

CHIPOLA COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2010



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2009-10 fiscal year are listed below:

	<u>County</u>
Gary F. Clark, Chair	Washington
Jeff Crawford, Jr., Vice Chair	Jackson
Dr. Leisa H. Bailey from 8-03-09	Holmes
Robert L. Jones	Holmes
John W. Padgett (1)	Jackson
Jan L. Page	Washington
Mark S. Plummer (1)	Liberty
Daniel E. Ryals, III	Calhoun
Virginia C. Stuart	Jackson
Brenda G. Taylor to 8-02-09 (2)	Holmes

Dr. Gene Prough, President to February 28, 2010,
from April 1, 2010

Dr. Sarah Clemmons, Interim President
from March 1, 2010, to March 31, 2010

- Notes: (1) Board member served beyond the end of their term,
May 31, 2010.
(2) Board member served beyond the end of her 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.

This audit was conducted by Patricia Crutchfield, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

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) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

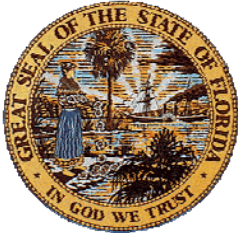
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2010. 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, in both 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

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111 West Madison Street
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Chipola College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2010, which collectively comprise the College's basic financial statements as shown on pages 11 through 32. These financial statements are the responsibility of College 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, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Chipola College and of its discretely presented component unit as of June 30, 2010, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Chipola College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**.

The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 10 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on pages 31 and 32 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,



David W. Martin, CPA
December 8, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2010, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$61.5 million at June 30, 2010. This balance reflects a \$616 thousand, or 1 percent decrease from the 2008-09 fiscal year, resulting primarily from a reduction in due from governmental agencies for Public Education Capital Outlay (PECO) appropriations owed to the College of \$5.2 million and an increase of \$4.3 million in capital assets. As a result, the College's net assets decreased by \$572 thousand, reaching a year-end balance of \$57.8 million.

The College's operating revenues totaled \$3.8 million for the 2009-10 fiscal year, representing a 10.7 percent decrease from the 2008-09 fiscal year due mainly to reductions in net student fees of \$290 thousand and Federal grants and contracts of \$137 thousand. The College's nonoperating revenue increased by \$1.1 million due mainly to increases in Federal financial aid and American Recovery and Reinvestment Act (ARRA) Federal funds received for the 2009-10 fiscal year of \$1.9 million offset by a decrease in State appropriations of \$799 thousand. Operating expenses totaled \$21.2 million for the 2009-10 fiscal year, representing an increase of \$765 thousand increase over the 2008-09 fiscal year. Within operating expenses, scholarships and waivers showed the largest increase of \$440 thousand.

OVERVIEW OF FINANCIAL STATEMENTS

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

- Chipola College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Chipola College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

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

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

These two statements report Chipola College's net assets and changes in them. You can think of the College's net assets, the difference between assets and liabilities, as one way to measure the College's financial health, or financial

position. Over time, increases or decreases in the College's net assets are one indication of whether its financial health is improving or deteriorating. You will need to consider many other nonfinancial factors, such as certain trends, student retention, condition of the buildings, and the safety of the campus, to assess the College's overall financial health.

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

A condensed statement of assets, liabilities, and net assets of the College and its component unit as of June 30, 2010, and June 30, 2009, is shown in the following table:

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

	College		Component Unit	
	6-30-10	6-30-09	6-30-10	6-30-09
Assets				
Current Assets	\$ 23,243	\$ 28,195	\$ 447	\$ 828
Capital Assets, Net	37,221	32,929		
Other Noncurrent Assets	1,081	1,037	13,109	11,938
Total Assets	<u>61,545</u>	<u>62,161</u>	<u>13,556</u>	<u>12,766</u>
Liabilities				
Current Liabilities	2,109	1,958	33	36
Noncurrent Liabilities	1,637	1,832		
Total Liabilities	<u>3,746</u>	<u>3,790</u>	<u>33</u>	<u>36</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	36,901	32,537		
Restricted	19,649	24,921	10,744	10,220
Unrestricted	1,249	913	2,779	2,510
Total Net Assets	<u>\$ 57,799</u>	<u>\$ 58,371</u>	<u>\$ 13,523</u>	<u>\$ 12,730</u>
Increase (Decrease) in Net Assets	<u>\$ (572)</u>	-1.0%	<u>\$ 793</u>	6.2%

Total assets decreased by \$616 thousand and total net assets decreased by \$572 thousand in the 2009-10 fiscal year. Both of these decreases resulted primarily from decreases in amounts due from PECO appropriations of \$5.2 million and an increase of \$4.3 million in capital assets due to construction activity.

