

NORTHWEST FLORIDA STATE 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>
Wesley Wilkerson, Chair	Walton
Sandy Sims, Vice Chair	Okaloosa
Elizabeth S. Campbell (1)	Walton
Joseph W. Henderson (1)	Okaloosa
Brian S. Pennington	Okaloosa
Dale Rice, Jr.	Okaloosa
Vercell Vance (1)	Okaloosa
Esteena K. Wells	Walton

Dr. James R. Richburg, President
to April 20, 2009

Dr. Jill J. White, Interim President
from April 21, 2009

Note: (1) Board members served beyond
the end of term May 31, 2009.

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 Debbie S. Jabaley, CPA, and the audit was supervised by James W. Kiedinger, 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.

**NORTHWEST FLORIDA STATE COLLEGE
TABLE OF CONTENTS**

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	13
Statement of Revenues, Expenses, and Changes in Net Assets.....	15
Statement of Cash Flows.....	16
Notes to Financial Statements	18
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 <i>GOVERNMENT AUDITING STANDARDS</i>	
Internal Control Over Financial Reporting.....	38
Compliance and Other Matters	39

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 Northwest Florida State College and its officers with administrative and stewardship responsibilities for College operations had:

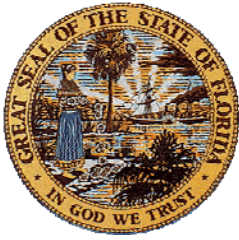
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied 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.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Northwest Florida State 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 13 through 37. 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 Northwest Florida State 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 Northwest Florida State 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 12 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
March 3, 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.

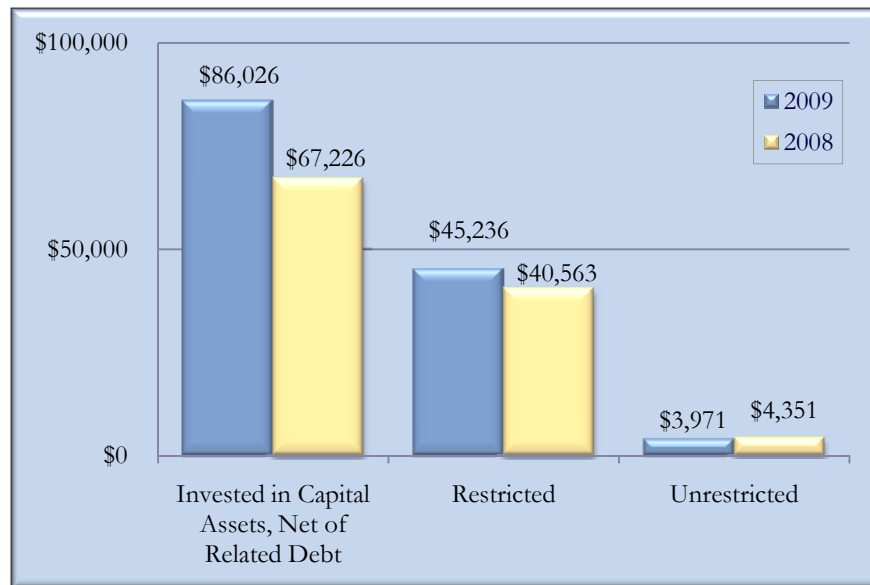
COLLEGE NAME CHANGE

The College’s Board of Trustees approved the name change from Okaloosa-Walton College to Northwest Florida State College (NWFSC) on July 10, 2008, pursuant to Section 1001.60(2)(b), Florida Statutes.

FINANCIAL HIGHLIGHTS

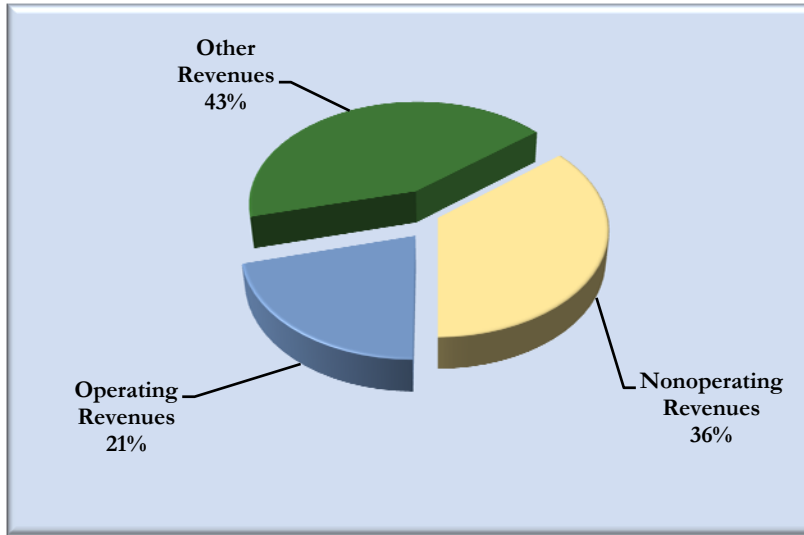
The College’s assets totaled \$141.6 million at June 30, 2009. This balance reflects a \$24.4 million, or 21 percent, increase from the 2007-08 fiscal year, resulting primarily from increases in due from other governmental agencies for Public Education Capital Outlay (PECO) receivables and construction in progress. Current assets increased \$7.1 million due largely to increases in PECO receivables. Noncurrent assets increased \$17.3 million due primarily to an increase in capital construction in progress. While assets grew, liabilities increased by a lesser amount of \$1.3 million, or 26 percent, totaling \$6.3 million at June 30, 2009, compared to \$5 million at June 30, 2008. As a result, the College’s net assets increased by \$23 million, reaching a year-end balance of \$135.2 million at June 30, 2009. The following chart shows the composition of net assets at June 30, 2009, and June 30, 2008.

