

PENSACOLA JUNIOR COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2009



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

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

	<u>County</u>
John L. O'Connor, Vice Chair to 2-16-09, Chair from 2-17-09	Santa Rosa
Edward Moore, Jr., Vice Chair from 2-17-09	Escambia
Vincent R. Andry, Chair to 1-16-09 (2)	Santa Rosa
Carol H. Carlan	Escambia
Monsignor Luke Hunt	Santa Rosa
Margie T. Moore	Escambia
Celeste Norris to 7-1-08 (1)	Santa Rosa
Paul R. Snider from 8-15-08 (1)	Santa Rosa
Dona W. Usry	Escambia
Deidre L. Young	Escambia

Dr. Charles E. Meadows, President

Notes: (1) Position vacant from July 2, 2008, to August 14, 2008.
(2) Position vacant from January 17, 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 Edward H. Brewton, CPA, and the audit was supervised by James W. Kiedinger, Jr., 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.

**PENSACOLA JUNIOR 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	11
Statement of Revenues, Expenses, and Changes in Net Assets.....	13
Statement of Cash Flows.....	14
Notes to Financial Statements	16
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>	35
Internal Control Over Financial Reporting.....	35
Compliance and Other Matters	36

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 Pensacola Junior 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. The results of our operational audit of the College are included in our report No. 2010-023.

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 Pensacola Junior College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2009, which collectively comprise the College's basic financial statements as shown on pages 11 through 34. 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 aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component units, is based on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Pensacola Junior College and of its aggregate discretely presented component units 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.

As discussed in note 2 to the financial statements, the College changed its reporting of certain grant revenue from operating revenues to nonoperating revenues on the statement of revenues, expenses, and changes in net assets. This change affects the comparability of amounts reported for the 2008-09 fiscal year with amounts reported for the 2007-08 fiscal year.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Pensacola Junior 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 10 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 5, 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 Statement Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$84.4 million at June 30, 2009. This balance reflects a \$7.6 million, or 9.9 percent, increase from the 2007-08 fiscal year, resulting from a 3.5 percent increase in enrollment, higher assessed tuition rates, an approximate \$5.3 million increase in Public Education Capital Outlay appropriations due from the State for various construction projects, and a land acquisition totaling approximately \$1.2 million for a new joint-use center in south Santa Rosa County. While assets grew, liabilities increased by a lesser amount of \$2.8 million, or 17.4 percent, totaling \$19 million at June 30, 2009, compared to \$16.2 million at June 30, 2008. As a result, the College's net assets increased by \$4.8 million, reaching a year-end balance of \$65.4 million.

The College's operating revenues totaled \$12.5 million for the 2008-09 fiscal year, representing a 34.7 percent decrease from the 2007-08 fiscal year due to the College reporting certain grant revenues as nonoperating revenue this fiscal year that were reported as operating revenue in the 2007-08 fiscal year. Operating expenses totaled \$77.5 million for the 2008-09 fiscal year, which remained relatively unchanged from the 2007-08 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:

- Pensacola Junior 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.
- Pensacola Junior 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. This component unit provides funding and services to support and foster the pursuit of higher education at the College.
- WSRE-TV 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. This component unit provides funding and services to support and foster the activities, operations, and capital needs of WSRE-TV, a public telecommunications station owned and operated by the College.

**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 Pensacola Junior 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 Pensacola Junior College's operating results.

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

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

A condensed statement of assets, liabilities, and net assets of the College and its component units as of June 30, 2009, and June 30, 2008, is shown in the following table:

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

	College		Component Units	
	6-30-09	6-30-08	6-30-09	6-30-08
Assets				
Current Assets	\$ 33,646	\$ 27,792	\$ 7,172	\$ 19,834
Capital Assets, Net	44,148	43,103	86	141
Other Noncurrent Assets	6,573	5,886	9,615	10,007
Total Assets	84,367	76,781	16,873	29,982
Liabilities				
Current Liabilities	10,272	6,893	276	11,877
Noncurrent Liabilities	8,698	9,267	67	82
Total Liabilities	18,970	16,160	343	11,959
Net Assets				
Invested in Capital Assets, Net of Related Debt	41,473	40,198	56	111
Restricted	22,245	19,021	14,364	15,454
Unrestricted	1,679	1,402	2,110	2,458
Total Net Assets	\$ 65,397	\$ 60,621	\$ 16,530	\$ 18,023
Increase (Decrease) in Net Assets	\$ 4,776	7.9%	\$ (1,493)	-8.3%

Component unit current assets decreased by \$12.7 million and current liabilities decreased by \$11.6 million from the 2007-08 fiscal year. This decrease was primarily the result of the termination of the Joint Public Safety Training Facility Project between the College and the Escambia County Board of County Commissioners (County) in the 2008-09 fiscal year. In prior fiscal years, the County had deposited approximately \$10.9 million with the Pensacola Junior College Foundation, Inc. (Foundation), for the County's portion of the project. Upon termination of the project, the moneys were returned to the County by the Foundation.

