

SANTA FE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2010



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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Note: (1) Filled vacant position of Board member who resigned during the prior fiscal year.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

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

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; 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 Santa Fe College and its officers with administrative and stewardship responsibilities for College operations had:

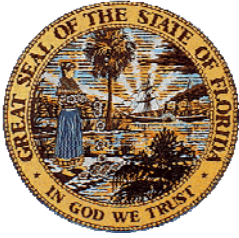
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 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. The results of our operational audit of the College are included in our report No. 2011-010.

Audit Methodology

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



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Santa Fe College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2010, which collectively comprise the College's basic financial statements as shown on pages 13 through 40. 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 represents 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 Santa Fe 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 Santa Fe College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**.

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

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 12 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on pages 41 and 42 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
February 18, 2011

MANAGEMENT’S DISCUSSION AND ANALYSIS

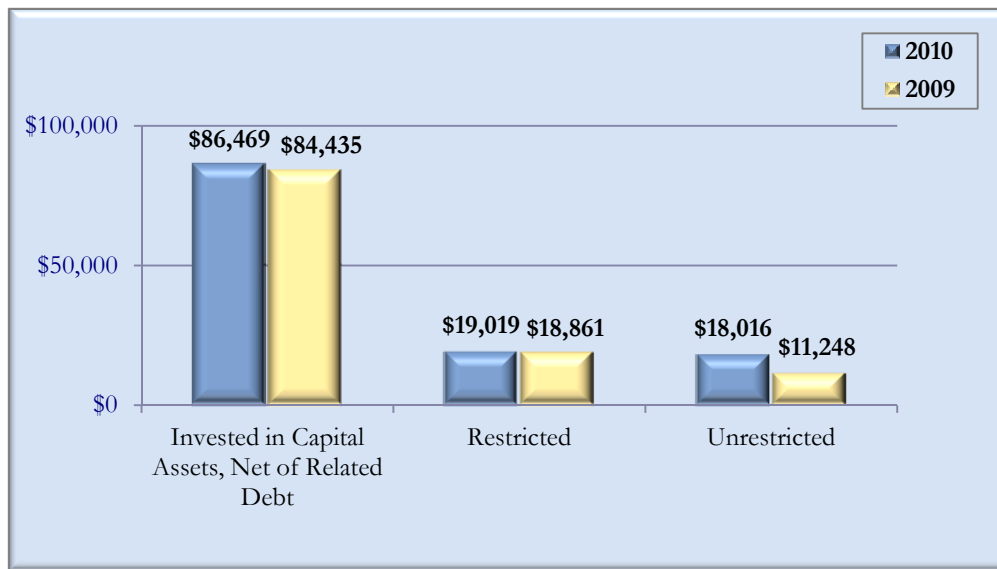
The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2010, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting 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.

The MD&A contains financial activities of the College and the Florida College System Risk Management Consortium (Consortium) for the 2009-10 and 2008-09 fiscal years, and of the College’s component unit, the Santa Fe College Foundation, Inc., for the fiscal years ended December 31, 2009, and 2008. To better distinguish the activities of the College and Consortium within the primary government, the financial information relating to the Consortium is separately identified.

FINANCIAL HIGHLIGHTS

Net assets represent the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net assets by category for the fiscal years ended June 30, 2010, and 2009, are shown in the following graph:

