

CHIPOLA COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2009



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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The audit team leader was Pamela L. Thompson, CPA, and the audit was supervised by Patricia S. Crutchfield, 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.

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CHIPOLA 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 Chipola 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 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. The results of our operational audit of the College are included in our report No. 2010-039.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Chipola 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 12 through 33. 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 Chipola 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 Chipola 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 11, 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
February 23, 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 financial statements and notes thereto, are the responsibility of College management.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$62.2 million at June 30, 2009. This balance reflects an \$11.1 million, or 22 percent, increase from the 2007-08 fiscal year, resulting primarily from an increase in due from governmental agencies for Public Education Capital Outlay (PECO) appropriations of \$7.4 million and an increase of \$3.3 million in capital assets. While assets grew, liabilities were relatively flat with a decrease of only \$19 thousand, totaling \$3.8 million at June 30, 2009. As a result, the College's net assets increased by \$11.1 million, reaching a year-end balance of \$58.4 million.

The College's operating revenues totaled \$4.3 million for the 2008-09 fiscal year, representing less than a 1 percent decrease from the 2007-08 fiscal year. The College's net nonoperating revenue decreased by \$626 thousand due mainly to reductions of \$972 thousand in State appropriations, offset by increases in Gifts and Grants for student aid, for the 2008-09 fiscal year. Operating expenses totaled \$20.4 million for the 2008-09 fiscal year, representing only a \$46 thousand increase over the 2007-08 fiscal year. Within operating expenses, scholarships and waivers showed the largest increase with \$595 thousand more expended in 2008-09 than the previous fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

- Chipola College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Chipola 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 Chipola 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 Chipola College's operating results.

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

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

A condensed statement of assets, liabilities, and net assets of the College and its component unit for the fiscal years ended June 30, 2009, and June 30, 2008, is shown in the following table:

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

	College		Component Unit	
	6-30-09	6-30-08	6-30-09	6-30-08
Assets				
Current Assets	\$ 28,195	\$ 20,333	\$ 828	\$ 1,007
Capital Assets, Net	32,929	29,656		376
Other Noncurrent Assets	1,037	1,086	11,938	13,023
Total Assets	62,161	51,075	12,766	14,406
Liabilities				
Current Liabilities	1,958	2,008	36	60
Noncurrent Liabilities	1,832	1,801		
Total Liabilities	3,790	3,809	36	60
Net Assets				
Invested in Capital Assets, Net of Related Debt	32,537	29,266		376
Restricted	24,921	17,028	10,220	13,132
Unrestricted	913	972	2,510	838
Total Net Assets	\$ 58,371	\$ 47,266	\$ 12,730	\$ 14,346
Increase/(Decrease) in Net Assets	\$ 11,105	23.5%	\$ (1,616)	-11.3%

Total assets and total net assets increased over \$11.1 million in 2008-09. Both of these increases resulted primarily from increases in amounts due from PECO appropriations of \$7.4 million and an increase of \$3.3 million in capital assets due to construction activity.

Revenues and expenses of the College and its component unit for the 2008-09 and 2007-08 fiscal years 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	6-30-09	6-30-08
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 2,556	\$ 2,361	\$	\$
Federal Grants and Contracts	831	1,011		
State and Local Grants and Contracts	266	227	89	552
Nongovernmental Grants and Contracts	245	346	801	962
Sales and Services of Educational Departments	41	42		
Auxiliary Enterprises, Net of Scholarship Allowances	225	219		
Other Operating Revenues	89	88	2	2
Total Operating Revenues	4,253	4,294	892	1,516
Less, Operating Expenses	20,397	20,351	1,759	2,057
Operating Loss	(16,144)	(16,057)	(867)	(541)
Nonoperating Revenues (Expenses)				
State Appropriations	10,132	11,104		
Other Nonoperating Revenues	4,036	3,691	422	548
Nonoperating Expenses	(21)	(22)	(2,512)	(1,203)
Net Nonoperating Revenues (Expenses)	14,147	14,773	(2,090)	(655)
Loss Before Other Revenues, Expenses, Gains, or Losses				
Capital Appropriations	12,871	14,976		
Capital Grants, Contracts, Gifts, and Fees	231	503		
Additions to Permanent Endowments			790	201
Increase(Decrease) in Net Assets	11,105	14,195	(2,167)	(995)
Net Assets, Beginning of Year	47,266	33,071	14,346	15,341
Adjustment to Beginning Net Assets (1)			551	
Net Assets, Beginning of Year, as Restated	47,266	33,071	14,897	15,341
Net Assets, End of Year	\$ 58,371	\$ 47,266	\$ 12,730	\$ 14,346