Revenues and expenses of the College and its component unit for the 2009-10 and 2008-09 fiscal years are shown in the following table:

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

	College		Component Unit	
	6-30-10	6-30-09	6-30-10	6-30-09
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 2,266	\$ 2,556	\$	\$
Federal Grants and Contracts	694	831		
State and Local Grants and Contracts	311	266		89
Nongovernmental Grants and Contracts	194	245	918	801
Sales and Services of Educational Departments	38	41		
Auxiliary Enterprises, Net of Scholarship Allowances	223	225		
Other Operating Revenues	74	89		2
Total Operating Revenues	3,800	4,253	918	892
Less, Operating Expenses	21,162	20,397	1,208	1,759
Operating Loss	(17,362)	(16,144)	(290)	(867)
Nonoperating Revenues (Expenses)				
State Appropriations	9,333	10,132		
Other Nonoperating Revenues	5,950	4,036	1,045	422
Nonoperating Expenses	(18)	(21)		(2,512)
Net Nonoperating Revenues (Expenses)	15,265	14,147	1,045	(2,090)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
	(2,097)	(1,997)	755	(2,957)
Capital Appropriations	1,116	12,871		
Capital Grants, Contracts, Gifts, and Fees	409	231		
Additions to Permanent Endowments			38	790
Increase (Decrease) in Net Assets	(572)	11,105	793	(2,167)
Net Assets, Beginning of Year	58,371	47,266	12,730	14,346
Adjustment to Beginning Net Assets (1)				551
Net Assets, Beginning of Year, as Restated	58,371	47,266	12,730	14,897
Net Assets, End of Year	\$57,799	\$58,371	\$13,523	\$12,730

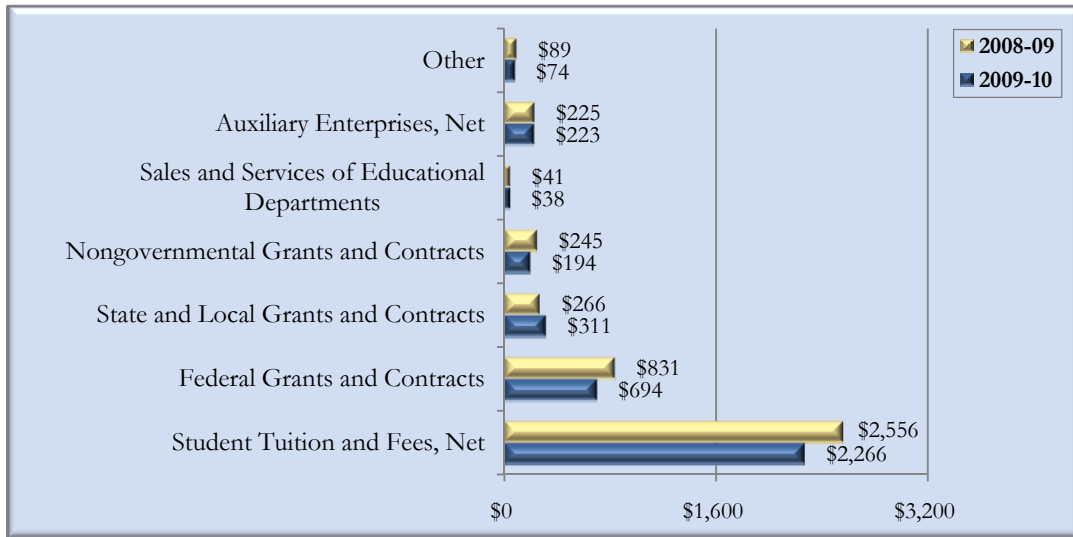
Note: (1) Prior period adjustment reflects a change to adjust land and timber to Fair Market Value.

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 2009-10 and 2008-09 fiscal years:

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



College operating revenues include student tuition and fees and auxiliary enterprises, which are shown net of scholarship allowances (amounts received from other than students and third-party payers). Scholarship allowances include payments from Federal Title IV student aid programs (i.e., Pell and FSEOG), Florida Bright Futures Scholarships, and other institutional scholarships. Scholarship allowances amounted to \$1.8 million in the 2009-10 fiscal year compared to \$1.1 million for the 2008-09 fiscal year primarily due to increases in Federal Title IV aid and increases in tuition rates. Other College operating revenues include Federal, State, local, and nongovernmental grants and contracts, and auxiliary enterprises revenues, which consist of bookstore commissions, housing operations, and campus-wide vending programs.