Revenues and expenses of the College and its component units for the 2008-09 and 2007-08 fiscal years are shown in the following table:

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

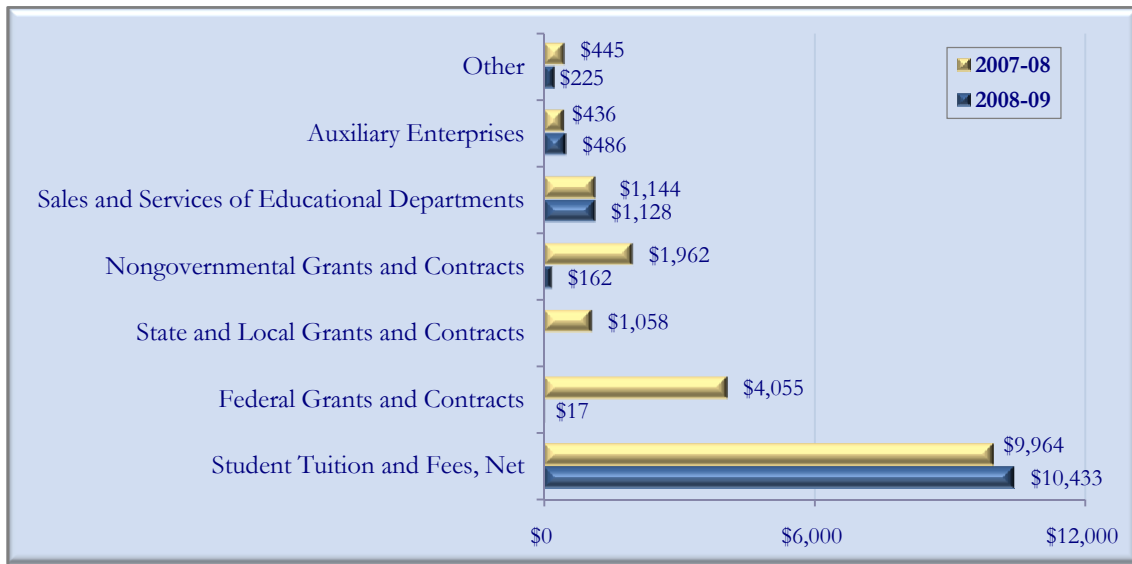
	College		Component Units	
	6-30-09	6-30-08	6-30-09	6-30-08
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 10,433	\$ 9,964	\$	\$
Federal Grants and Contracts	17	4,055		
State and Local Grants and Contracts		1,058		
Nongovernmental Grants and Contracts	162	1,962		
Sales and Services of Educational Departments	1,128	1,144		
Auxiliary Enterprises	486	436		
Other Operating Revenues	225	445	4,633	3,738
Total Operating Revenues	12,451	19,064	4,633	3,738
Less, Operating Expenses	77,523	77,513	4,372	3,966
Operating Income (Loss)	(65,072)	(58,449)	261	(228)
Nonoperating Revenues (Expenses)				
State Appropriations	34,727	40,044		
Other Nonoperating Revenues	19,783	12,974	516	628
Other Nonoperating Expenses	(2,325)	(154)	(2,462)	(978)
Net Nonoperating Revenues (Expenses)	52,185	52,864	(1,946)	(350)
Loss Before Other Revenues, Expenses, Gains, or Losses				
	(12,887)	(5,585)	(1,685)	(578)
Capital Appropriations	15,873	10,587		
Capital Grants, Contracts, Gifts, and Fees	1,790	1,482		
Additions to Permanent Endowments			192	819
Increase (Decrease) in Net Assets	4,776	6,484	(1,493)	241
Net Assets, Beginning of Year	60,621	54,137	18,023	17,979
Adjustment to Beginning Net Assets				(197)
Net Assets, Beginning of Year, as Restated	60,621	54,137	18,023	17,782
Net Assets, End of Year	\$ 65,397	\$ 60,621	\$ 16,530	\$ 18,023

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 decreased by \$6.6 million due to the College reporting certain grant revenues as nonoperating revenue this fiscal year that were reported as operating revenue in the 2007-08 fiscal year.

Operating Expenses

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

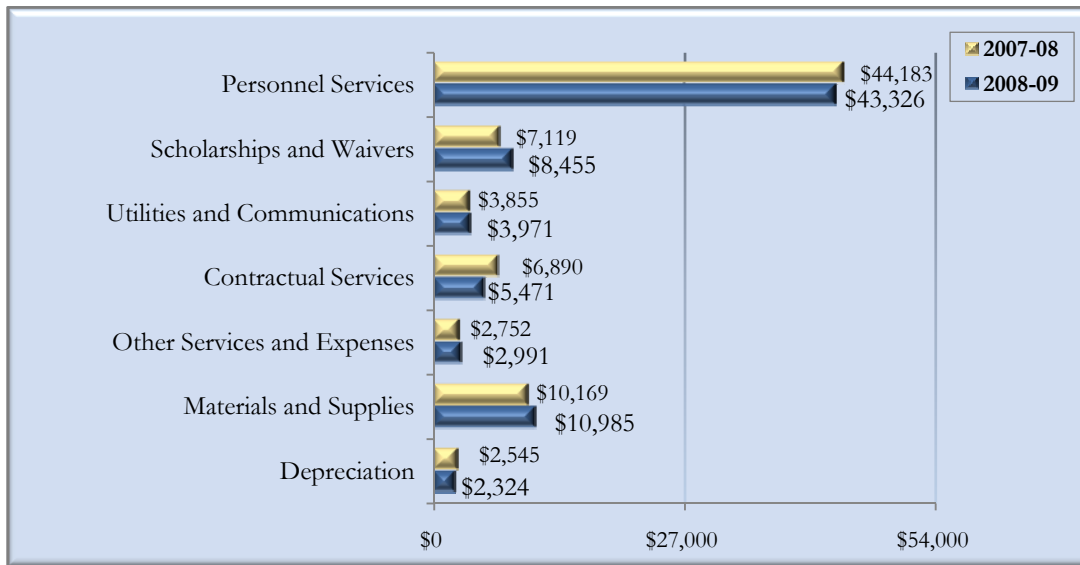
Operating expenses for the College and its component units for the 2008-09 and 2007-08 fiscal years are presented in the following table:

**Operating Expenses
(In Thousands)**

	College		Component Units	
	6-30-09	6-30-08	6-30-09	6-30-08
Operating Expenses				
Personnel Services	\$ 43,326	\$ 44,183	\$	\$ 288
Scholarships and Waivers	8,455	7,119	696	694
Utilities and Communications	3,971	3,855	19	14
Contractual Services	5,471	6,890	206	716
Other Services and Expenses	2,991	2,752	3,203	1,847
Materials and Supplies	10,985	10,169	193	338
Depreciation	2,324	2,545	55	69
Total Operating Expenses	\$ 77,523	\$ 77,513	\$ 4,372	\$ 3,966

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

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



Total College 2008-09 fiscal year operating expenses increased \$10 thousand or 0.01 percent over the 2007-08 fiscal year. Increases in scholarships and waivers of \$1.3 million and materials and supplies of \$0.8 million were offset by reductions in personnel services of \$0.9 million and contractual services of \$1.4 million.

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	\$ 34,727	\$ 40,044
Gifts and Grants	19,563	11,599
Investment Income	137	555
Other Nonoperating Revenues	101	758
Other Nonoperating Expenses	(2,181)	
Interest on Capital Asset-Related Debt	(144)	(154)
Gain (Loss) on Disposal of Capital Assets	<u>(18)</u>	<u>62</u>
Net Nonoperating Revenues	<u>\$ 52,185</u>	<u>\$ 52,864</u>

Nonoperating revenue changes were the result of the following factors:

- State appropriations decreased by \$5.3 million, or 13.3 percent, for the 2008-09 fiscal year. This decrease was the result of the State reducing appropriations to the State College system along with reductions in general funding allocations due to the down turn in economic conditions.
- Gifts and grants increased \$8 million, or 68.7 percent, as a result of increases in Pell Grants and the reclassification of grant revenues from operating to nonoperating in the 2008-09 fiscal year.
- Other nonoperating expenses increased \$2.2 million, as a result of the College having to repay a prior year Facility Enhancement Challenge Grant Appropriation because the College no longer met the eligibility requirements for the appropriation. The appropriation had been recognized as revenue by the College in the 2007-08 fiscal year.

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	\$ 15,873	\$ 10,587
Capital Grants, Contracts, Gifts, and Fees	<u>1,790</u>	<u>1,482</u>
Total	<u>\$ 17,663</u>	<u>\$ 12,069</u>

Capital appropriations increased by \$5.3 million, or 50 percent, due to an increase in Public Education Capital Outlay funds due from the State for the new South Santa Rosa Joint-Use Center.

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	\$ (62,139)	\$ (55,380)
Noncapital Financing Activities	53,993	52,768
Capital and Related Financing Activities	10,511	8,565
Investing Activities	51	322
Net Increase in Cash and Cash Equivalents	2,416	6,275
Cash and Cash Equivalents, Beginning of Year	17,682	11,407
Cash and Cash Equivalents, End of Year	\$ 20,098	\$ 17,682

Major sources of funds came from State appropriations (\$34.7 million), net student tuition and fees (\$10.5 million), gifts and grants (\$19.2 million), and capital appropriation (\$11.5 million). Major cash outflows were for payments to employees (\$34 million) and to providers of goods and services (\$19.9 million.)

Cash and cash equivalents increased \$2.4 million during the 2008-09 fiscal year, due primarily to increases in capital appropriations and Pell grant funding.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2009, the College had \$96 million in capital assets, less accumulated depreciation of \$51.9 million, for net capital assets of \$44.1 million. Depreciation charges for the current fiscal year totaled \$2.3 million. The following table summarizes the College’s capital assets at June 30:

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

Capital Assets	6-30-09	6-30-08
Land	\$ 9,400	\$ 7,791
Buildings	61,450	61,529
Other Structures and Improvements	9,581	8,810
Furniture, Machinery, and Equipment	13,687	13,458
Artwork	101	88
Construction in Progress	1,785	1,395
Total	96,004	93,071
Less, Accumulated Depreciation:		
Buildings	31,960	30,956
Other Structures and Improvements	8,310	8,105
Furniture, Machinery, and Equipment	11,586	10,907
Total Accumulated Depreciation	51,856	49,968
Capital Assets, Net	\$ 44,148	\$ 43,103