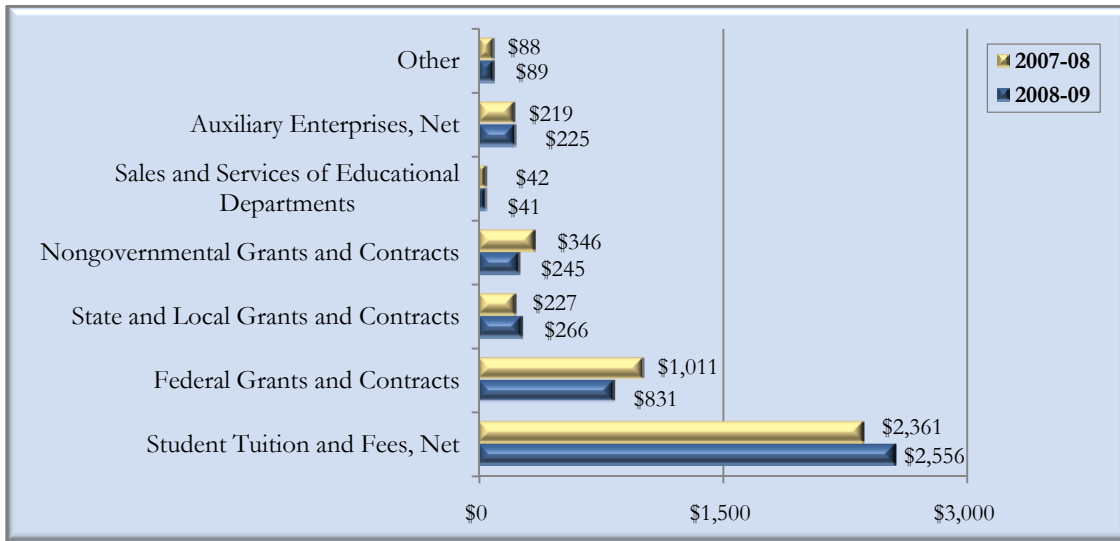
Note: (1) Prior period adjustment reflects a change to adjust land and timber to Fair Market Value. See additional explanation in note No. 2 to financial statements.

Operating Revenues

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

The following chart presents the College's operating revenues for the 2008-09 and 2007-08 fiscal years:

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



College operating revenues include student tuition and fees and auxiliary enterprises, which are shown net of scholarship allowances (amounts received from other than students and third-party payers). Scholarship allowances include payments from Federal Title IV student aid programs (i.e., Pell and FSEOG), Florida Bright Futures Scholarships, and other institutional scholarships. Scholarship allowances amounted to \$1 million in 2008-09 compared to \$669 thousand for the 2007-08 fiscal year primarily due to decreases in Foundation scholarships (i.e., noninstitutional) available to apply toward tuition and fees, coupled with increases in Federal Title IV student financial aid, and increases in tuition rates. Other College operating revenues include Federal, State, local, and nongovernmental grants and contracts, and auxiliary enterprises revenues, which consist of bookstore commissions, housing operations, and campus-wide vending programs.

When compared to the prior fiscal year operating revenues were fairly consistent. Increases in net student tuition and fees of \$195 thousand resulted from increases in student enrollments and fee rates. Decreases in Federal grants and contracts of \$180 thousand resulted primarily from reduced Tech Prep and Title III award amounts.