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



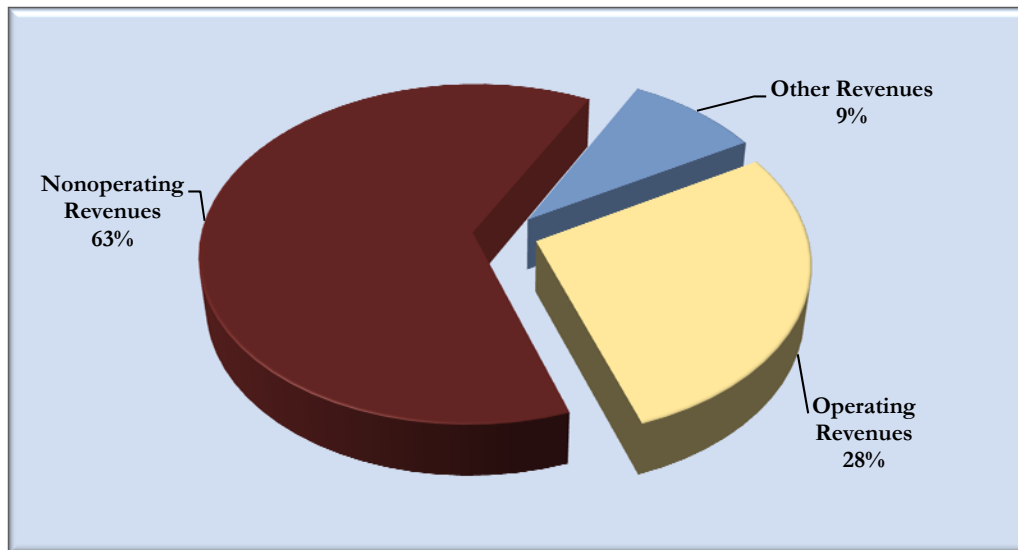
The College’s net investment in capital assets represents capital assets, net of accumulated depreciation and outstanding debt principal attributable to the acquisition, construction, or improvement of those assets. The College engaged in various construction projects during the year that included upgrading restroom facilities in Building W (Health Sciences), accepting as complete the Charles R. Perry Construction Institute (Building O), constructing an amphitheater at the Zoo, replacing the roof at the Andrews Center, and various energy retrofitting and renewable energy minor construction projects. Therefore, the \$2 million, or 2.4 percent, increase in invested in capital assets, net of related debt compared to the prior fiscal year was primarily due to the excess of additions to capital assets over depreciation expense during the 2009-10 fiscal year.

Restricted net assets are subject to externally imposed restrictions governing their use. The increase in restricted net assets of \$158,000, or 0.8 percent, was primarily due to the increase in the amount of restricted expendable capital for the construction of new facilities and the renovation and remodeling of existing structures. Variances from year to year for capital funding is expected based on the methods the State Legislature uses to allocate capital appropriations. Therefore, this portion of restricted net assets will continue to fluctuate each year.

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

The following chart provides a graphical presentation of College revenues by category for the fiscal year ended June 30, 2010:

Total Revenues: College



For the fiscal year ended June 30, 2010, College revenue and other support exceeded expenses, creating an increase in net assets of \$9 million (compared to a \$5.5 million increase the prior fiscal year). Annual State appropriations are classified as nonoperating revenues according to generally accepted accounting principles, although State-appropriated funds are used to support the operations of the College. Nonoperating revenues, comprising 63 percent of total revenues, included State appropriations (includes American Recovery and Reinvestment Act (ARRA) funding allocated through the State appropriation process), Federal Pell Grant revenue, State scholarship revenue, and investment income; all of which supported operating expenses of the College. Operating revenues, comprising 28 percent of total revenues, consisted primarily of student tuition and fees, grants and contracts, auxiliary enterprises, and revenue received from agreements between local school boards and the College for high school programs. Other revenues, comprising 9 percent of total revenues, include capital appropriations and capital grants, contracts, gifts, and fees designated for capital projects.

The component unit revenues exceeded expenses during the 2009 fiscal year, resulting in an increase in net assets of \$4.7 million (compared to a \$4.6 million decrease in the prior fiscal year), primarily due to additions to endowment and capital contributions totaling \$1.4 million and nonoperating income of \$4.2 million. The nonoperating income

resulted primarily from a recovery of \$2.6 million in the market value of the Foundation's investment portfolio and a write up of \$187,000 for real estate held in endowments.

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:

Primary Government

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

Component Unit

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

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

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

These two statements report Santa Fe College's net assets and changes in them. You can think of the College's net assets, the difference between assets and liabilities, as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indication of whether its financial health is improving or deteriorating. You 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 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, the Consortium, and the College's component unit for the respective fiscal years ended are shown in the following table:

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

	Primary Government				Component Unit	
	College		Consortium (1)		12-31-09	12-31-08
	6-30-10	6-30-09	6-30-10	6-30-09		
Assets						
Current Assets	\$ 41,081	\$ 34,573	\$ 61,317	\$ 66,831	\$ 1,160	\$ 870
Capital Assets, Net	95,314	86,003			15,288	13,940
Other Noncurrent Assets	22,489	29,411	12,052		19,511	16,021
Total Assets	<u>158,884</u>	<u>149,987</u>	<u>73,369</u>	<u>66,831</u>	<u>35,959</u>	<u>30,831</u>
Liabilities						
Current Liabilities	13,686	13,157	61,317	66,831	37	13
Noncurrent Liabilities	21,694	22,286	12,052		1,307	950
Total Liabilities	<u>35,380</u>	<u>35,443</u>	<u>73,369</u>	<u>66,831</u>	<u>1,344</u>	<u>963</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	86,469	84,435			15,288	13,197
Restricted	19,019	18,861			19,554	16,795
Unrestricted	18,016	11,248			(227)	(124)
Total Net Assets	<u>\$ 123,504</u>	<u>\$ 114,544</u>	<u>\$</u>	<u>\$</u>	<u>\$ 34,615</u>	<u>\$ 29,868</u>
Increase in Net Assets	<u>\$ 8,960</u>	7.8%	<u>\$</u>		<u>\$ 4,747</u>	15.9%

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

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

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

	College		Component Unit	
	6-30-10	6-30-09	12-31-09	12-31-08
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 21,716	\$ 20,553	\$	\$
Federal Grants and Contracts	2,941	2,683		
State and Local Grants and Contracts	2,263	2,570		
Nongovernmental Grants and Contracts	146	126	348	774
Sales and Services of Educational Departments	698	704		
Auxiliary Enterprises	729	738		
Other Operating Revenues	337	296	360	322
Total Operating Revenues	28,830	27,670	708	1,096
Less, Operating Expenses	93,371	85,754	1,546	1,306
Operating Loss	(64,541)	(58,084)	(838)	(210)
Nonoperating Revenues (Expenses)				
State Appropriations	32,816	35,763		
Gifts and Grants	30,406	19,612		
Other Nonoperating Revenues (Losses)	2,206	426	4,212	(1,392)
Nonoperating Expenses	(716)	(725)		
Net Nonoperating Revenues (Expenses)	64,712	55,076	4,212	(1,392)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
Capital Appropriations	3,420	6,216		
Endowment Principal Additions			1,170	428
Capital Grants, Contracts, Gifts, and Fees	5,369	2,247	203	468
Transfers in Support of College				(3,861)
Increase (Decrease) in Net Assets	8,960	5,455	4,747	(4,567)
Net Assets, Beginning of Year	114,544	109,089	29,868	34,435
Net Assets, End of Year	\$ 123,504	\$ 114,544	\$ 34,615	\$ 29,868

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. Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB Statement No. 35 as nonoperating.

College revenues increased \$11.1 million, or 12.2 percent, compared to the prior fiscal year as a result of the following factors:

Operating Revenues:

- An 8 percent increase in tuition rate as authorized by State of Florida law and an increase in student enrollment credit courses resulted in a \$3.1 million increase in gross student tuition and fee revenue. Scholarship allowances increased by \$2 million, or 24.2 percent, primarily due to an increase in the funding received from Federal Pell Grants.

Nonoperating and Other Revenues and Gains:

- State appropriations decreased by \$2.9 million, or 8.2 percent, due to decreased funding in appropriated program funds.
- Gifts and grants revenue increased by \$10.8 million, or 55 percent, due to an increase in State and Federal scholarship and grant support (including State-appropriated ARRA funds).
- Other nonoperating revenues increased by \$1.8 million, or 418 percent, principally due to an increase in investment income and a recovery in the market value of investments.
- Capital appropriations and capital grants increased by \$326,000, or 3.9 percent. This was primarily due to decreased funding from the prior year totaling \$2.8 million from State appropriations and grants awarded to the College to support capital projects and an increase of \$3.1 million from the implementation in 2009-10 of the student technology fee. Variances in capital appropriations from year to year are expected based on the methods the State Legislature uses to allocate capital appropriations. Project expenditures related to these revenue sources will continue in the 2010-11 fiscal year.

Component unit revenues increased \$3 million, or 93.3 percent, compared to the prior fiscal year as a result of the following factors:

- Operating revenues decreased by \$388,000, or 35.4 percent, from the prior year.
- Investment income increased by \$21,000. An adjustment for the changes in market value of the investment portfolio totaling \$2.8 million is reflected as nonoperating income.
- Capital contributions decreased by \$265,000, or 56.6 percent, compared to the prior fiscal year as a result of contributed equity in warehouse property as part of a charitable gift annuity.