The College had \$3.9 million in construction contract commitments at June 30, 2009. The contract commitments are for projects that include heating, ventilation, and air conditioning renovations and renovations and an addition to building 20. In addition, planning is underway for the construction of the new joint-use center in south Santa Rosa County. State appropriations together with local funds are expected to finance the construction, renovation, and purchase of land and facilities. More information about the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$2.7 million in long-term debt outstanding versus \$2.9 million at the end of the prior fiscal year, a decrease of 7.9 percent. 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 \$230 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

Pensacola Junior 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 8 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, financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Business Affairs, Pensacola Junior College, 1000 College Boulevard, Pensacola, Florida 32504.

BASIC FINANCIAL STATEMENTS

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

	<u>College</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 10,335,410.49	\$ 501,823.91
Restricted Cash and Cash Equivalents	3,349,274.76	2,199,302.49
Investments		1,013,589.85
Restricted Investments		2,924,186.54
Accounts Receivable, Net	1,036,561.20	249,536.28
Notes Receivable, Net	123,642.84	
Due from Other Governmental Agencies	18,331,290.23	
Prepaid Expenses	469,803.16	50,229.28
Other Assets	400.00	232,956.00
Total Current Assets	<u>33,646,382.68</u>	<u>7,171,624.35</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	6,413,436.78	
Restricted Investments	159,581.06	8,895,994.33
Loans and Notes Receivable, Net		467,063.30
Depreciable Capital Assets, Net	32,862,594.07	56,171.35
Nondepreciable Capital Assets	11,285,729.41	30,000.00
Other Noncurrent Assets		252,462.72
Total Noncurrent Assets	<u>50,721,341.32</u>	<u>9,701,691.70</u>
TOTAL ASSETS	<u>\$ 84,367,724.00</u>	<u>\$ 16,873,316.05</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,101,951.82	\$ 160,610.72
Salary and Payroll Taxes Payable	2,648,736.57	
Retainage Payable	810,891.89	
Due to Other Governmental Agencies	2,181,494.00	
Deferred Revenue	2,463,834.78	115,239.44
Deposits Held for Others	491,906.66	
Long-Term Liabilities - Current Portion:		
Bonds Payable	245,000.00	
Compensated Absences Payable	328,610.90	
Total Current Liabilities	<u>10,272,426.62</u>	<u>275,850.16</u>
Noncurrent Liabilities:		
Bonds Payable	2,430,000.00	
Compensated Absences Payable	6,212,471.56	
Other Postemployment Benefits Payable	55,537.81	
Other Long-Term Liabilities		67,188.85
Total Noncurrent Liabilities	<u>8,698,009.37</u>	<u>67,188.85</u>
TOTAL LIABILITIES	<u>18,970,435.99</u>	<u>343,039.01</u>

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

	College	Component Units
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 41,473,323.48	\$ 56,171.35
Restricted:		
Nonexpendable:		
Endowment		8,515,472.12
Expendable:		
Grants and Loans	749,010.95	155,783.57
Scholarships	(376.00)	
Capital Projects	21,437,228.02	
Debt Service	58,652.77	
Other		5,693,151.00
Unrestricted	1,679,448.79	2,109,699.00
Total Net Assets	65,397,288.01	16,530,277.04
TOTAL LIABILITIES AND NET ASSETS	\$ 84,367,724.00	\$ 16,873,316.05

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

PENSACOLA JUNIOR 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 Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$6,926,104.14	\$ 10,432,766.35	\$
Federal Grants and Contracts	16,895.00	
Nongovernmental Grants and Contracts	162,400.00	
Sales and Services of Educational Departments	1,128,446.17	
Auxiliary Enterprises	485,549.73	
Other Operating Revenues	224,763.97	4,632,822.30
Total Operating Revenues	12,450,821.22	4,632,822.30
EXPENSES		
Operating Expenses:		
Personnel Services	43,325,553.97	
Scholarships and Waivers	8,455,114.76	695,892.16
Utilities and Communications	3,971,320.83	18,537.00
Contractual Services	5,471,595.23	206,331.11
Other Services and Expenses	2,990,858.83	3,203,274.93
Materials and Supplies	10,984,637.44	192,895.53
Depreciation	2,324,003.27	55,201.00
Total Operating Expenses	77,523,084.33	4,372,131.73
Operating Income (Loss)	(65,072,263.11)	260,690.57
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	34,727,509.65	
Gifts and Grants	19,562,917.22	
Investment Income	137,295.33	515,823.13
Net Loss on Investments		(2,461,545.05)
Other Nonoperating Revenues	100,745.14	
Loss on Disposal of Capital Assets	(17,764.95)	
Interest on Capital Asset-Related Debt	(144,337.50)	
Other Nonoperating Expenses	(2,181,494.00)	
Net Nonoperating Revenues (Expenses)	52,184,870.89	(1,945,721.92)
Loss Before Other Revenues, Expenses, Gains, or Losses	(12,887,392.22)	(1,685,031.35)
Capital Appropriations	15,872,961.41	
Capital Grants, Contracts, Gifts, and Fees	1,790,123.75	
Additions to Permanent Endowments		192,300.39
Total Other Revenues	17,663,085.16	192,300.39
Increase (Decrease) in Net Assets	4,775,692.94	(1,492,730.96)
Net Assets, Beginning of Year	60,621,595.07	18,023,008.00
Net Assets, End of Year	\$ 65,397,288.01	\$ 16,530,277.04

