
Scholarships and Waivers	103,419
Utilities and Communications	2,342,828
Contractual Services	2,840,689
Other Services and Expenses	2,621,946
Materials and Supplies	4,048,784

Total Operating Expenses 62,105,380

Operating Loss (40,933,362)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	35,482,690
Investment Income	240,856
Other Nonoperating Revenues	7,390
Interest on Capital Asset-Related Debt	(4,071)

Net Nonoperating Revenues 35,726,865

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

	(5,206,497)
Capital Appropriations	6,762
Transfers From Other Funds, Net	6,811,182

Increase in Net Assets 1,611,447

Net Assets, Beginning of Year 9,636,315

Net Assets, End of Year \$ 11,247,762



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

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

We have audited the financial statements of Santa Fe College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2009, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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*.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
January 8, 2010