Gross student tuition increased by \$368 thousand for the 2009-10 fiscal year primarily due to increased fee rates; however, net student tuition and fees decreased by \$290 thousand for the fiscal year. The decrease in net student fees resulted from increases in scholarship allowances as described above. Decreases in Federal grants and contracts of \$137 thousand, resulted primarily from reduced Federal Title III grant expenditures.

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.

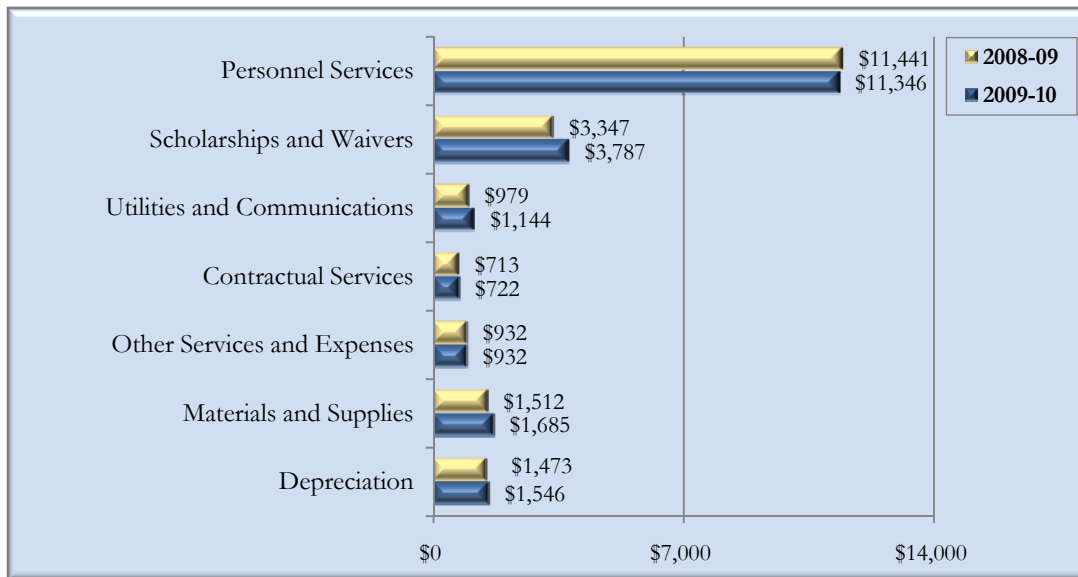
Operating expenses for the College and its component unit for the 2009-10 and 2008-09 fiscal years are presented in the following table:

**Operating Expenses
(In Thousands)**

	College		Component Unit	
	6-30-10	6-30-09	6-30-10	6-30-09
Operating Expenses				
Personnel Services	\$ 11,346	\$ 11,441	\$	\$
Scholarships and Waivers	3,787	3,347	603	1,242
Utilities and Communications	1,144	979		
Contractual Services	722	713		
Other Services and Expenses	932	932	605	517
Materials and Supplies	1,685	1,512		
Depreciation	1,546	1,473		
Total Operating Expenses	\$ 21,162	\$ 20,397	\$ 1,208	\$ 1,759

The following chart presents the College’s operating expenses for the 2009-10 and 2008-09 fiscal years:

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



College operating expenses increased by \$765 thousand from 2008-09. Increases in scholarships and waivers of \$440 thousand were the largest contributor to the overall increase as more and larger awards were made in the 2009-10 fiscal year. Disbursements of Title IV Federal Pell grants increased by more than \$1.1 million in 2009-10 while the scholarship allowance increased by \$663 thousand resulting in a net increase in scholarships and waivers of \$440 thousand. Utilities and communications expenses increased by \$165 thousand, primarily due to increases in electricity rates and usage. In addition, materials and supplies, contractual services, and depreciation expenses all increased for the 2009-10 fiscal year, by a total of \$255 thousand. Offsetting these increases was a small decrease in personnel expenses of \$95 thousand.

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 2009-10 and 2008-09 fiscal years:

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

	2009-10	2008-09
State Appropriations	\$ 9,333	\$10,132
Gifts and Grants	5,923	4,010
Investment Income	27	18
Other Nonoperating Revenues		8
Interest on Capital Asset-Related Debt	(18)	(21)
Net Nonoperating Revenues	\$15,265	\$14,147

Nonoperating revenues include State appropriations for the College Program Fund, the Education Enhancement Trust Fund (i.e., Lottery), the Baccalaureate Program, and Florida Bright Futures Scholarships funding. Accounting standards require that these sources of revenue be reported as nonoperating even though the College's budget requires these funds to continue at the current level of operations. When compared to the prior fiscal year, College net nonoperating revenues increased by \$1.1 million, or 7.9 percent. This is primarily due to increased Federal financial aid of \$1.1 million and the receipt of American Recovery and Reinvestment Act (ARRA) Federal funds of \$823 thousand. This was partially offset by a reduction of \$799 thousand in State appropriations. This significant drop in State appropriations is a result of the current economic downturn.