Operating Expenses

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

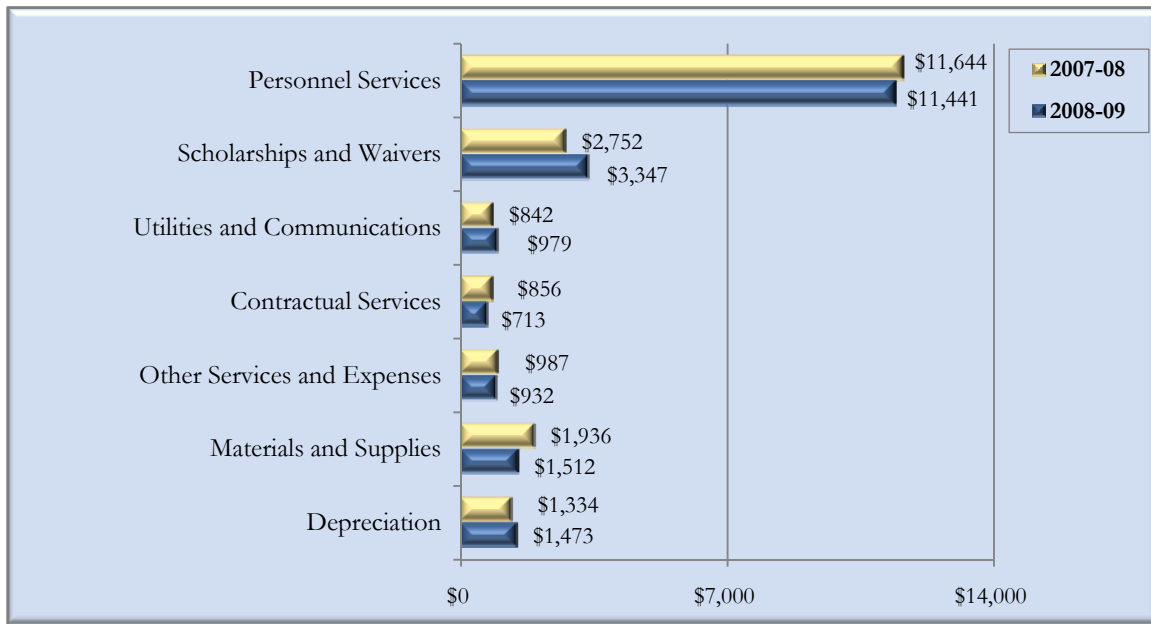
Operating expenses for the College and its component unit for the 2008-09 and 2007-08 fiscal years are presented in the following table:

**Operating Expenses
(In Thousands)**

	College		Component Unit	
	6-30-09	6-30-08	6-30-09	6-30-08
Operating Expenses				
Personnel Services	\$ 11,441	\$ 11,644	\$	\$
Scholarships and Waivers	3,347	2,752	1,242	1,208
Utilities and Communications	979	842		
Contractual Services	713	856		
Other Services and Expenses	932	987	517	849
Materials and Supplies	1,512	1,936		
Depreciation	1,473	1,334		
Total Operating Expenses	\$ 20,397	\$ 20,351	\$ 1,759	\$ 2,057

The following chart presents the College’s operating expenses for the 2008-09 and 2007-08 fiscal years:

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



College operating expenses increased only by \$46 thousand from the 2007-08 fiscal year. Reductions in personnel expenses and materials and supplies of \$203 thousand and \$424 thousand, respectively, were a result of concerted efforts to conserve in tough economic times. Offsetting these decreases were increases in scholarships and waivers of \$595 thousand, utilities and communications of \$137 thousand, and depreciation of \$139 thousand. Scholarship increases were a result of more awards being made in 2008-09 and increases in award amounts. Utilities and communications expenses increased primarily due to increases in electricity rates. Increases in depreciation were the result of increases in capital items constructed and purchased over the past year.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College’s nonoperating revenues and expenses for the 2008-09 and 2007-08 fiscal years:

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

	<u>2008-09</u>	<u>2007-08</u>
State Appropriations	\$ 10,132	\$ 11,104
Gifts and Grants	4,010	3,586
Investment Income	18	105
Other Nonoperating Revenues	8	
Interest on Capital Asset-Related Debt	(21)	(21)
Other Nonoperating Expenses		(1)
Net Nonoperating Revenues	<u>\$ 14,147</u>	<u>\$ 14,773</u>

Nonoperating revenues include State appropriations for Community College Program Fund, Education Enhancement Trust Fund (i.e., Lottery), Baccalaureate Program Funds, and Florida Bright Futures Scholarships funding. Accounting standards require that this source of revenue be reported as nonoperating even though the College’s budget requires these funds to continue the current level of operations. When compared to the prior fiscal year, College net nonoperating revenues decreased by \$626 thousand, or 4.2 percent, in total due primarily to a \$972 thousand drop in State appropriations.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2008-09 and 2007-08 fiscal years:

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

	<u>2008-09</u>	<u>2007-08</u>
Capital Appropriations	\$ 12,871	\$ 14,976
Capital Grants, Contracts, Gifts, and Fees	231	503
Total	<u>\$ 13,102</u>	<u>\$ 15,479</u>

Capital appropriations, which consists of PECO appropriations and support from the State-assessed motor vehicle license tax for bond debt service, decreased by \$2.1 million, due to a decrease in State appropriations to the College for capital projects.

Capital grants, contracts, gifts, and fees consist of capital improvement fees, technology fees, and private contributions for the purchase or construction of capital assets. This amount decreased by \$272 thousand from the previous year, primarily due to a gift for new construction received in the 2007-08 fiscal year.

NET ASSETS – COMPONENT UNIT

An adjustment to beginning net assets was made by the Foundation in order to restate the value of land and timber held for investment purposes to fair market value in connection with the implementation of Governmental Accounting Standards Board Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. Additional information concerning this adjustment is in the notes to financial statements.