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



The College’s operating revenues totaled \$16 million for the 2008-09 fiscal year, representing an 8.5 percent increase over the 2007-08 fiscal year due mainly to an \$823 thousand increase in student fees and a \$344 thousand increase in Federal grants.

Total Revenues: College



Operating expenses totaled \$48.6 million for the 2008-09 fiscal year, representing an increase of 5.7 percent over the 2007-08 fiscal year due mainly to a \$1.6 million increase in personnel services expense and a \$605 thousand increase in student scholarships and waivers expense.

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:

- Northwest Florida State 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.
- Northwest Florida State 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 Foundation’s Executive Committee approved the name change from Okaloosa-Walton College Foundation to Northwest Florida State College Foundation (NWFSCF) on September 15, 2008.

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 Northwest Florida State 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 Northwest Florida State College’s operating results.

These two statements report Northwest Florida State 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 respective periods ended, is shown in the following table:

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

	College		Component Unit	
	6-30-09	6-30-08	9-30-08	9-30-07
Assets				
Current Assets	\$ 44,625	\$ 37,490	\$ 4,298	\$ 8,698
Capital Assets, Net	87,097	68,421	6,042	6,214
Other Noncurrent Assets	9,841	11,252	24,008	22,243
Total Assets	<u>141,563</u>	<u>117,163</u>	<u>34,348</u>	<u>37,155</u>
Liabilities				
Current Liabilities	2,543	1,278	230	799
Noncurrent Liabilities	3,787	3,745		
Total Liabilities	<u>6,330</u>	<u>5,023</u>	<u>230</u>	<u>799</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	86,026	67,226	6,042	6,214
Restricted	45,236	40,563	27,855	29,966
Unrestricted	3,971	4,351	221	176
Total Net Assets	<u>\$ 135,233</u>	<u>\$ 112,140</u>	<u>\$ 34,118</u>	<u>\$ 36,356</u>
Increase (Decrease) in Net Assets	<u>\$ 23,093</u>	20.6%	<u>\$ (2,238)</u>	-6.2%

Revenues and expenses of the College and its component unit for the respective periods ended are shown in the following table:

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

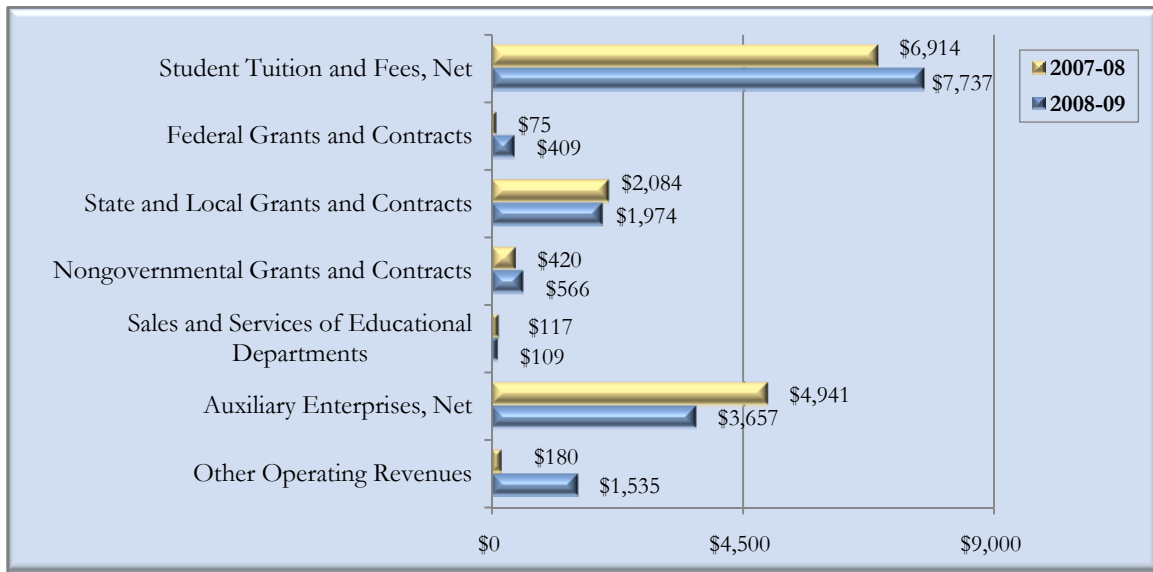
	College		Component Unit	
	6-30-09	6-30-08	9-30-08	9-30-07
Operating Revenues				
Student Tuition and Fees, Net of Scholarship				
Allowances	\$ 7,737	\$ 6,914	\$	\$
Federal Grants and Contracts	409	75		
State and Local Grants and Contracts	1,974	2,084		
Nongovernmental Grants and Contracts	566	420		
Sales and Services of Educational Departments	109	117		
Auxiliary Enterprises, Net of Scholarship				
Allowances	3,657	4,941		
Other Operating Revenues	1,535	180	420	310
Total Operating Revenues	15,987	14,731	420	310
Less, Operating Expenses	48,568	45,942	4,740	2,120
Operating Loss	(32,581)	(31,211)	(4,320)	(1,810)
Nonoperating Revenues (Expenses)				
State Appropriations	19,136	19,881	3,197	7,228
Other Nonoperating Revenues	9,125	8,841	(4,410)	8,010
Nonoperating Expenses	(57)	(62)		
Net Nonoperating Revenues (Expenses)	28,204	28,660	(1,213)	15,238
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
Capital Appropriations	31,726	28,088		
Capital Grants, Contracts, Gifts, and Fees	1,434	3,673		
Other Expenses	(5,690)			
Additions to Permanent Endowments			3,295	1,003
Increase (Decrease) in Net Assets	23,093	29,210	(2,238)	14,431
Net Assets, Beginning of Year	112,140	82,930	36,356	21,925
Net Assets, End of Year	\$ 135,233	\$ 112,140	\$ 34,118	\$ 36,356