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 2009-10 and 2008-09 fiscal years:

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

	2009-10	2008-09
Capital Appropriations	\$ 1,116	\$12,871
Capital Grants, Contracts, Gifts, and Fees	409	231
Total	\$ 1,525	\$13,102

Capital appropriations, which consist of PECO appropriations and support from the State-assessed motor vehicle license tax for bond debt service, decreased by \$11.8 million, due to a decrease in State appropriations to the College for capital projects.

Capital grants, contracts, gifts, and fees consist of capital improvement fees, private donations of capital assets, and contributions for the construction of capital assets. This amount increased by \$178 thousand from the previous fiscal year, due to an increase in the amounts collected as capital improvement fees and a gift for new construction received in the 2009-10 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 2009-10 and 2008-09 fiscal years is presented in the following table:

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

	<u>2009-10</u>	<u>2008-09</u>
Cash Provided (Used) by:		
Operating Activities	\$(16,146)	\$(14,849)
Noncapital Financing Activities	15,256	14,142
Capital and Related Financing Activities	1,041	1,028
Investing Activities	<u>26</u>	<u>61</u>
Net Increase in Cash and Cash Equivalents	177	382
Cash and Cash Equivalents, Beginning of Year	<u>5,901</u>	<u>5,519</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,078</u>	<u>\$ 5,901</u>

Major sources of funds came from State appropriations (\$9.3 million), gifts and grants (\$5.9 million), capital appropriations (\$6.4 million), and net student tuition and fees (\$2.2 million).

Cash and cash equivalents increased by \$177 thousand, or 3 percent, from the previous fiscal year. The increase in cash used by operating activities is primarily a result of a reduction of \$388 thousand in student fees collected (net of scholarship allowances), a reduction in grants and contracts receipts of \$291 thousand, and an increase in scholarship payments of \$440 thousand. Cash provided by noncapital financing activities increased by \$1.1 million from the previous year and is primarily due to an increase in Federal financial aid and American Recovery and Reinvestment Act (ARRA) Federal funds received of \$1.9 million, which was offset by a reduction in State appropriations of \$799 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2010, the College had \$61.2 million in capital assets, less accumulated depreciation of \$24 million, for net capital assets of \$37.2 million. Depreciation charges for the current fiscal year totaled \$1.5 million. The following table summarizes the College's capital assets at June 30:

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

<u>Capital Assets</u>	<u>2010</u>	<u>2009</u>
Land	\$ 1,792	\$ 1,732
Buildings	27,855	25,857
Other Structures and Improvements	1,988	2,355
Furniture, Machinery, and Equipment	270	350
Construction in Progress	<u>5,316</u>	<u>2,636</u>
Total	<u>\$ 37,221</u>	<u>\$ 32,930</u>

The College has \$16.7 million remaining on major construction contract commitments at June 30, 2010. The contract commitments are for projects that include new construction of the Center for Arts building, the Workforce Development building, and centralized Chiller Plant. State appropriations are expected to finance the construction, renovation, and purchase of facilities. More information about the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$320 thousand in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2010, and June 30, 2009:

Long-Term Debt, at June 30: College		
(In Thousands)		
	<u>2010</u>	<u>2009</u>
SBE Capital Outlay Bonds	\$ 320	\$ 355
Installment Purchase		<u>38</u>
Total	<u>\$ 320</u>	<u>\$ 393</u>

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2009-10 fiscal year, there were no bond sales and debt repayments of principal totaled \$73 thousand. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Finance, Chipola College, 3094 Indian Circle, Marianna, Florida 32446.