Expenses

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

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

	Operating Expenses			
	(In Thousands)			
	College		Component Unit	
	6-30-10	6-30-09	12-31-09	12-31-08
Operating Expenses				
Personnel Services	\$ 52,572	\$ 53,386	\$	\$
Scholarships and Waivers	18,420	12,894	457	467
Utilities and Communications	2,579	2,388		
Contractual Services	3,865	3,633		
Other Services and Expenses	3,837	3,202	788	538
Materials and Supplies	5,927	5,001		
Depreciation	6,171	5,250	301	301
Total Operating Expenses	\$ 93,371	\$ 85,754	\$ 1,546	\$ 1,306

College operating expenses increased by \$7.6 million, or 8.9 percent, compared to the prior fiscal year as a result of the following factors:

- The College provided a one-time, non-recurring salary supplement to all full-time personnel. Employer covered health insurance premiums increased, but total salary and benefit expenditures decreased slightly from the prior year by \$814,000. In anticipation of recurring State appropriation shortfalls, this minor decrease was planned for by strategically not filling various vacant full-time positions and utilizing part-time employees.
- Gross scholarship expenses increased by \$5.5 million mostly due to increases in Federal Title IV financial aid. Scholarship expenses, like tuition and fees, are also shown net of scholarship allowances (amounts received from other than students and third-party payers). Since scholarship allowances increased by \$2 million, net scholarship expenses increased by \$3.5 million.
- Utilities and communication expenses increased by \$191,000 primarily due to the addition of College facilities utilizing electricity and the increased cost of fuel used by energy consumption.
- Contractual services increased by \$232,000 as a result of purposefully increasing the usage of part-time employees.
- Materials and supplies increased by \$926,000 primarily due to a slight increase in purchases over the prior year for non-capitalized tangible property.
- Depreciation expense increased by \$921,000 primarily due to the capitalization of the Charles R. Perry Construction Institute (Building O) accepted as complete this fiscal year and various energy retrofitting and renewable energy projects.

Total operating expenses for the component unit increased by \$240,000 compared to the prior fiscal year, primarily due to an increase in academic program support. The component unit's expenses consist primarily of expenditures to benefit the College. Of the \$1.5 million in total operating expenses for the current fiscal year, \$1.2 million, or 80 percent, directly benefited the College as scholarship, program, capital, or festival expenditures. An additional \$301,000 of expenses resulted from depreciation of buildings used by the College for classrooms and administrative offices. This brings expenditures for the direct or indirect benefit of the College to 97 percent of total expenditures for the fiscal year ended December 31, 2009.

THE STATEMENT OF CASH FLOWS

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

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

A summary of the College's and Consortium's cash flows for the 2009-10 and 2008-09 fiscal years is presented in the following table:

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

	College		Consortium	
	2009-10	2008-09	2009-10	2008-09
Cash Provided (Used) by:				
Operating Activities	\$ (58,162)	\$ (55,139)	\$ 6,279	\$ 8,893
Noncapital Financing Activities	63,199	55,380		
Capital and Related Financing Activities	(7,838)	(4,670)		
Investing Activities	1,700	813	19	6,301
Net Increase (Decrease) in				
Cash and Cash Equivalents	(1,101)	(3,616)	6,298	15,194
Cash and Cash Equivalents, Beginning of Year	43,680	47,296	50,806	35,612
Cash and Cash Equivalents, End of Year	\$ 42,579	\$ 43,680	\$ 57,104	\$ 50,806

The College's cash and cash equivalents decreased during the 2009-10 fiscal year. The following discussion amplifies the overview of cash flows:

- Major sources of operating funds came from student tuition and fees and governmental grants and contracts. Cash outflows for operating activities are primarily salaries and benefits paid to employees, payments to students for scholarships, and payments to vendors for services and supplies. The increase in cash used for operating activities of \$3 million is primarily due to an increase of \$2.6 million in the student tuition and fees and other various receipts, a decrease of \$1.8 million in payments for salaries and benefits, an increase of \$5.5 million in payments to students for scholarships, and an increase of \$1.8 million in payments to vendors for items related to travel, materials and supplies, and non-capitalized tangible property.
- The primary sources of funds in noncapital financing activities are State appropriations, Federal Pell Grants, and State scholarships. Cash inflows from noncapital financing increased by \$7.8 million primarily due to an increase of \$10.7 million in Federal grants and State scholarships and a reduction of \$2.9 million in State appropriations.
- The primary inflow and outflow of capital and related financing activities are State capital appropriations, other grants and fees, and the purchase of capital assets. Net cash used for capital and related financing activities increased \$3.2 million primarily due to the decrease of \$8.6 million in capital appropriations from the State, the increase of \$3.1 million from other granting agencies and fees, and a \$2.1 million decrease in the purchases of capital assets.
- Cash inflows for investing activities of the College increased by \$887,000 primarily due to increased investment income.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2010, the College had \$163.9 million in capital assets, less accumulated depreciation of \$68.6 million, for net capital assets of \$95.3 million. Depreciation charges for the current fiscal year totaled \$6.2 million. The following table summarizes the College's capital assets activity at June 30:

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

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 3,764	\$ 499	\$	\$ 4,263
Buildings	93,738	7,810		101,548
Other Structures and Improvements	21,727	3,719		25,446
Furniture, Machinery, and Equipment	8,150	618	358	8,410
Assets Under Capital Leases	48			48
Construction in Progress	21,297	3,684	825	24,156
Total	148,724	16,330	1,183	163,871
Less, Accumulated Depreciation:				
Buildings	41,394	3,306		44,700
Other Structures and Improvements	14,651	2,081		16,732
Furniture, Machinery, and Equipment	6,647	775	335	7,087
Assets Under Capital Leases	29	9		38
Total Accumulated Depreciation	62,721	6,171	335	68,557
Capital Assets, Net	\$ 86,003	\$ 10,159	\$ 848	\$ 95,314

The College has \$11.7 million in construction commitments at June 30, 2010. The construction commitments are for projects that include the construction of a Fine Arts Building, Health Sciences (Building W) renovation, classroom and laboratory renovations, expansion of the Center for Emerging Technologies, and various telecommunications, utility and energy management projects. State appropriations together with local funds are expected to finance the construction and renovation of facilities. More detailed information about the College's capital assets is presented in the notes to financial statements.

The component unit had \$18.7 million in capital assets, less accumulated depreciation of \$3.4 million, for net capital assets of \$15.3 million. Depreciation charges for the current fiscal year totaled \$301,000. Details of the component unit's capital assets activity for the fiscal year ended December 31, 2009, are shown in the following table:

Capital Assets, Net at December 31: Component Unit

(In Thousands)

Capital Assets	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Land	\$ 3,741	\$ (64)	\$	\$	\$ 3,677
Buildings and Improvements	12,278	(481)	91		11,888
Film Costs in Production	962				962
Land and Buildings Held for Investment		545	1,480		2,025
Library Books and Art Collection	106				106
Total	17,087		1,571		18,658
Less, Accumulated Depreciation	3,147	(78)	301		3,370
Capital Assets, Net	\$ 13,940	\$ 78	\$ 1,270	\$	\$ 15,288

Note: (1) To agree to prior year beginning balances, adjustments were made to account for the Foundation's reclassification of certain land and building and improvements as land and buildings held for investment. Accordingly, the Foundation reduced the accumulated depreciation related to these assets that had been expensed in prior years.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$14.6 million in long-term debt outstanding versus \$15.3 million at the end of the prior fiscal year. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2010, and June 30, 2009:

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

	<u>2010</u>	<u>2009</u>
Bonds Payable	\$ 14,545	\$ 15,265
Capital Leases	<u>17</u>	<u>27</u>
Total	<u>\$ 14,562</u>	<u>\$ 15,292</u>

Proceeds from bonds are used to construct and renovate College facilities. During the 2009-10 fiscal year, debt repayments and reductions totaled \$515,000 for the Capital Improvement Revenue Bonds, \$205,000 for the Capital Outlay Bonds, and \$10,000 for the capital leases. Additional information about the College’s long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Santa Fe College’s economic condition is closely tied to that of the State of Florida. Slightly less than one-half of the College’s planned recurring 2010-11 operating funds are received through State appropriations. Although initial State allocations for the 2010-11 fiscal year were higher than the 2009-10 fiscal year allocation, limited economic growth, pending environmental damages, and increased demand for State resources suggests reductions in State appropriations in the future. To partially offset reduced State funds, the Board of Trustees adopted a six percent increase in tuition rates to take effect beginning with the Fall 2010 term. Due to the anticipation of continued limited economic growth, the exact amount of State allocations to be received by the College continues to be uncertain at this time. As a result of this uncertainty, the College continues to designate reserves in excess of the minimum statutory level required to be utilized as needed for maintaining operations during the upcoming fiscal year.