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 revenue changes were the result of the following factors:

- Federal Grants and Contracts increased \$334 thousand, or 445 percent, primarily due to funding from United States Department of Interior for water quality sampling provided by the Choctawhatchee Basin Alliance.
- Student tuition and fee revenue, net of scholarship allowances, increased \$823 thousand, or 11.9 percent, due to a 6 percent tuition increase implemented in August 2008, and an approximate 7 percent increase in enrollment.
- The changes in auxiliary enterprises and other operating revenue resulted primarily from a reclassification of other sales and services and certain miscellaneous revenues.

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.

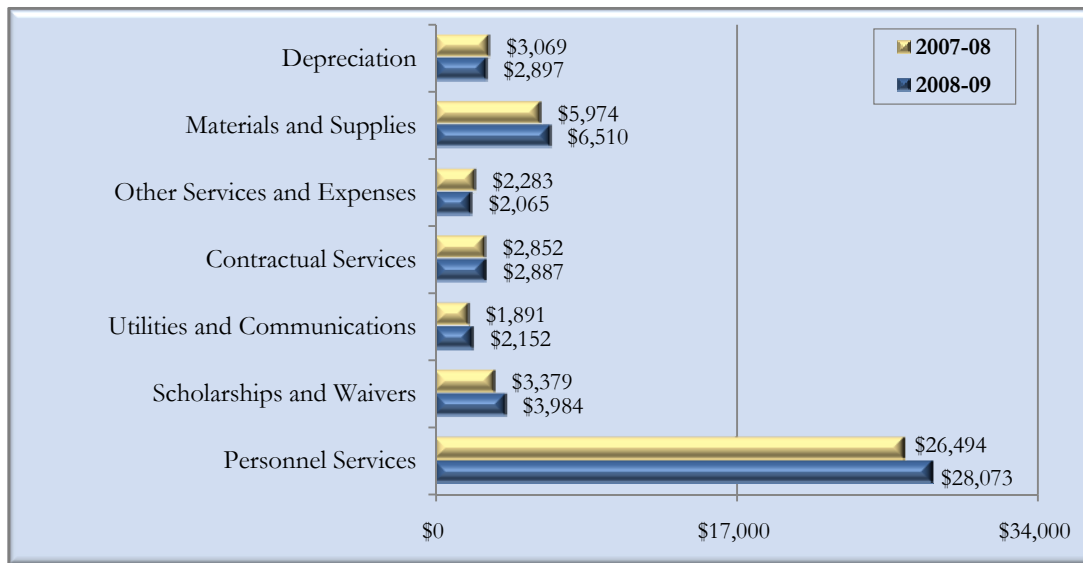
Operating expenses for the College and its component unit for the respective periods ended are presented in the following table:

**Operating Expenses for the Periods Ended
(In Thousands)**

	College		Component Unit	
	6-30-09	6-30-08	9-30-08	9-30-07
Operating Expenses				
Personnel Services	\$ 28,073	\$ 26,494	\$	\$
Scholarships and Waivers	3,984	3,379	644	381
Utilities and Communications	2,152	1,891	87	74
Contractual Services	2,887	2,852	189	283
Other Services and Expenses	2,065	2,283	3,587	1,205
Materials and Supplies	6,510	5,974	55	90
Depreciation	2,897	3,069	178	87
Total Operating Expenses	\$ 48,568	\$ 45,942	\$ 4,740	\$ 2,120

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 expense changes were the result of the following factors:

- Personnel services (salary and benefits) expenses increased approximately \$1.6 million, or 6 percent, mainly due to a 3 percent annual salary increase and an 11 percent increase in health insurance.
- Scholarships and waivers increased \$605 thousand primarily due to the 7 percent increase in enrollment accompanied by a higher percentage of the student population seeking financial aid due to the downturn in the economy.
- Materials and supplies expenditures increased \$536 thousand to accommodate the increased requirements placed on instruction to accommodate the 7 percent increase in enrollment.