BASIC FINANCIAL STATEMENTS

**CHIPOLA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2010**

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 3,306,185	\$ 121,569
Restricted Cash and Cash Equivalents	1,725,028	
Accounts Receivable	139,112	253,431
Notes Receivable	9,140	
Due from Other Governmental Agencies	17,889,230	
Due from College		33,265
Prepaid Expenses	173,342	
Other Assets	781	38,211
Total Current Assets	<u>23,242,818</u>	<u>446,476</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,046,597	1,519,467
Investments	34,819	
Restricted Investments		11,397,822
Depreciable Capital Assets, Net	30,112,701	
Nondepreciable Capital Assets	7,107,995	
Other Assets		192,073
Total Noncurrent Assets	<u>38,302,112</u>	<u>13,109,362</u>
TOTAL ASSETS	<u>\$ 61,544,930</u>	<u>\$ 13,555,838</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 982,416	\$ 33,029
Salary and Payroll Taxes Payable	485,421	
Retainage Payable	217,700	
Due to Other Governmental Agencies	18,033	
Due to Component Unit	33,265	
Deferred Revenue	93,503	
Deposits Held for Others	38,834	
Long-Term Liabilities - Current Portion:		
Bonds Payable	40,000	
Compensated Absences Payable	200,000	
Total Current Liabilities	<u>2,109,172</u>	<u>33,029</u>
Noncurrent Liabilities:		
Bonds Payable	280,000	
Compensated Absences Payable	1,302,621	
Other Postemployment Benefits Payable	53,706	
Total Noncurrent Liabilities	<u>1,636,327</u>	
TOTAL LIABILITIES	<u>3,745,499</u>	<u>33,029</u>

CHIPOLA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2010

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 36,900,696	\$
Restricted:		
Nonexpendable:		
Endowment		6,201,206
Expendable:		
Grants and Loans	680,315	
Scholarships	291,947	4,542,881
Capital Projects	18,661,709	
Debt Service	15,229	
Unrestricted	1,249,535	2,778,722
Total Net Assets	57,799,431	13,522,809
TOTAL LIABILITIES AND NET ASSETS	\$ 61,544,930	\$ 13,555,838

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

CHIPOLA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2010

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$1,746,264	\$ 2,265,897	\$
Federal Grants and Contracts	694,472	
State and Local Grants and Contracts	310,877	
Nongovernmental Grants and Contracts	193,574	917,860
Sales and Services of Educational Departments	38,555	
Auxiliary Enterprises, Net of Scholarship Allowances of \$9,968	223,035	
Other Operating Revenues	73,562	
	3,799,972	917,860
EXPENSES		
Operating Expenses:		
Personnel Services	11,345,987	
Scholarships and Waivers	3,786,699	602,635
Utilities and Communications	1,143,910	
Contractual Services	722,234	
Other Services and Expenses	931,410	605,263
Materials and Supplies	1,685,390	
Depreciation	1,546,065	
	21,161,695	1,207,898
Operating Loss	(17,361,723)	(290,038)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	9,333,308	
Gifts and Grants	5,922,757	
Investment Income	26,989	352,889
Net Realized and Unrealized Gain on Investments		692,002
Interest on Capital Asset-Related Debt	(17,732)	
	15,265,322	1,044,891
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,096,401)	754,853
Capital Appropriations	1,115,848	
Capital Grants, Contracts, Gifts, and Fees	408,690	
Additions to Permanent Endowments		38,125
	1,524,538	38,125
Total Other Revenues	1,524,538	38,125
Increase (Decrease) in Net Assets	(571,863)	792,978
Net Assets, Beginning of Year	58,371,294	12,729,831
Net Assets, End of Year	\$ 57,799,431	\$ 13,522,809

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

CHIPOLA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2010

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 2,183,149
Grants and Contracts	1,048,176
Payments to Suppliers	(3,339,034)
Payments for Utilities and Communications	(1,143,910)
Payments to Employees	(9,414,243)
Payments for Employee Benefits	(2,175,871)
Payments for Scholarships	(3,786,699)
Collection of Loans to Students	2,530
Auxiliary Enterprises, Net	223,035
Sales and Service of Educational Departments	38,555
Other Receipts	217,673
	(16,146,639)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	9,333,308
Gifts and Grants Received for Other Than Capital or Endowment Purposes	5,922,757
	15,256,065
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	6,419,248
Capital Grants and Gifts	408,690
Purchases of Capital Assets	(5,696,782)
Principal Paid on Capital Debt and Leases	(72,726)
Interest Paid on Capital Debt and Leases	(17,732)
	1,040,698
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments, Net	14,954
Investment Income	11,457
	26,411
Net Cash Provided by Investing Activities	26,411
Net Increase in Cash and Cash Equivalents	176,535
Cash and Cash Equivalents, Beginning of Year	5,901,275
	5,901,275
Cash and Cash Equivalents, End of Year	\$ 6,077,810

CHIPOLA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2010

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (17,361,723)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,546,065
Changes in Assets and Liabilities:	
Receivables, Net	(218,907)
Other Assets	(1,888)
Accounts Payable	24,782
Deferred Revenue	(14,588)
Deposits Held for Others	7,327
Compensated Absences Payable	(147,919)
Other Postemployment Benefits	17,682
Loans to Students	2,530
	<u>\$ (16,146,639)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (16,146,639)</u>

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

CHIPOLA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Chipola College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2010.