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

**PENSACOLA JUNIOR 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	\$ 10,497,393.06
Grants and Contracts	136,013.96
Payments to Suppliers	(19,862,002.83)
Payments for Utilities and Communications	(3,971,320.83)
Payments to Employees	(33,953,676.92)
Payments for Employee Benefits	(9,047,626.42)
Payments for Scholarships	(8,455,114.76)
Net Loans Issued to Students	(4,166.26)
Auxiliary Enterprises	485,549.73
Sales and Service of Educational Departments	1,128,446.17
Other Receipts	907,084.20
	(62,139,420.90)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	34,667,509.64
Gifts and Grants Received for Other Than Capital or Endowment Purposes	19,242,508.26
Other Nonoperating Receipts	82,910.08
	53,992,927.98
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	11,489,227.19
Capital Grants and Gifts	2,050,736.92
Proceeds from Sale of Capital Assets	100,745.14
Purchases of Capital Assets	(2,755,724.29)
Principal Paid on Capital Debt	(230,000.00)
Interest Paid on Capital Debt	(144,337.50)
	10,510,647.46
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	67,813.08
Investment Loss	(16,296.94)
	51,516.14
Net Increase in Cash and Cash Equivalents	2,415,670.68
Cash and Cash Equivalents, Beginning of Year	17,682,451.35
	\$ 20,098,122.03

**PENSACOLA JUNIOR 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	\$ (65,072,263.11)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,324,003.27
Changes in Assets and Liabilities:	
Accounts Receivable, Net	218,798.45
Notes Receivable, Net	(4,166.26)
Other Assets	383,813.44
Accounts Payable	(35,955.08)
Deferred Revenue	(211,634.14)
Deposits Held for Others	298,506.79
Compensated Absences Payable	(58,205.07)
Other Postemployment Benefits Payable	17,680.81
NET CASH USED BY OPERATING ACTIVITIES	\$ (62,139,420.90)

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

PENSACOLA JUNIOR 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 Pensacola Junior 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 Escambia and Santa Rosa 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 Units. Based on the application of the criteria for determining component units, the following component units are included within the College's reporting entity:

- The Pensacola Junior College Foundation, Inc.: This organization provides funding and services to support and foster the pursuit of higher education at the College.
- The WSRE-TV Foundation, Inc.: This organization provides funding and services to support and foster the activities, operations, and capital needs of WSRE-TV, a public telecommunications station operated by the College.

The College's component units are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The audited financial statements for each component unit are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the audited financial statements of the College's component units for the fiscal year ended June 30, 2009. Additional condensed financial statements for the College's component units are included in a subsequent note.

PENSACOLA JUNIOR COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

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

PENSACOLA JUNIOR 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. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fees.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents 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 amounts invested in LGIP to be cash equivalents. College cash deposits are held in a bank qualified as a public depository 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

PENSACOLA JUNIOR COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2009, the College and the WSRE-TV Foundation, Inc., reported as cash equivalents at fair value \$2,933,223.07 and \$131,700.97, respectively, of moneys held in the LGIP administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The investments in LGIP, which 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 & Poor's and had a weighted-average day 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 LGIP to interest rate changes. The investments in LGIP are reported at fair value, which is amortized cost.

Capital Assets. College capital assets consist of land; artwork; 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 to 25 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, Educational Equipment – 5 years
 - Furniture, Mainframe Computer Equipment, Television Equipment – 7 years

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

**PENSACOLA JUNIOR COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009**

2. CHANGE IN REPORTING

The College changed its reporting of certain grant revenue from operating revenues to nonoperating revenues on the statement of revenues, expenses, and changes in net assets during the 2008-09 fiscal year.

3. INVESTMENTS

The College’s Board of Trustees had not adopted a written investment policy. As such, pursuant to Section 218.415(17), Florida Statutes, the College is authorized to invest in the Local Government Surplus Funds Trust Fund investment pools 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; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College’s Board of Trustees as authorized by law. State Board of Education Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

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

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B Surplus Funds Trust Fund	\$100,928.29
State Board of Administration Debt Service Accounts	58,652.77
Total College Investments	\$159,581.06

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 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 SBA, are effected by transferring eligible cash or securities to LGIP, consistent with the pro rata allocation of pool shareholders

PENSACOLA JUNIOR COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within LGIP.