THE STATEMENT OF CASH FLOWS

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

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

A summary of the College’s cash flows for the 2008-09 and 2007-08 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College		
(In Thousands)		
	2008-09	2007-08
Cash Provided (Used) by:		
Operating Activities	\$ (14,849)	\$ (14,509)
Noncapital Financing Activities	14,142	14,690
Capital and Related Financing Activities	1,028	1,175
Investing Activities	61	28
Net Increase in Cash and Cash Equivalents	382	1,384
Cash and Cash Equivalents, Beginning of Year	5,519	4,135
Cash and Cash Equivalents, End of Year	\$ 5,901	\$ 5,519

Major sources of funds came from State appropriations (\$10.1 million); gifts, grants, and contracts (\$5.3 million); capital appropriations (\$5.1 million); and net student tuition and fees (\$2.6 million).

Cash and cash equivalents increased by \$382 thousand, or 7 percent, from the previous year. Similar to the prior year, net cash provided by capital and related financing activities equaled just over \$1 million and contributed to the overall increase in cash and cash equivalents at year end.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2009, the College had \$55.4 million in capital assets, less accumulated depreciation of \$22.5 million, for net capital assets of \$32.9 million. Depreciation charges for the current fiscal year totaled \$1.5 million. The following table summarizes the College’s capital assets at June 30:

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

<u>Capital Assets</u>	<u>2009</u>	<u>2008</u>
Land	\$ 1,732	\$ 1,453
Buildings	25,857	24,780
Other Structures and Improvements	2,355	775
Furniture, Machinery, and Equipment	350	381
Construction in Progress	2,636	2,267
Total	\$ 32,930	\$ 29,656

The College has \$2.4 million remaining on major construction contract commitments at June 30, 2009. The College completed Building L, a softball complex, and Prough Road projects totaling approximately \$4 million. The contract commitments are for projects that include renovation and remodeling of the Student Center Building and new construction of a Center for the Arts building. In addition, negotiations are underway for additional design build construction contracts for the new Center for the Arts building. State appropriations are expected to finance the construction, renovation, and purchase of facilities. More information about the College’s capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$393 thousand in long-term debt outstanding. 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)**

	<u>2009</u>	<u>2008</u>
SBE Capital Outlay Bonds	\$ 355	\$ 390
Installment Purchase	38	
Total	\$ 393	\$ 390

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2008-09 fiscal year, there were no bond sales and debt repayments totaled \$35 thousand. Additional information about the College’s long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Chipola College’s economic condition is closely tied to that of the State of Florida. Because of the weakened economic condition, State funding is anticipated to remain relatively flat. In addition, much of the appropriation from the State in the coming year is made up of nonrecurring Federal economic stimulus dollars. Unless these dollars are eventually replaced with reliable recurring dollars, it is uncertain whether the College will be able to continue services at the current level. However, because other factors affect specific appropriations to the College, the College cannot be certain of future funding trends.

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 Financial Services, Chipola College, 3094 Indian Circle, Marianna, Florida 32446.

BASIC FINANCIAL STATEMENTS

CHIPOLA COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS June 30, 2009

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 3,112,869	\$ 18,257
Restricted Cash and Cash Equivalents	1,785,793	
Accounts Receivable	62,482	739,970
Notes Receivable	11,669	
Due from Other Governmental Agencies	23,050,742	
Due from College		32,097
Prepaid Expenses	171,454	
Other Assets	393	37,934
Total Current Assets	28,195,402	828,258
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,002,613	1,271,640
Investments	34,241	
Restricted Investments		10,464,187
Depreciable Capital Assets, Net	28,561,695	
Nondepreciable Capital Assets	4,367,732	
Other Assets		201,758
Total Noncurrent Assets	33,966,281	11,937,585
TOTAL ASSETS	\$ 62,161,683	\$ 12,765,843
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 800,251	\$ 36,012
Salary and Payroll Taxes Payable	599,311	
Retainage Payable	116,053	
Due to Other Governmental Agencies	23,789	
Due to Component Unit	32,097	
Deferred Revenue	108,091	
Deposits Held for Others	31,507	
Long-Term Liabilities - Current Portion:		
Bonds Payable	35,000	
Installment Purchase Payable	11,549	
Compensated Absences Payable	200,000	
Total Current Liabilities	1,957,648	36,012
Noncurrent Liabilities:		
Bonds Payable	320,000	
Installment Purchase Payable	26,177	
Compensated Absences Payable	1,450,540	
Postemployment Healthcare Benefits Payable	36,024	
Total Noncurrent Liabilities	1,832,741	
TOTAL LIABILITIES	3,790,389	36,012