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	\$ 19,136	\$ 19,882
Gifts and Grants	9,038	8,286
Investment Income	79	553
Other Nonoperating Revenues	8	1
Interest on Capital Asset-Related Debt	<u>(57)</u>	<u>(62)</u>
Net Nonoperating Revenues	<u>\$ 28,204</u>	<u>\$ 28,660</u>

College nonoperating revenues decreased \$457 thousand, or 1.6 percent, mainly due to a decrease in investment income.

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	\$ 31,726	\$ 28,088
Capital Grants, Contracts, Gifts, and Fees	1,434	3,673
Other Expenses	<u>(5,690)</u>	<u> </u>
Net Other Revenues	<u>\$ 27,470</u>	<u>\$ 31,761</u>

Capital appropriations increased by \$3.6 million, or approximately 13 percent, due to increased Public Education Capital Outlay funding of \$3.9 million for the South Walton County Center classroom building project, \$1.8 million for general renovations and remodeling, and \$25.5 million for the remodeling, renovation and construction of a student services center on the Niceville Campus. The student services center will be a one-stop center for student counseling, advising, testing, registration, financial aid, cashiering, and food services. On April 28, 2009, the Board of Trustees voted unanimously to discontinue the Destin Joint-Use project that was funded by the 2007-08 fiscal year Public Education Capital Outlay Legislative Appropriation. The Florida Department of Education was notified of the Board's action. The Florida Department of Education removed the \$5,690,000 from funding. Since the College recognized the appropriation as revenue in the 2007-08 fiscal year, the return of the appropriation was reported as other expenses in the 2008-09 fiscal year.

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	\$ (29,789)	\$ (27,692)
Noncapital Financing Activities	28,108	28,214
Capital and Related Financing Activities	1,790	4,811
Investing Activities	330	106
Net Increase in Cash and Cash Equivalents	439	5,439
Cash and Cash Equivalents, Beginning of Year	18,946	13,507
Cash and Cash Equivalents, End of Year	\$ 19,385	\$ 18,946

The College’s cash and cash equivalents increased by \$439,000 during the 2008-09 fiscal year. Major sources of funds came from State appropriations (\$19.1 million), net student tuition and fees (\$7.6 million), grants and contracts (\$2.9 million), and net auxiliary enterprises receipts (\$3.7 million).

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2009, the College had \$122.7 million in capital assets, less accumulated depreciation of \$35.6 million, for net capital assets of \$87.1 million. Depreciation charges for the current fiscal year totaled \$2.9 million. The following table summarizes the College’s capital assets at June 30:

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

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 2,909	\$	\$	\$ 2,909
Capitalized Collections	723	38		761
Construction in Progress	4,605	19,490	1,707	22,388
Total Nondepreciable Capital Assets	\$ 8,237	\$ 19,528	\$ 1,707	\$ 26,058
Depreciable Capital Assets:				
Buildings	\$ 86,565	\$ 1,983	\$	\$ 88,548
Other Structures and Improvements	2,716	1,386		4,102
Furniture, Machinery, and Equipment	4,952	397	1,350	3,999
Total Depreciable Capital Assets	94,233	3,766	1,350	96,649
Less, Accumulated Depreciation:				
Buildings	28,404	2,166		30,570
Other Structures and Improvements	1,722	301		2,023
Furniture, Machinery, and Equipment	3,923	430	1,335	3,018
Total Accumulated Depreciation	34,049	2,897	1,335	35,611
Total Depreciable Capital Assets, Net	\$ 60,184	\$ 869	\$ 15	\$ 61,038

The College had \$17.3 million in construction contract commitments at June 30, 2009. The contract commitments are for projects that include the South Walton County Center and the Community Services Complex on the Niceville Campus. In addition, planning is underway for the construction of the new Student Services Building and renovation of the College Mall (Building K). State appropriations together with local funds are expected to finance the construction, renovation, and upgrade of water, sewer, and telephone services. The emergency training and joint-use center at the Destin Airport has been terminated. 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 \$1.1 million in debt outstanding versus \$1.2 million at the end of the 2007-08 fiscal year.

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 \$125 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

Northwest Florida State College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the coming year. In response to a decrease in State appropriations, the Board of Trustees increased the tuition rate 13 percent to take effect beginning with the Fall 2009 term. The College's current financial and capital plans indicate

that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Associate Vice President for Business Services, Northwest Florida State College, 100 College Boulevard, Niceville, Florida 32578.