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

CHIPOLA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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
- Other Required Supplementary Information

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

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

The College follows GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless the FASB pronouncements conflict with GASB pronouncements. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Accounting*, the College has the option to elect to apply all pronouncements of FASB issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

Significant 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 a nonoperating expense.

CHIPOLA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and student fees and auxiliary enterprises revenues are reported net of scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College calculated its tuition scholarship allowance by determining the amount of "coverage" applied from financial aid and other funds determined to be subject to scholarship allowances. Under this method, the College determined amounts by identifying those student transactions where the student's classes or bookstore charges were paid by an applicable financial aid source. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue and auxiliary enterprises revenue.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and funds invested with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the Florida PRIME investment pool 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, 2010, the College reported as cash equivalents at fair value \$4,058,543 of moneys held in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 46 days as of June 30, 2010. 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

**CHIPOLA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

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

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

Asset valuations are discussed below:

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

<u>Valuation Method</u>	<u>Values</u>
Appraisal Value	\$ 357,000
Fair Market Value (at Date of Donation)	96,475
Cost	<u>1,338,401</u>
Total	<u>\$ 1,791,876</u>

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

<u>Valuation Method</u>	<u>Values</u>
Historically-Based Appraisal Cost	\$ 1,818,708
Cost	42,801,377
Fair Market Value (at Date of Donation)	<u>747,570</u>
Total	<u>\$ 45,367,655</u>

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

CHIPOLA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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 Florida PRIME investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

State Board of Administration Fund B Surplus Funds Trust Fund

On December 4, 2007, the SBA restructured the Local Government Surplus Funds Trust Fund to 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 Florida PRIME investment pool, 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 Florida PRIME investment pool.

At June 30, 2010, the College reported investments at fair value of \$34,819 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 0.67353149 at June 30, 2010. The weighted-average life (WAL) of Fund B at June 30, 2010, was 8.05 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, 2010. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

Component Unit Investments

Investments held by the College's component unit, the Chipola College Foundation, Inc. (Foundation), at June 30, 2010, are reported at fair value as follows:

CHIPOLA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Investment Type	Fair Value	Maturities	Credit Quality Rating (1)
United States Treasury Notes	\$ 329,937	August 15, 2013 - February 15, 2020	AAA/Aaa/AAA
United States Treasury Bonds	15,642	February 15, 2020	AAA/Aaa/AAA
United States Government Agencies:			
Federal Home Loan Mortgage Corp.	397,158	September 15, 2011 - July 17, 2015	AAA/Aaa/AAA
Federal National Mortgage Association	22,581	February 13, 2017	AAA/Aaa/AAA
Federal National Mortgage Association Term Note	443,687	March 15, 2012 - April 09, 2013	AAA/Aaa/AAA
Federal Home Loan Mortgage Gold Pool	85,966	April 1, 2021 - April 1, 2023	None
Federal National Mortgage Association Pool	120,860	April 1, 2035 - February 1, 2036	None
Federal Home Loan Mortgage Corp. Medium Term Note	168,024	June 15, 2012 - March 27, 2019	AAA/Aaa/AAA
Corporate Bonds:			
Abbott Laboratories	71,663	April 1, 2019	AA/A1/A+
AT&T, Inc.	81,508	May 15, 2018	A/A2/A
Bank of America	151,413	June 15, 2012	None
Bank of Nova Scotia	10,275	January 22, 2015	AA-/Aa1/AA-
BB&T Corporation Senior Medium Term	66,241	April 26, 2016	A/A1/A+
Berkshire Hathaway, Inc. Del	66,681	February 11, 2015	AA+/Aa2/A+
BlackRock, Inc. Note	77,563	December 10, 2014	A+/A1
Caterpillar Financial Services Corporation	79,286	September 30, 2013	A
Cisco System, Inc.	70,700	February 15, 2019	A+/A1
Citigroup, Inc.	68,797	August 12, 2014	A/A3/A+
Coca Cola Company	84,988	November 15, 2017	A+/Aa3/A+
Conoco Phillips	82,137	February 1, 2019	A/A1/A
Credit Suisse USA, Inc.	65,022	August 15, 2015	A+/Aa1/AA-
Deere & Company Note	68,578	October 16, 2019	A/A2
General Electric Capital Corporation	15,901	March 15, 2032	AA+/Aa2
General Electric Company	69,670	February 1, 2013	AA+/Aa2
Goldman Sachs Group, Inc.	78,710	January 15, 2012	A/A1/A+
Hewlett Packard Corporation	64,999	March 1, 2017	A/A2/A+
JPMorgan Chase & Company	76,304	January 20, 2015	A+/Aa3/AA-
Lowes COS, Inc.	72,648	October 15, 2015	A/A1/A+
McDonalds	11,010	February 1, 2019	A/A3/A
Medtronic, Inc	67,223	March 15, 2015	AA-/A1
Merk & Company, Inc.	10,931	June 30, 2019	AA-/Aa3/A+
Merrill Lynch and Company	83,814	February 5, 2013	A/A2/A+
Morgan Stanley Global Notes	77,997	March 01, 2013	A/A2/A
Oracle Corporation/Ozark Holding, Inc.	84,086	July 8, 2014 - January 15, 2016	A/A2/A
Proctor and Gamble Company	70,377	February 15, 2019	AA-/Aa3
United Technologies Corporation	11,790	February 1, 2019	A/A2/A+
US Bankcorp	66,304	March 14, 2015	A+/Aa3/AA-
Wachovia Corporation Global Medium Term Notes	75,842	May 1, 2013	AA-/A1/AA
Wal-mart Stores, Inc.	80,083	September 1, 2035	AA/Aa2/AA
Walt Disney Company	71,396	December 15, 2013	A/A2/A
Certificates of Deposit	632,473	NA	NA
Domestic Equities	4,387,995	NA	NA
Foreign Equities	988,991	NA	NA
Mutual Funds	743,240	NA	NA
Land and Timber	927,331	NA	NA
Total	\$ 11,397,822		