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

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

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Ginger Gibson, Vice President for Administrative Affairs/CFO, Santa Fe College, 3000 Northwest 83rd Street, Gainesville, Florida 32606.

BASIC FINANCIAL STATEMENTS

SANTA FE COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS June 30, 2010

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 22,609,938	\$ 1,155,386
Restricted Cash and Cash Equivalents	4,629,672	
Investments	1,377,409	
Accounts Receivable, Net	4,721,782	
Notes Receivable, Net	11,719	4,134
Due from Other Governmental Agencies	6,441,111	
Due from Component Unit	1,190,816	
Inventories	60,543	
Prepaid Expenses	37,287	
Risk Management Consortium:		
Restricted Cash and Cash Equivalents	57,103,846	
Restricted Investments	4,212,888	
Total Current Assets	102,397,011	1,159,520
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	15,339,585	
Investments	6,930,582	
Restricted Investments	219,238	
Endowment Investments		19,443,874
Notes Receivable		67,976
Depreciable Capital Assets, Net	66,894,350	8,524,968
Nondepreciable Capital Assets	28,419,955	6,763,247
Risk Management Consortium:		
Restricted Investments	12,051,585	
Total Noncurrent Assets	129,855,295	34,800,065
TOTAL ASSETS	\$ 232,252,306	\$ 35,959,585
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,325,460	\$ 37,362
Salary and Payroll Taxes Payable	4,170,996	
Retainage Payable	543,284	
Due to Other Governmental Agencies	1,631	
Deferred Revenue	5,017,445	
Deposits Held for Others	1,134,806	
Long-Term Liabilities - Current Portion:		
Bonds Payable	765,000	
Capital Leases Payable	10,509	
Compensated Absences Payable	716,532	
Risk Management Consortium:		
Deposits Held for Others	61,316,734	
Total Current Liabilities	75,002,397	37,362

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

	College	Component unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	\$ 13,780,000	\$
Capital Leases Payable	6,456	
Compensated Absences Payable	7,552,109	
Estimated Arbitrage Rebate Payable	177,764	
Other Postemployment Benefits Payable	177,320	
Other Noncurrent Liabilities		1,306,972
Risk Management Consortium:		
Deposits Held for Others	12,051,585	
	33,745,234	1,306,972
Total Noncurrent Liabilities		
	33,745,234	1,306,972
TOTAL LIABILITIES	108,747,631	1,344,334
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	86,469,372	15,288,215
Restricted:		
Nonexpendable:		
Endowment		17,114,590
Expendable:		
Grants and Loans	2,301,596	2,439,138
Scholarships	67,377	
Capital Projects	16,608,723	
Debt Service	41,475	
Unrestricted	18,016,132	(226,692)
	123,504,675	34,615,251
Total Net Assets		
	123,504,675	34,615,251
TOTAL LIABILITIES AND NET ASSETS	\$ 232,252,306	\$ 35,959,585