At June 30, 2009, the College reported investments at fair value of \$100,928.29 for amounts held in Fund B. The investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.5137 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 \$58,652.77 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 and credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Units Investments

Investments reported for the component units at June 30, 2009, are reported at fair value as follows:

**PENSACOLA JUNIOR COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009**

Investment Type	Average Maturity	Credit Quality	Fair Value		
			Pensacola Junior College Foundation, Inc.	WSRE-TV Foundation, Inc.	Total
Investment in Debt Obligations and Mutual Funds:					
Governmental National Mortgage Association II Modified Pass Thru Pool #2644	September 2028	(1)	\$ 1,798.69	\$	\$ 1,798.69
PIMCO All Asset Fund	9.5 Years	A	876,951.00		876,951.00
PIMCO Funds Low Duration	1.5 Years	AA		197,073.00	197,073.00
Vanguard Fixed Income Securities - Inflation Protected Securities	8.9 Years	AAA	1,199,688.13		1,199,688.13
Federated Total Return Bond Fund	5.2 Years	BBB		129,458.00	129,458.00
Sentinel Government Securities Fund	2.8 Years	AAA		84,433.00	84,433.00
Total Investment in Debt Obligations and Mutual Funds			2,078,437.82	410,964.00	2,489,401.82
Other Investments:					
Certificates of Deposit	(1)	(1)		206,493.08	206,493.08
Daily Valued Stock Index Fund	(1)	(1)	3,928,790.41		3,928,790.41
SNAM Government/Credit Index Fund	(1)	(1)	3,431,885.00		3,431,885.00
International Stock Index Fund	(1)	(1)	1,273,698.19		1,273,698.19
Small Cap Stock Index Fund	(1)	(1)	940,085.00		940,085.00
Vanguard Index Trust	(1)	(1)	74,655.00		74,655.00
Money Market, CB&T	(1)	(1)		271,744.23	271,744.23
ICM Small Company Portfolio	(1)	(1)		8,181.00	8,181.00
American Europacific Growth Fund A	(1)	(1)		11,214.00	11,214.00
Harbor International Fund	(1)	(1)		11,666.00	11,666.00
Lazard Emerging Markets	(1)	(1)		8,431.00	8,431.00
Leuthold Asset Allocation Fund	(1)	(1)		8,973.00	8,973.00
Munder Midcap Core Growth Fund	(1)	(1)		9,424.00	9,424.00
Pimco All Asset Fund - Institutional	(1)	(1)		23,615.00	23,615.00
Sentinel Common Stock Fund Class I	(1)	(1)		110,762.00	110,762.00
Sentinel Small Company Fund	(1)	(1)		8,092.00	8,092.00
Sentinel Mid Cap Value Fund	(1)	(1)		9,829.00	9,829.00
SBA Fund B Surplus Funds Trust Fund	(2)	(2)		6,830.99	6,830.99
Total Component Units Investments			\$ 11,727,551.42	\$ 1,106,219.30	\$ 12,833,770.72

Notes: (1) Disclosure of maturity or credit quality is not required for these investments.

(2) See disclosures for this investment on page 21.

The Pensacola Junior College Foundation, Inc.'s, investment policy provides that investments should produce maximum total return consistent with prudent risk limits. To achieve this policy, the Foundation uses targets of 45 to 75 percent in equities, 25 to 55 percent in bonds, 5 to 25 percent in small capitalization equities, no more than 20 percent in international equities, and no more than 5 percent in a diversified portfolio on non-investment grade bonds. The Foundation's investment policy does not place specific limits on maturities or credit quality.

The WSRE-TV Foundation, Inc.'s, investment policy provides that cash and cash equivalents not exceed 50 percent of investable assets, equities not exceed 60 percent, and fixed income not exceed 70 percent. Alternative and other investments may be considered up to a maximum of 10 percent. Margin or derivative

**PENSACOLA JUNIOR COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009**

securities and investments greater than 5 percent with any one issuer, excluding United States government bonds and insured deposits, are prohibited.

4. ACCOUNTS RECEIVABLE

Accounts receivable of the College represent amounts for student fee deferrals and contract and grant reimbursements due from third parties. These receivables are reported net of a \$223,935.44 allowance for uncollectible accounts.

5. NOTES RECEIVABLE

Notes receivable of the College represent student loans made under the College's short-term loan program and are reported net of a \$92,564.83 allowance for uncollectible notes.

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$17,126,575.83 of Public Education Capital Outlay allocations due from the State for construction, renovation, and maintenance of College facilities.

7. CAPITAL ASSETS

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

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 7,791,462.60	\$	\$ 1,608,139.21	\$	\$ 9,399,601.81
Artwork	88,100.00		13,000.00		101,100.00
Construction in Progress	1,394,683.79	78,406.79	374,771.62	62,834.60	1,785,027.60
Total Nondepreciable Capital Assets	\$ 9,274,246.39	\$ 78,406.79	\$ 1,995,910.83	\$ 62,834.60	\$ 11,285,729.41
Depreciable Capital Assets:					
Buildings	\$ 61,528,487.45	\$ (78,406.79)	\$	\$	\$ 61,450,080.66
Other Structures and Improvements	8,810,224.66		770,731.01		9,580,955.67
Furniture, Machinery, and Equipment	13,458,314.95		589,003.75	359,527.68	13,687,791.02
Total Depreciable Capital Assets	83,797,027.06	(78,406.79)	1,359,734.76	359,527.68	84,718,827.35
Less, Accumulated Depreciation:					
Buildings	30,955,799.56	(106,914.43)	1,111,158.25		31,960,043.38
Other Structures and Improvements	8,105,142.09		204,973.69		8,310,115.78
Furniture, Machinery, and Equipment	10,906,965.52		1,007,871.33	328,762.73	11,586,074.12
Total Accumulated Depreciation	49,967,907.17	(106,914.43)	2,324,003.27	328,762.73	51,856,233.28
Total Depreciable Capital Assets, Net	\$ 33,829,119.89	\$ 28,507.64	\$ (964,268.51)	\$ 30,764.95	\$ 32,862,594.07