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

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 32,536,701	\$
Restricted:		
Nonexpendable:		
Endowment		6,163,081
Expendable:		
Grants and Loans	809,597	
Scholarships	174,709	4,056,316
Capital Projects	23,921,125	
Debt Service	16,086	
Unrestricted	913,076	2,510,434
Total Net Assets	58,371,294	12,729,831
TOTAL LIABILITIES AND NET ASSETS	\$ 62,161,683	\$ 12,765,843

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

CHIPOLA 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 \$1,088,093	\$ 2,555,673	\$
Federal Grants and Contracts	831,064	
State and Local Grants and Contracts	266,444	89,443
Nongovernmental Grants and Contracts	244,842	800,689
Sales and Services of Educational Departments	40,500	
Auxiliary Enterprises, Net of Scholarship Allowances		
Allowances of \$5,400	225,156	
Other Operating Revenues	89,159	1,893
Total Operating Revenues	4,252,838	892,025
EXPENSES		
Operating Expenses:		
Personnel Services	11,440,678	
Scholarships and Waivers	3,346,856	1,241,814
Utilities and Communications	979,086	
Contractual Services	712,975	
Other Services and Expenses	932,265	516,702
Materials and Supplies	1,512,082	
Depreciation	1,472,797	
Total Operating Expenses	20,396,739	1,758,516
Operating Loss	(16,143,901)	(866,491)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	10,131,967	
Gifts and Grants	4,009,739	
Investment Income	18,536	421,547
Other Nonoperating Revenues	7,558	
Net Realized and Unrealized Loss on Investments		(2,512,027)
Interest on Capital Asset-Related Debt	(20,433)	
Net Nonoperating Revenues (Expenses)	14,147,367	(2,090,480)
Loss Before Other Revenues, Expenses, Gains, or Losses	(1,996,534)	(2,956,971)
Capital Appropriations	12,870,827	
Capital Grants, Contracts, Gifts, and Fees	231,250	
Additions to Permanent Endowments		789,908
Total Other Revenues	13,102,077	789,908
Increase (Decrease) in Net Assets	11,105,543	(2,167,063)
Net Assets, Beginning of Year	47,265,751	14,345,963
Adjustment to Beginning Net Assets		550,931
Net Assets, Beginning of Year, as Restated	47,265,751	14,896,894
Net Assets, End of Year	\$ 58,371,294	\$ 12,729,831

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

CHIPOLA 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	\$ 2,571,415
Grants and Contracts	1,338,749
Payments to Suppliers	(3,157,322)
Payments for Utilities and Communications	(979,086)
Payments to Employees	(9,367,185)
Payments for Employee Benefits	(2,206,689)
Payments for Scholarships	(3,346,856)
Net Loans Issued to Students	(3,694)
Auxiliary Enterprises, Net	225,156
Sales and Services of Educational Departments	40,500
Other Receipts	36,224
	(14,848,788)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	10,131,967
Gifts and Grants	4,009,739
	14,141,706
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	47,120
Capital Appropriations	5,064,721
Capital Grants and Gifts	231,250
Proceeds from Sale of Capital Assets	7,558
Purchases of Capital Assets	(4,258,321)
Principal Paid on Capital Debt	(44,394)
Interest Paid on Capital Debt	(20,433)
	1,027,501
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	16,903
Investment Income	44,539
	61,442
Net Increase in Cash and Cash Equivalents	381,861
Cash and Cash Equivalents, Beginning of Year	5,519,414
	\$ 5,901,275
Cash and Cash Equivalents, End of Year	\$ 5,901,275

CHIPOLA 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	\$ (16,143,901)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,472,797
Changes in Assets and Liabilities:	
Receivables, Net	(759)
Other Assets	(38,440)
Accounts Payable	(174,921)
Deferred Revenue	12,900
Deposits Held for Others	(13,338)
Compensated Absences Payable	29,226
Postemployment Healthcare Benefits Payable	11,342
Loans to Students	(3,694)
NET CASH USED BY OPERATING ACTIVITIES	\$ (14,848,788)

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

CHIPOLA 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 Chipola College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of nine 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 Calhoun, Holmes, Jackson, Liberty, and Washington Counties.

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2009.

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.

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

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.

The College's component unit uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting for State and local government entities.

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.