BASIC FINANCIAL STATEMENTS

**NORTHWEST FLORIDA STATE 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	\$ 6,189,965	\$ 2,774,964
Restricted Cash and Cash Equivalents	3,580,428	1,484,376
Receivables, Net	515,155	11,352
Due from Other Governmental Agencies	33,825,298	
Inventories	448,328	
Prepaid Expenses	65,338	26,432
Other Assets		1,190
Total Current Assets	<u>44,624,512</u>	<u>4,298,314</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	9,615,086	
Investments		24,007,893
Restricted Investments	227,370	
Depreciable Capital Assets, Net	61,038,405	5,590,408
Nondepreciable Capital Assets	26,058,188	451,201
Total Noncurrent Assets	<u>96,939,049</u>	<u>30,049,502</u>
TOTAL ASSETS	<u>\$ 141,563,561</u>	<u>\$ 34,347,816</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 328,465	\$ 230,054
Salary and Payroll Taxes Payable	110,488	
Retainage Payable	1,335,716	
Deferred Revenue	66,856	
Deposits Held for Others	338,042	
Long-Term Liabilities - Current Portion:		
Bonds Payable	130,000	
Special Termination Benefits Payable	180,898	
Compensated Absences Payable	52,291	
Total Current Liabilities	<u>2,542,756</u>	<u>230,054</u>
Noncurrent Liabilities:		
Bonds Payable	940,000	
Special Termination Benefits Payable	163,396	
Compensated Absences Payable	2,562,242	
Other Postemployment Benefits Payable	121,933	
Total Noncurrent Liabilities	<u>3,787,571</u>	
TOTAL LIABILITIES	<u>6,330,327</u>	<u>230,054</u>

**NORTHWEST FLORIDA STATE 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	\$ 86,026,592	\$ 6,041,609
Restricted:		
Other		(186,188)
Nonexpendable:		
Endowment		28,041,166
Expendable:		
Grants and Loans	2,077,107	
Scholarships	12,416	
Capital Projects	43,117,533	
Debt Service	29,000	
Unrestricted	3,970,586	221,175
Total Net Assets	135,233,234	34,117,762
TOTAL LIABILITIES AND NET ASSETS	\$ 141,563,561	\$ 34,347,816

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

NORTHWEST FLORIDA STATE 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 \$2,940,988	\$ 7,736,601	\$
Federal Grants and Contracts	409,165	
State and Local Grants and Contracts	1,974,250	
Nongovernmental Grants and Contracts	565,517	
Sales and Services of Educational Departments	109,177	
Auxiliary Enterprises, Net of Scholarship Allowances of \$803,140	3,656,989	
Other Operating Revenues	1,535,470	419,984
Total Operating Revenues	15,987,169	419,984
EXPENSES		
Operating Expenses:		
Personnel Services	28,072,756	
Scholarships and Waivers	3,983,755	644,401
Utilities and Communications	2,151,653	86,622
Contractual Services	2,886,798	189,171
Other Services and Expenses	2,065,074	3,586,760
Materials and Supplies	6,510,156	55,562
Depreciation	2,897,713	177,791
Total Operating Expenses	48,567,905	4,740,307
Operating Loss	(32,580,736)	(4,320,323)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	19,136,435	
Gifts and Grants	9,037,505	3,196,924
Investment Income (Loss)	78,732	(4,409,904)
Gain on Disposal of Capital Assets	8,247	
Interest on Capital Asset-Related Debt	(57,462)	
Net Nonoperating Revenues (Expenses)	28,203,457	(1,212,980)
Loss Before Other Revenues, Expenses, Gains, or Losses	(4,377,279)	(5,533,303)
Capital Appropriations	31,726,182	
Capital Grants, Contracts, Gifts, and Fees	1,433,698	
Other Expenses	(5,690,000)	
Additions to Permanent Endowments		3,294,636
Net Other Revenues	27,469,880	3,294,636
Increase (Decrease) in Net Assets	23,092,601	(2,238,667)
Net Assets, Beginning of Year	112,140,633	36,356,429
Net Assets, End of Year	\$ 135,233,234	\$ 34,117,762

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

**NORTHWEST FLORIDA STATE 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	\$ 7,600,742
Grants and Contracts	2,948,932
Payments to Suppliers	(11,677,756)
Payments for Utilities and Communications	(2,151,653)
Payments to Employees	(22,225,387)
Payments for Employee Benefits	(5,660,599)
Payments for Scholarships	(3,983,755)
Loans Issued to Students	(417,439)
Collection of Loans to Students	417,327
Auxiliary Enterprises, Net	3,656,989
Sales and Service of Educational Departments	109,177
Other Receipts	1,593,774
	Net Cash Used by Operating Activities
	(29,789,648)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	19,136,435
Gifts and Grants Received for Other than Capital or Endowment Purposes	8,971,544
	Net Cash Provided by Noncapital Financing Activities
	28,107,979
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	22,102,910
Capital Grants and Gifts	1,433,698
Proceeds from Sale of Capital Assets	8,247
Purchases of Capital Assets	(21,572,753)
Principal Paid on Capital Debt	(125,000)
Interest Paid on Capital Debt	(57,463)
	Net Cash Provided by Capital and Related Financing Activities
	1,789,639
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales of Investments	97,928
Investment Income	232,954
	Net Cash Provided by Investing Activities
	330,882
	Net Increase in Cash and Cash Equivalents
	438,852
Cash and Cash Equivalents, Beginning of Year	18,946,627
	Cash and Cash Equivalents, End of Year
	\$ 19,385,479