Note: (1) For the 2007-08 fiscal year, retainage totaling \$78,406.79 for an on-going project was incorrectly reported as buildings. Also, during the 2007-08 fiscal year, depreciation expense totaling \$106,914.43 was charged to an incomplete project in error.

**PENSACOLA JUNIOR COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009**

8. DEFERRED REVENUE

Deferred revenue includes restricted grants and contracts and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2009, the College reported the following amounts as deferred revenue:

Description	Amount
Restricted Grants and Contracts	\$ 1,897,404.27
Student Tuition and Fees	198,155.04
Other Deferred Revenue	368,275.47
Total Deferred Revenue	\$ 2,463,834.78

9. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2009, include bonds, 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	\$ 2,905,000.00	\$	\$ 230,000.00	\$ 2,675,000.00	\$ 245,000.00
Special Termination Benefits Payable	324,206.37	87,135.42	411,341.79		
Compensated Absences Payable	6,599,287.53	1,988,278.78	2,046,483.85	6,541,082.46	328,610.90
Other Postemployment Benefits Payable	37,857.00	17,680.81		55,537.81	
Total Long-Term Liabilities	\$ 9,866,350.90	\$ 2,093,095.01	\$ 2,687,825.64	\$ 9,271,620.27	\$ 573,610.90

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 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 1999A	\$ 180,000.00	4.375 - 4.75	2019
Series 2005B	2,495,000.00	5.00	2018
Total	\$ 2,675,000.00		

**PENSACOLA JUNIOR COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009**

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

<u>Fiscal Year Ending June 30</u>	<u>State Board of Education Capital Outlay Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 245,000.00	\$ 133,056.25	\$ 378,056.25
2011	250,000.00	120,962.50	370,962.50
2012	265,000.00	108,562.50	373,562.50
2013	280,000.00	95,412.50	375,412.50
2014	290,000.00	81,487.50	371,487.50
2015-2019	1,345,000.00	174,675.00	1,519,675.00
Total	\$ 2,675,000.00	\$ 714,156.25	\$ 3,389,156.25

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2009, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$6,541,082.46. The current portion of the compensated absences liability was determined by calculating percentages using the actual payout for sick and annual leave for the last eight fiscal years divided by the previous fiscal year’s total compensated absences balance. The percentages were then averaged, and the resulting percentage was applied to the June 30, 2009, compensated absences balance to determine the current portion.

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 other postemployment benefits provided by the Florida College System Risk Management Consortium (Consortium) and life insurance benefits through purchased commercial insurance.

Plan Description. The College contributes to a cost-sharing, multiple-employer defined-benefit plan administered by the Consortium for postemployment healthcare benefits and is a single-employer defined-benefit plan for postemployment life insurance benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, 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

PENSACOLA JUNIOR COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

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 College and the Consortium do not issue stand-alone annual reports for the Plans and the Plans are not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contribution rates can be amended by the Board of Trustees. The College has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2008-09 fiscal year, 90 retirees received postemployment healthcare benefits, and 120 retirees received postemployment life insurance benefits. The College provided required contributions of \$48,939 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 \$645,155.79.

Annual OPEB Cost and Net OPEB Obligation. The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the College's net OPEB obligation:

**PENSACOLA JUNIOR COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009**

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 28,772.00
Amortization of Unfunded Actuarial Accrued Liability	37,857.00
Interest on Normal Cost and Amortization	117.00
Annual Required Contribution	66,746.00
Interest on Net OPEB Obligation	1,135.71
Adjustment to Annual Required Contribution	(1,261.90)
Annual OPEB Cost (Expense)	66,619.81
Contribution Toward the OPEB Cost	(48,939.00)
Increase in Net OPEB Obligation	17,680.81
Net OPEB Obligation, Beginning of Year	37,857.00
Net OPEB Obligation, End of Year	\$ 55,537.81

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	66,746.00	43.3%	37,857.00
2008-09	66,619.81	73.5%	55,537.81

Funded Status and Funding Progress. As of June 30, 2009, the actuarial accrued liability for benefits was \$744,307 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$744,307 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$28,749,744.85 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.6 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

PENSACOLA JUNIOR COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's initial OPEB actuarial valuation as of July 1, 2007, used the projected unit credit actuarial method to estimate the unfunded actuarial liability (UAAL) as of June 30, 2008, with an updated UAAL estimate at June 30, 2009, to estimate the 2008-09 fiscal year ARC. This method was selected because it is the same method used in the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the College's expectation of investment returns. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 10 percent initially for the 2007-08 fiscal year, reduced by 1 percent per year for 3 years, then 0.5 percent per year thereafter, to an ultimate rate of 5 percent after 7 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 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.