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

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 student tuition and fees, and auxiliary enterprises revenues are reported net of 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 calculated its tuition scholarship allowance by determining the amount of "coverage" applied from financial aid and other funds determined to be subject to scholarship allowances. Under this method, the College determined amounts by identifying those student transactions where the student's classes or bookstore charges were paid by an applicable financial aid source. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenues.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and funds invested with the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool (LGIP), which, effective July 1, 2009, is known as Florida PRIME. For the purpose of reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers most amounts invested in the LGIP 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

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

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 reported as cash equivalents at fair value \$3,700,001 of moneys held in the LGIP administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The College's 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.

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

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment – 5 years

Asset valuations are discussed below:

- Land – Land acquired prior to June 30, 1979, is stated at fair market value based upon appraisal with subsequent additions at cost, except for land acquired by donation, which is stated at fair market value at the date of donation. The value of land by valuation method is shown in the following tabulation:

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

Valuation Method	Values
Appraisal Value	\$ 357,000
Fair Market Value (at Date of Donation)	96,475
Cost	1,278,382
Total	\$ 1,731,857

- Buildings – Buildings acquired prior to June 30, 1971, are stated at historically-based appraised values with subsequent additions at cost except for buildings acquired by donation, which are stated at fair market value at the date of donation. The value of buildings by valuation method is shown in the following tabulation:

Valuation Method	Values
Historically-Based Appraisal Cost	\$ 1,818,708
Cost	39,781,975
Fair Market Value (at Date of Donation)	747,570
Total	\$ 42,348,253

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of bonds payable, installment purchases payable, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year.

2. PRIOR PERIOD ADJUSTMENTS

The Foundation implemented GASB Statement No. 52 *Land and Other Real Estate Held as Investments by Endowments*. As a result, the Foundation was required to report land and other real estate held for investment purposes at fair value. The effect of this prior period adjustment was to increase land and timber and permanently restricted net assets by \$550,931 for the 2008-09 fiscal year.

3. INVESTMENTS

The College’s Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College’s Board of Trustees as authorized by law. State Board of Education Rule 6A-14.0765(3), Florida

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

Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

State Board of Administration 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.

At June 30, 2009, the College reported investments at fair value of \$34,241 for amounts held in Fund B. The College's 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.

Component Unit Investments

Investments held by the College's component unit, the Chipola College Foundation, Inc. (Foundation), at June 30, 2009, are reported at fair value as follows:

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

Investment Type	Fair Value	Maturities	Credit Quality Rating (1)
United States Treasury Notes	\$ 565,911	August 15, 2013 - February 15, 2019	AAA/Aaa/AAA
United States Treasury Bonds	6,517	August 15, 2026	AAA/Aaa/AAA
United States Government Agencies:			
Federal Home Loan Mortgage Corp.	465,846	September 15, 2011 - July 17, 2015	AAA/Aaa/AAA
Federal National Mortgage Association	215,258	September 15, 2009 - February 13, 2017	AAA/Aaa/AAA
Federal National Mortgage Association Note	449,692	February 15, 2010 - March 27, 2019	AAA/Aaa/AAA
Federal Home Loan Mortgage Gold Pool	223,162	February 1, 2021 - April 1, 2023	None
Federal National Mortgage Association Pool	111,627	April 1, 2035 - December 2035	None
Federal Home Loan Mortgage Corp. Medium Note	24,547	March 27, 2019	AAA/Aaa/AAA
Corporate Bonds:			
Abbott Laboratories	71,201	April 1, 2019	AA/A1/A+
AT&T, Inc.	103,828	January 15, 2013 - May 15, 2018	A/A2/A
Bank of America	149,537	June 15, 2012	None
Bear Stearns COS, Inc. Senior Note	10,488	February 1, 2012	A+/Aa3/AA-
Caterpillar Financial Services Corporation	90,177	September 30, 2013	A
Cisco System, Inc.	70,529	February 15, 2019	A+/A1
Citigroup, Inc.	45,666	January 18, 2011	A/A3/A+
Coca Cola Company	85,559	November 15, 2017	A+/Aa3/A+
Conoco Phillips	78,350	February 1, 2014 - February 1, 2019	A/A1/A
Credit Suisse USE, Inc.	109,272	March 2, 2011	A+/Aa1/AA-
General Electric Company	122,938	February 1, 2013 - March 15, 2032	AA+/Aa2
Goldman Sachs Group, Inc.	127,711	January 15, 2012	A/A1/A+
Hewlett Packard Corporation	127,811	March 1, 2012 - March 1, 2017	A/A2/A+
JP Morgan Chase and Company	110,068	June 1, 2011	A+/Aa3/AA-
Lowe's COS, Inc.	74,162	October 15, 2015	A+/A1/A+
Merrill Lynch and Company	83,441	February 5, 2013	A/A2/A+
McDonald's	10,268	February 1, 2019	A/A3/A
Morgan Stanley Dean Witter & Company Global	99,192	April 15, 2011 - March 1, 2013	A/A2/A
Proctor and Gamble Company	71,100	February 15, 2019	AA-/Aa3
Target Corporation	74,638	January 15, 2011	A+/A2/A
United Technologies Corporation	11,085	February 1, 2019	A/A2/A+
Verizon Pennsylvania	10,496	November 15, 2011	A/Baa1/A
Wachovia Corp	114,400	October 15, 2011 - May 1, 2013	AA-/A1/AA
Wal-mart Stores, Inc.	75,108	September 1, 2035	AA/Aa2/AA
Walt Disney Company	78,352	December 15, 2013	A/A2/A
Certificates of Deposit	771,808	NA	NA
Mutual Funds	674,846	NA	NA
Foreign Equities	832,438	NA	NA
Domestic Equities	3,189,827	NA	NA
Land and Timber	927,331	NA	NA
Total	\$ 10,464,187		