**NORTHWEST FLORIDA STATE 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	\$ (32,580,736)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,897,713
Changes in Assets and Liabilities:	
Receivables, Net	(135,970)
Inventories	(149,209)
Prepaid Expenses	(26,608)
Accounts Payable	12,278
Deferred Revenue	(13,378)
Deposits Held for Others	71,682
Special Termination Benefits	(98,179)
Compensated Absences Payable	170,809
Other Postemployment Benefits Payable	61,950
NET CASH USED BY OPERATING ACTIVITIES	\$ (29,789,648)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES

Unrealized losses from investing activities were recognized as reductions to investment income on the statement of revenue, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows. \$ 150,668

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

**NORTHWEST FLORIDA STATE 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 Northwest Florida State College¹, a component unit of the State of Florida, is the Board of Trustees. The Board constitutes a corporation and is composed of eight members appointed by the Governor and confirmed by the Senate. The 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 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 College correspond with those of Okaloosa and Walton 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 Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the 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 Northwest Florida State College Foundation, Inc. (Foundation) is included within the College's reporting entity as a discretely presented component unit. This organization provides funding and services to support and foster the pursuit of higher education at the College.

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 September 30, 2008.

¹ The College's Board of Trustees approved the name change from Okaloosa-Walton College to Northwest Florida State College on July 10, 2008, pursuant to Section 1001.60(2)(b), Florida Statutes.

**NORTHWEST FLORIDA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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.

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 economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

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

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 applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

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 cash 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

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

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 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 \$16,895,519 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; capitalized collections; 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:
 - Computer Equipment – 3 years
 - Vehicles, Athletic, and Other Minor Equipment – 5 years
 - Office Furniture and Equipment – 7 years
 - Educational Furniture and Equipment – 10 years

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

Component Unit Capital Assets. The Foundation's capital assets consist of land, buildings, and furniture and equipment and are stated at historical cost or estimated fair value at date of acquisition in the case of gifts and surplus property acquired at nominal cost. The Foundation has a capitalization threshold of \$1,000 for tangible personal property. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Furniture and Equipment:
 - Computer Equipment – 3 years
 - Furniture – 7 years

Land, buildings, and equipment are stated at cost, except for donated property which is stated at fair market value at the date of the donation, and are net of accumulated depreciation of \$724,062. The Foundation depreciates buildings and equipment using the straight-line method over the estimated useful lives of the assets.

2. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the 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 opened-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.

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

The College’s investments at June 30, 2009, are reported at fair value, as follows:

Investment Type	Amount
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 198,370
State Board of Administration Debt Service Accounts	29,000
Total College Investments	\$ 227,370

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 \$198,370 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 0.5137 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 \$29,000 at June 30, 2009, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the College. The College’s investments consist of United States Treasury securities, with maturity dates of 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.

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

Component Unit Investments

Investments held by the Northwest Florida State College Foundation, Inc., at September 30, 2008, are reported at fair value as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Fair Value</u>
Equity Mutual Funds: (1)		
Alternative Investments		\$ 2,784,074
Alliancebernstein International		781,665
American-Growth Fund of America		4,129,669
Blackrock US Opportunities Port Inst		1,145,623
DWS Dreaman SM Cap		259,014
Eaton Vance Special Equities Fund		442,604
Harbor International Fund Investor		789,812
Janus Mid Cap Value Inv		690,084
Lord Abbett Affiliated Fund		3,291,906
United States Government and Federally Sponsored Bonds:		
Federal Home Loan Mortgage Corporation	AAA - Aaa	551,651
United States Government Obligations (2)		5,352,628
Corporate Bonds	AAA - BBB	<u>3,789,163</u>
Total Investments		<u><u>\$24,007,893</u></u>

Notes: (1) Investment risk disclosures are not required for equity mutual funds.

(2) Investment risk disclosures are not required for United States Government obligations.

The Foundation’s investment policy sets target allocations of investments to reduce risk by investing in a diversified portfolio of financial assets, primarily stock funds, bonds, or bond funds, and cash equivalents.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation’s investment policy states at least 50 percent of these short-term funds shall be invested in instruments having maturities no greater than two years, no more than 25 percent may be invested in instruments that have maturities no greater than five years, and no more than 25 percent may be invested in instruments that have maturities greater than five years. The Foundation’s investments at September 30, 2008, met investment policy restrictions.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation does not have a policy addressing credit risk.

**NORTHWEST FLORIDA STATE 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 that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation does not have a policy addressing custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investment in a single issuer. The Foundation's investment policy requires that investments be diversified to the extent that no more than 4 percent is invested in any one security, no more than 30 percent be invested in any one industry, and the Foundation should not control more than 10 percent of the debt in any one company. These restrictions do not apply to United States government obligations.