**PENSACOLA JUNIOR 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 DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2008-09 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class or plan in which reemployed.

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions, including employee contributions, for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$2,513,248.60, \$2,581,970.42, and \$2,518,911.28, 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 PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved

PENSACOLA JUNIOR COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

investment choices. Employees in PEORP vest at one year of service. There were 79 College participants during the 2008-09 fiscal year. Required contributions made to PEORP totaled \$243,946.39.

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 40 College participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$204,122.34.

11. CONSTRUCTION COMMITMENTS

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

**PENSACOLA JUNIOR 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
Building 20 Renovation/Addition:			
Consultant	\$ 636,603.00	\$ 633,871.00	\$ 2,732.00
Contractors	6,835,694.25	6,673,029.00	162,665.25
Trane Project Phase III and IV:			
Contractor	4,679,176.00	1,733,464.25	2,945,711.75
South Santa Rosa Joint-Use Center:			
Consultant	752,146.00		752,146.00
Girls Softball Complex, Field, Track Lighting, and Site Improvement Phase II:			
Consultant	54,207.98	38,600.40	15,607.58
Total	\$ 12,957,827.23	\$ 9,078,964.65	\$ 3,878,862.58

12. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and 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 fire and extended property, general and automobile liability, workers' compensation, health and hospitalization, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Life insurance coverage is provided through purchased commercial insurance.

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

**PENSACOLA JUNIOR COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009**

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>
College Program Fund	\$ 30,485,025.00
Gross Receipts Tax (Public Education Capital Outlay)	15,431,104.00
Education Enhancement Trust Fund (Lottery)	4,145,953.00
Bright Futures Scholarship Program	2,596,510.54
Florida Student Assistance Grants	1,749,794.00
Restricted Contracts and Grants	723,677.54
Motor Vehicle License Tax (Capital Outlay and Debt Service)	441,857.41
Other State Sources	190,327.16
Total	\$ 55,764,248.65

14. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

**PENSACOLA JUNIOR COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009**

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 25,449,812.43
Public Services	3,762,944.54
Academic Support	3,737,995.05
Student Services	6,568,508.55
Institutional Support	10,192,383.77
Operation and Maintenance of Plant	17,032,321.96
Scholarships and Fellowships	8,455,114.76
Depreciation	2,324,003.27
Total Operating Expenses	\$ 77,523,084.33

15. COMPONENT UNITS

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

PENSACOLA JUNIOR COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
JUNE 30, 2009

	Direct-Support Organizations		
	Pensacola Junior College Foundation, Inc.	WSRE-TV Foundation, Inc.	Total
Condensed Statement of Net Assets			
Assets:			
Current Assets	\$ 6,244,365.06	\$ 927,259.29	\$ 7,171,624.35
Capital Assets, Net		86,171.35	86,171.35
Other Noncurrent Assets	8,691,507.00	924,013.35	9,615,520.35
Total Assets	14,935,872.06	1,937,443.99	16,873,316.05
Liabilities:			
Current Liabilities	118,416.21	157,433.95	275,850.16
Noncurrent Liabilities	67,188.85		67,188.85
Total Liabilities	185,605.06	157,433.95	343,039.01
Net Assets:			
Invested in Capital Assets, Net of Related Debt		56,171.35	56,171.35
Restricted	13,773,027.00	591,379.69	14,364,406.69
Unrestricted	977,240.00	1,132,459.00	2,109,699.00
Total Net Assets	\$ 14,750,267.00	\$ 1,780,010.04	\$ 16,530,277.04
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			
Operating Revenues	\$ 3,125,222.26	\$ 1,507,600.04	\$ 4,632,822.30
Operating Expenses	2,747,136.73	1,624,995.00	4,372,131.73
Operating Income (Loss)	378,085.53	(117,394.96)	260,690.57
Net Nonoperating Expenses	(1,748,646.92)	(197,075.00)	(1,945,721.92)
Other Revenues, Expenses, Gains, and Losses	192,300.39		192,300.39
Decrease in Net Assets	(1,178,261.00)	(314,469.96)	(1,492,730.96)
Net Assets, Beginning of Year	15,928,528.00	2,094,480.00	18,023,008.00
Net Assets, End of Year	\$ 14,750,267.00	\$ 1,780,010.04	\$ 16,530,277.04

16. RELATED PARTY TRANSACTIONS

The College leases a portion of a College-owned building complex known as the College Centre, together with adjacent parking areas, to the Pensacola Junior College Foundation, Inc. (Foundation). The leased property is used by the Foundation as apartments for students on athletic scholarships and for coaches or counselors assigned by the College to supervise and counsel the student athletes. The lease requires the Foundation to make annual payments of \$36,000 to the College. At the option of the Foundation, the lease is renewable for one-year terms through the 2015-16 fiscal year.



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 Pensacola Junior College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 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 aggregate discretely presented component units 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. 2010-023.

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 5, 2010