Note: (1) Rated by Standard and Poor's, Moody's Investors Service, and Fitch Ratings.

NA Not Applicable to investment type.

Interest Rate Risk: The Foundation has no written investment policy that limits exposure to decline in fair values resulting from interest rate changes.

Credit Risk: Credit risk is the risk of losses due to credit worthiness of the issuer of security investments. The Foundation has no written investment policy that limits exposure to credit risk.

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

Custodial Credit Risk: Custodial credit risk is the risk of losses due to the failure of a counterparty that is in possession of investments or collateral securities. The Foundation has no written investment policy for custodial credit risk; however, none of the Foundation's money market and short term investment accounts were exposed to unsecured and uncollateralized custodial credit risk.

Concentration of Credit Risk: The Foundation has no written investment policy that places limits on the amount that may be invested in any type of investment.

Foreign Currency Risk: The Foundation holds \$832,438 in various foreign equities as of June 30, 2009. The foreign holdings account for approximately 8 percent of the Foundation's total investments. The Foundation has no written investment policy that limits its investment choices as it relates to foreign equities.

4. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, and uncollected commissions for vending machine sales. These receivables are deemed fully collectible and therefore no allowance for uncollectible accounts has been recognized.

5. NOTES RECEIVABLE

Notes receivable represent student loans made under the College's short-term loan program. The receivables are deemed fully collectible and therefore no allowance for uncollectible notes has been recognized.

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$22,918,512 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

7. CAPITAL ASSETS

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

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 1,452,737	\$ 279,120	\$	\$ 1,731,857
Construction in Progress	2,266,762	4,351,531	3,982,418	2,635,875
Total Nondepreciable Capital Assets	\$ 3,719,499	\$ 4,630,651	\$ 3,982,418	\$ 4,367,732
Depreciable Capital Assets:				
Buildings	\$ 40,321,327	\$ 2,026,926	\$	\$ 42,348,253
Other Structures and Improvements	4,695,475	1,955,491		6,650,966
Furniture, Machinery, and Equipment	1,994,241	115,975	54,473	2,055,743
Total Depreciable Capital Assets	47,011,043	4,098,392	54,473	51,054,962
Less, Accumulated Depreciation:				
Buildings	15,541,448	949,993		16,491,441
Other Structures and Improvements	3,920,183	375,604		4,295,787
Furniture, Machinery, and Equipment	1,613,312	147,200	54,473	1,706,039
Total Accumulated Depreciation	21,074,943	1,472,797	54,473	22,493,267
Total Depreciable Capital Assets, Net	\$ 25,936,100	\$ 2,625,595	\$	\$ 28,561,695

8. DEFERRED REVENUE

Deferred revenue includes student tuition and fees of \$108,091 received prior to fiscal year-end related to subsequent accounting periods.

9. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2009, include bonds, installment purchase, compensated absences, and other postemployment benefits payable. 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	\$ 390,000	\$	\$ 35,000	\$ 355,000	\$ 35,000
Installment Purchase Payable		47,120	9,394	37,726	11,549
Compensated Absences Payable	1,621,314	29,226		1,650,540	200,000
Other Postemployment Benefits Payable	24,682	11,342		36,024	
Total Long-Term Liabilities	\$ 2,035,996	\$ 87,688	\$ 44,394	\$ 2,079,290	\$ 246,549

Bonds Payable. The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor

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

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds: Series 2005-A	<u>\$ 355,000</u>	5	2017