Notes: (1) Rated by Standard & Poor's, Moody's Investors Service, and Fitch Ratings.
NA Not Applicable to investment type.

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 has no written investment policy that limits exposure to decline in fair values resulting from interest rate changes.

CHIPOLA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Credit Risk: Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The Foundation has no written investment policy that limits exposure to credit risk.

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investments in a single issuer. The Foundation has no written investment policy that places limits on the amount that may be invested in any type of investment.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Foundation holds \$988,991 in various foreign equities as of June 30, 2010. The foreign holdings account for approximately 9 percent of the Foundation's total investments. The Foundation has no written investment policy that limits its investment choices as it relates to foreign equities.

3. ACCOUNTS RECEIVABLE

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

4. NOTES RECEIVABLE

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

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$17,615,112 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, is shown below:

CHIPOLA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 1,731,857	\$ 60,019	\$	\$ 1,791,876
Construction in Progress	2,635,875	5,699,645	3,019,401	5,316,119
Total Nondepreciable Capital Assets	\$ 4,367,732	\$ 5,759,664	\$ 3,019,401	\$ 7,107,995
Depreciable Capital Assets:				
Buildings	\$ 42,348,253	\$ 3,019,402	\$	\$ 45,367,655
Other Structures and Improvements	6,650,966			6,650,966
Furniture, Machinery, and Equipment	2,055,743	77,669	86,622	2,046,790
Total Depreciable Capital Assets	51,054,962	3,097,071	86,622	54,065,411
Less, Accumulated Depreciation:				
Buildings	16,491,441	1,021,704		17,513,145
Other Structures and Improvements	4,295,787	366,764		4,662,551
Furniture, Machinery, and Equipment	1,706,039	157,597	86,622	1,777,014
Total Accumulated Depreciation	22,493,267	1,546,065	86,622	23,952,710
Total Depreciable Capital Assets, Net	\$ 28,561,695	\$ 1,551,006	\$	\$ 30,112,701

7. DEFERRED REVENUE

Deferred revenue includes student tuition and fees of \$93,503 received prior to fiscal year-end related to subsequent accounting periods.

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2010, include bonds payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2010, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 355,000	\$	\$ 35,000	\$ 320,000	\$ 40,000
Installment Purchase Payable	37,726		37,726		
Compensated Absences Payable	1,650,540		147,919	1,502,621	200,000
Other Postemployment Benefits Payable	36,024	26,691	9,009	53,706	
Total Long-Term Liabilities	\$2,079,290	\$26,691	\$ 229,654	\$ 1,876,327	\$240,000

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, 2010:

**CHIPOLA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds: Series 2005-A	\$ 320,000	5	2017

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2011	\$ 40,000	\$ 16,000	\$ 56,000
2012	40,000	14,000	54,000
2013	45,000	12,000	57,000
2014	45,000	9,750	54,750
2015	50,000	7,500	57,500
2016-2017	100,000	7,500	107,500
Total	\$ 320,000	\$ 66,750	\$ 386,750

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, 2010, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$1,502,621. Of this amount, \$200,000 is considered a current liability as this is expected to be paid in the coming fiscal year. This amount was estimated by performing an analysis of the last seven years’ payments made to employees for leave liability owed.