3. RECEIVABLES

Receivables represent amounts for student fee deferments, various student services provided by the College, short-term notes due from students, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$31,950 allowance for uncollectible accounts.

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$33,304,062 of Public Education Capital Outlay allocations due from the State for construction and renovation of College facilities.

5. INVENTORIES

Inventories consist of graphic service supplies held for use by College departments, food service supplies held for use in the production of food items for sale, and items for resale by the campus bookstores. Inventories are valued using the last invoice cost which approximates the first-in, first-out method of inventory valuation.

6. CAPITAL ASSETS

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

**NORTHWEST FLORIDA STATE 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	\$ 2,908,883	\$	\$	\$ 2,908,883
Capitalized Collections	722,453	39,000		761,453
Construction in Progress	4,604,934	19,489,564	1,706,646	22,387,852
Total Nondepreciable Capital Assets	\$ 8,236,270	\$ 19,528,564	\$ 1,706,646	\$ 26,058,188
Depreciable Capital Assets:				
Buildings	\$ 86,565,492	\$ 1,982,516	\$	\$ 88,548,008
Other Structures and Improvements	2,716,733	1,385,715		4,102,448
Furniture, Machinery, and Equipment	4,951,433	397,173	1,349,586	3,999,020
Total Depreciable Capital Assets	94,233,658	3,765,404	1,349,586	96,649,476
Less, Accumulated Depreciation:				
Buildings	28,403,862	2,166,277		30,570,139
Other Structures and Improvements	1,721,256	302,019		2,023,275
Furniture, Machinery, and Equipment	3,923,275	429,417	1,335,035	3,017,657
Total Accumulated Depreciation	34,048,393	2,897,713	1,335,035	35,611,071
Total Depreciable Capital Assets, Net	\$ 60,185,265	\$ 867,691	\$ 14,551	\$ 61,038,405

7. DEFERRED REVENUE

Deferred revenue at June 30, 2009, represents \$66,856 in student fees received prior to fiscal year-end related to subsequent accounting periods.

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2009, include bonds, special termination benefits, 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	\$ 1,195,000	\$	\$ 125,000	\$ 1,070,000	\$ 130,000
Special Termination Benefits Payable	442,473	156,828	255,007	344,294	180,898
Compensated Absences Payable	2,443,724	372,754	201,945	2,614,533	52,291
Other Postemployment Benefits Payable	59,983	90,903	28,953	121,933	
Total Long-Term Liabilities	\$ 4,141,180	\$ 620,485	\$ 610,905	\$ 4,150,760	\$ 363,189

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 vehicle license tax and by the State’s full faith and credit. The State Board of Education and the State Board

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

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 2002B	\$ 625,000	4.000 - 5.375	2015
Series 2005A	445,000	4.0 - 5.0	2025
Total	\$ 1,070,000		

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	\$ 130,000	\$ 52,638	\$ 182,638
2011	135,000	45,763	180,763
2012	140,000	38,619	178,619
2013	145,000	32,718	177,718
2014	155,000	25,038	180,038
2015-2019	225,000	49,511	274,511
2020-2024	120,000	18,501	138,501
2025	20,000	850	20,850
Total	\$ 1,070,000	\$ 263,638	\$ 1,333,638

Special Termination Benefits Payable. The Board has established a retirement incentive program (program) that is available to certain College employees based on age and years of service. Under the program, eligible employees receive accumulated sick leave based on years of service as defined in Section 1012.865, Florida Statutes, and a salary bonus equal to no more than 10 percent of the final year’s annual contract salary. The College reported a special termination benefits payable of \$344,294 as of June 30, 2009, for 30 employees who gave notice to retire under the program, of which \$180,898 represents the current portion.

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

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

compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$2,614,533. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year.

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 administered 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 Consortium's health care 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 coverage as soon as they are eligible. The College and the Consortium do not issue stand-alone annual reports 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, 32 retirees received postemployment healthcare benefits, and 59 retirees received postemployment life insurance benefits. The College provided required contributions of \$28,953 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 \$137,068.

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

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

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)	\$ 56,457
Amortization of Unfunded Actuarial Accrued Liability	34,646
Annual Required Contribution	91,103
Interest on Net OPEB Obligation	1,799
Adjustment to Annual Required Contribution	(1,999)
Annual OPEB Cost (Expense)	90,903
Contribution Toward the OPEB Cost	(28,953)
Increase in Net OPEB Obligation	61,950
Net OPEB Obligation, Beginning of Year	59,983
Net OPEB Obligation, End of Year	\$ 121,933

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	91,103	34.2%	59,983
2008-09	90,903	31.9%	121,933

Funded Status and Funding Progress. As of June 30, 2009, the actuarial accrued liability for benefits was \$679,082, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$679,082 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$15,575,089 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.4 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.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation 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 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. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual health care cost trend rate of 8 percent for the 2008-09 fiscal year, reduced by 1 percent for one more year, then 0.5 percent per year thereafter, to an ultimate rate of 5 percent. The unfunded actuarial accrued liability is being amortized as a level dollar method amortized over 30 years. The remaining amortization period at June 30, 2009, was 28 years.