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

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2010	\$ 35,000	\$ 17,750	\$ 52,750
2011	40,000	16,000	56,000
2012	40,000	14,000	54,000
2013	45,000	12,000	57,000
2014	45,000	9,750	54,750
2015-2017	<u>150,000</u>	<u>15,000</u>	<u>165,000</u>
Total	<u>\$ 355,000</u>	<u>\$ 84,500</u>	<u>\$ 439,500</u>

Installment Purchase Payable. The College has entered into an installment purchase agreement for the purchase of a vehicle at \$47,120. The stated interest rate is 2.9 percent. Future minimum payments remaining under the installment purchase agreement and the present value of the minimum payments as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Amount
2010	\$ 12,491
2011	12,491
2012	12,491
2013	<u>2,056</u>
Total Minimum Payments	39,529
Less, Amount Representing Interest	<u>1,803</u>
Present Value of Minimum Payments	<u>\$ 37,726</u>

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

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

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 \$1,650,540. Of this amount, \$200,000 is considered a current liability as this is expected to be paid in the coming fiscal year. This amount was estimated by performing an analysis of the last seven years' payments made to employees for leave liability owed.

Other 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. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The College does not offer any explicit subsidies. Retirees are required to enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. The Consortium does not issue a stand-alone annual report for the Plan and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. 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, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 50 retirees received postemployment healthcare benefits, and 36 retirees received postemployment life insurance benefits. The College provided required contributions of \$20,524 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 \$258,832.

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

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. 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:

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 21,965
Amortization of Unfunded Actuarial Accrued Liability	9,983
Annual Required Contribution	31,948
Interest on Net OPEB Obligation	741
Adjustment to Annual Required Contribution	(823)
Annual OPEB Cost (Expense)	31,866
Contribution Toward the OPEB Cost	(20,524)
Increase in Net OPEB Obligation	11,342
Net OPEB Obligation, Beginning of Year	24,682
Net OPEB Obligation, End of Year	\$ 36,024

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	31,948	22.7%	24,682
2008-09	31,866	64.4%	36,024

Funded Status and Funding Progress. As of June 30, 2009, the actuarial accrued liability for benefits was \$323,059 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$323,059 and a funded status of 0 percent. The covered payroll (annual payroll of active participating employees) was \$7,667,555 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.2 percent.

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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.

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 of July 1, 2007, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and to estimate the 2008-09 fiscal year ARC. This method was selected because it is the same method used in 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 initially for the 2008-09 fiscal year, reduced by 1 percent per year for two years, then 0.5 percent per year thereafter, to an ultimate rate of 5 percent after five 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 retirement plans and other nonintegrated programs. These include a

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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 six 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 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	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
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	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 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 \$707,385, \$736,083, and \$725,738, 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

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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 Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 31 College participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$110,931.

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.

11. CONSTRUCTION COMMITMENTS

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

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Student Center Renovation and Remodeling:			
Architect	\$ 191,908	\$ 153,526	\$ 38,382
Contractor	2,708,896	1,233,000	1,475,896
Center for Arts Building Design - Builder	<u>1,877,998</u>	<u>1,034,335</u>	<u>843,663</u>
Total	<u>\$ 4,778,802</u>	<u>\$ 2,420,861</u>	<u>\$ 2,357,941</u>

12. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida Community Colleges Risk Management Consortium, which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public 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

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through the Consortium included health and hospitalization, life, dental, long-term disability, 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.

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:

<u>Source</u>	<u>Amount</u>
Gross Receipts Tax (Public Education Capital Outlay)	\$ 12,802,492
College Program Fund	8,403,971
Education Enhancement Trust Fund (Lottery)	1,110,502
Bright Futures Scholarship Program	931,900
Restricted Contracts and Grants	909,162
Florida Student Assistance Grants	406,864
Motor Vehicle License Tax (Capital Outlay and Debt Service)	68,335
Total	<u>\$ 24,633,226</u>

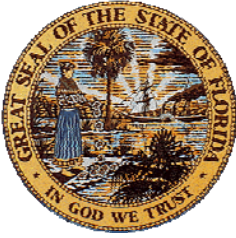
14. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

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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	\$ 6,734,231
Public Services	258,358
Academic Support	597,038
Student Services	2,010,358
Institutional Support	2,843,648
Operation and Maintenance of Plant	3,033,903
Scholarships and Fellowships	3,417,469
Depreciation	1,472,797
Auxiliary Enterprises	<u>28,937</u>
Total Operating Expenses	<u><u>\$ 20,396,739</u></u>



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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 Chipola 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*.

We noted certain operational matters that we reported to College management in our report No. 2010-039.

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
February 23, 2010