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

Plan Description. The College contributes to an agent, multiple-employer defined-benefit plan administered by the Consortium. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College’s healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plans on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare

CHIPOLA COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the plan and the plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend the benefits and contribution rates. 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 plans are financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 46 retirees received other postemployment healthcare benefits and 36 retirees received postemployment life insurance benefits. The College provided required contributions of \$9,009 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$272,404.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 19,212
Amortization of Unfunded Actuarial Accrued Liability	<u>7,636</u>
Annual Required Contribution	26,848
Interest on Net OPEB Obligation	1,080
Adjustment to Annual Required Contribution	<u>(1,237)</u>
Annual OPEB Cost (Expense)	26,691
Contribution Toward the OPEB Cost	<u>(9,009)</u>
Increase in Net OPEB Obligation	17,682
Net OPEB Obligation, Beginning of Year	<u>36,024</u>
Net OPEB Obligation, End of Year	<u>\$ 53,706</u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation as of June 30, 2010, and for the transition and preceding years, were as follows:

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JUNE 30, 2010**

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	31,948	22.7%	24,682
2008-09	31,866	64.4%	36,024
2009-10	26,691	33.8%	53,706

Funded Status and Funding Progress. As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$222,403, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$222,403 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$7,267,086 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.1 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. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 as of July 1, 2009, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the College’s 2009-10 fiscal year ARC. This method was selected because it is the same method used in private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the College’s expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent for the 2009-10 fiscal year, reduced by 0.1 to 0.3 percent per year, to an ultimate rate of 4.5 percent after 18 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, 2010, was 27 years.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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.

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 2009-10 fiscal year were as follows:

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

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

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

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions for the fiscal

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years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$736,083, \$725,738, and \$697,935, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to 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 25 College participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$112,946.

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.

10. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2010, are as follows:

Project Description	Total Contract	Completed to Date	Balance Committed
Center for Arts Building:			
Design - Builder	\$ 15,609,422	\$ 2,845,616	\$ 12,763,806
Direct Purchase Orders	390,578	197,985	192,593
Workforce Development Building:			
Architect	227,642	182,114	45,528
Contractor	2,223,066	876,932	1,346,134
Direct Purchase Orders	920,274	318,405	601,869
Chiller Plant:			
Architect	195,945	156,756	39,189
Contractor	1,103,629		1,103,629
Direct Purchase Orders	588,483		588,483
Total	\$ 21,259,039	\$ 4,577,808	\$ 16,681,231

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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 \$175 million through February 28, 2010, and up to \$150 million starting March 1, 2010. Insurance coverage obtained through the Consortium included health and hospitalization, life, dental, long-term disability, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

12. 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>
College Program Fund	\$ 8,247,495
Education Enhancement Trust Fund (Lottery)	1,085,813
Gross Receipts Tax (Public Education Capital Outlay)	1,047,848
Bright Futures Scholarship Program	852,301
Florida Student Assistance Grants	403,082
Restricted Contracts and Grants	284,637
Motor Vehicle License Tax (Capital Outlay and Debt Service)	<u>68,000</u>
Total	<u>\$ 11,989,176</u>

13. 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

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JUNE 30, 2010

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 6,566,028
Public Services	256,395
Academic Support	638,895
Student Services	2,077,281
Institutional Support	2,707,417
Operation and Maintenance of Plant	3,476,578
Scholarships and Fellowships	3,854,179
Depreciation	1,546,065
Auxiliary Enterprises	<u>38,857</u>
Total Operating Expenses	<u>\$ 21,161,695</u>

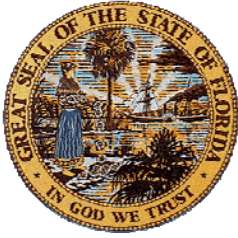
**CHIPOLA COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$ -	\$ 299,484	\$ 299,484	0%	\$ 7,726,628	3.9%
7/1/2009	\$ -	\$ 222,403	\$ 222,403	0%	\$ 7,267,086	3.1%

CHIPOLA COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2009, unfunded actuarial liability of \$222,403 was lower than the July 1, 2007, liability of \$299,484 by approximately \$77,000. Lower participation and updated mortality reduced accrued liability (AAL) by \$73,000. Updated claims costs and revised contributions also reduced AAL by \$66,000. The reduction due to assumption changes and claims costs was partially offset by increases due to the expected growth of liabilities over time and demographic changes of \$50,000 and an updated trend assumption of \$12,000.



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

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

We have audited the financial statements of Chipola College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2010, 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 opinion 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting

that might be deficiencies, 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
December 8, 2010