9. RETIREMENT PROGRAMS

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

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

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 Deferred Retirement Option Program - Applicable to Members from the Above Class	0.00	9.85
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 (including employee contributions) for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$1,238,980, \$1,275,602, and \$1,359,448, 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 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 47 College participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$209,464.

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

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 26 College participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$295,377.

10. CONSTRUCTION COMMITMENTS

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

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

Project Description	Total Commitment	Completed to Date	Balance Committed
South Walton County Center:			
Site Work	\$ 1,023,667	\$ 969,539	\$ 54,128
Contractor	2,415,361	1,658,596	756,765
Architect	625,080	487,635	137,445
Community Services Complex:			
Steelwork	2,028,030	1,777,981	250,049
Contractor	26,964,507	11,811,153	15,153,354
Architect	2,444,304	2,220,551	223,753
Water Tower:			
Architect	80,000	60,000	20,000
Contractor	747,800		747,800
Total	\$ 36,328,749	\$ 18,985,455	\$ 17,343,294

Note: (1) The College issued a purchase order on October 9, 2009, for an architect for the Student Services Center for \$1,271,600. The appropriation for this project is \$25,500,000.

11. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$200 million through February 28, 2009, and up to \$175 million effective March 1, 2009. Insurance coverage obtained through the Consortium included health, life, 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.

12. LITIGATION

The College is involved in a pending legal action. Foley & Lardner, LLP attorneys at law have filed a Petition for Evidentiary Hearing to the Board of Trustees of Northwest Florida State College for breach of employment contract of James R. Richburg. On May 26, 2009, the Board approved a motion to offer to enter into mediation with Foley & Lardner, LLP as attorneys for Dr. Richburg. The offer to enter into

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

mediation was accepted and that process is ongoing. Costs associated with the hearing and mediation are covered by the College’s insurance and have no material effect on the College’s financial position.

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)	\$ 31,526,538
College Program Fund	16,045,683
Education Enhancement Trust Fund (Lottery)	2,145,291
Bright Futures Scholarship Program	1,620,862
Baccalaureate Programs	942,435
Florida Student Assistance Grants	682,129
Motor Vehicle License Tax (Capital Outlay and Debt Service)	202,670
Total	\$ 53,165,608

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

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

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	\$ 17,881,777
Public Services	885,230
Academic Support	3,656,621
Student Services	3,168,149
Institutional Support	5,950,649
Operation and Maintenance of Plant	4,375,601
Scholarships and Waivers	3,983,755
Depreciation	2,897,713
Auxiliary Enterprises, Net	5,768,410
Total Operating Expenses	\$ 48,567,905

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

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

Statement of Current Unrestricted Funds Net Assets

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 5,916,625
Receivables, Net	476,225
Due from Other Governmental Agencies	472,209
Inventories	448,328
Prepaid Expenses	65,338
	65,338

TOTAL ASSETS	\$ 7,378,725
	65,338

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 186,569
Salary and Payroll Taxes Payable	86,314
Deferred Revenue	63,405
Deposits Held for Others	90,070
Special Termination Benefits Payable	179,413
Compensated Absences Payable	50,341

Noncurrent Liabilities:

Special Termination Benefits Payable	163,396
Compensated Absences Payable	2,466,698
Other Postemployment Benefits Payable	121,933
	121,933

TOTAL LIABILITIES	3,408,139
	121,933

TOTAL NET ASSETS	3,970,586
	3,408,139

TOTAL LIABILITIES AND NET ASSETS	\$ 7,378,725
	3,970,586

**NORTHWEST FLORIDA STATE 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 \$2,940,988	\$ 6,823,962
Sales and Services of Educational Departments	109,177
Auxiliary Enterprises, Net of Scholarship Allowances of \$803,140	3,656,989
Other Operating Revenues	1,357,644
Total Operating Revenues	11,947,772

EXPENSES

Operating Expenses:

Personnel Services	23,153,645
Utilities and Communications	2,012,161
Contractual Services	1,932,356
Other Services and Expenses	1,890,166
Materials and Supplies	5,377,517
Total Operating Expenses	34,365,845

Operating Loss (22,418,073)

NONOPERATING REVENUES

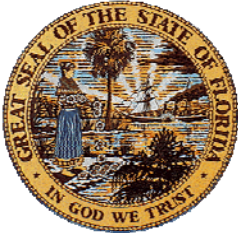
State Appropriations	17,488,999
Investment Income	141,915
Gain on Disposal of Capital Assets	8,247

Net Nonoperating Revenues 17,639,161

**Loss Before Other Revenues,
Expenses, Gains, or Losses** (4,778,912)
Transfers from Other Funds, Net 4,398,340

Decrease in Net Assets (380,572)
Net Assets, Beginning of Year 4,351,158

Net Assets, End of Year \$ 3,970,586



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
FAX: 850-488-6975

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

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

We have audited the financial statements of Northwest Florida State 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
March 3, 2010