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

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

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$10,109,691	\$ 21,716,334	\$
Federal Grants and Contracts	2,941,165	
State and Local Grants and Contracts	2,262,901	
Nongovernmental Grants and Contracts	145,397	347,981
Sales and Services of Educational Departments	698,357	
Auxiliary Enterprises	728,836	
Other Operating Revenues	336,970	359,839
Total Operating Revenues	28,829,960	707,820
EXPENSES		
Operating Expenses:		
Personnel Services	52,571,814	
Scholarships and Waivers	18,419,969	457,311
Utilities and Communications	2,578,653	
Contractual Services	3,864,924	
Other Services and Expenses	3,837,187	788,010
Materials and Supplies	5,927,529	
Depreciation	6,170,642	300,510
Total Operating Expenses	93,370,718	1,545,831
Operating Loss	(64,540,758)	(838,011)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	32,816,110	
Gifts and Grants	30,405,830	
Investment Income	2,203,719	4,212,213
Other Nonoperating Revenues	2,686	
Interest on Capital Asset-Related Debt	(693,402)	
Other Nonoperating Expenses	(22,643)	
Net Nonoperating Revenues	64,712,300	4,212,213
Income Before Other Revenues, Expenses, Gains, or Losses	171,542	3,374,202
Capital Appropriations	3,420,052	
Endowment Principal Additions		1,170,021
Capital Grants, Contracts, Gifts, and Fees	5,368,590	203,244
Total Other Revenues	8,788,642	1,373,265
Increase in Net Assets	8,960,184	4,747,467
Net Assets, Beginning of Year	114,544,491	29,867,784
Net Assets, End of Year	\$ 123,504,675	\$ 34,615,251

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

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

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 21,348,383
Grants and Contracts	5,444,706
Payments to Suppliers	(13,651,740)
Payments for Utilities and Communications	(2,578,653)
Payments to Employees	(42,578,261)
Payments for Employee Benefits	(9,958,557)
Payments for Scholarships	(18,419,969)
Net Loans Issued to Students	(122,810)
Collection of Loans to Students	112,612
Auxiliary Enterprises	730,349
Sales and Service of Educational Departments	698,357
Other Receipts	813,452
Risk Management Consortium: Other Receipts	6,278,947
Net Cash Used by Operating Activities	(51,883,184)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	32,816,110
Gifts and Grants Received for Other Than Capital or Endowment Purposes	30,405,830
Student Direct Lending Receipts	28,780,402
Student Direct Lending Disbursements	(28,780,402)
Other Nonoperating Disbursements	(22,643)
Net Cash Provided by Noncapital Financing Activities	63,199,297
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	4,551,750
Capital Grants and Gifts	5,368,590
Proceeds from Sale of Capital Assets	26,503
Purchases of Capital Assets	(16,361,143)
Principal Paid on Capital Debt and Leases	(729,847)
Interest Paid on Capital Debt and Leases	(693,402)
Net Cash Used by Capital and Related Financing Activities	(7,837,549)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	1,775,490
Purchase of Investments	(75,852)
Risk Management Consortium: Sale of Investments	18,480
Net Cash Provided by Investing Activities	1,718,118
Net Increase in Cash and Cash Equivalents	5,196,682
Cash and Cash Equivalents, Beginning of Year	94,486,359
Cash and Cash Equivalents, End of Year	\$ 99,683,041
Cash and Cash Equivalents, End of Year:	
College	\$ 42,579,195
Consortium	57,103,846
Total Cash and Cash Equivalents, End of Year	\$ 99,683,041

**SANTA FE 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	\$ (64,540,758)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,170,642
Changes in Assets and Liabilities:	
Receivables, Net	(1,510,244)
Inventories	(22,099)
Other Assets	(28,857)
Accounts Payable	(461,255)
Deferred Revenue	1,239,047
Deposits Held for Others	7,271,194
Compensated Absences Payable	(19,287)
Other Postemployment Benefits Payable	28,631
Loans to Students	(10,198)
NET CASH USED BY OPERATING ACTIVITIES	\$ (51,883,184)

SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITY

The College and Consortium recognized unrealized gains of \$175,618 and \$258,212, respectively, on investing activities. The unrealized gains totaling \$433,830 were recognized as additions to investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Santa Fe College Foundation, Inc. (Foundation), 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 December 31, 2009.

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

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 Fund Accounting*, the College has the option to elect to apply all pronouncements of FASB issued

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

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 considered a nonoperating expense.

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College identifies within its accounting system amounts paid for tuition and fees from grants, loans, or other nonthird-party financial aid sources. The total amount of these payments is deducted from student tuition and fees.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and funds invested with the State Board of Administration (SBA) Florida PRIME investment pool, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool, and the State Treasury Special Purpose Investment Account (SPIA). For the purpose of reporting cash flows, the College and the Consortium consider all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College and the Consortium consider amounts invested in the SPIA and the SBA 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.

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

At June 30, 2010, the College and the Consortium reported as cash equivalents at fair value \$31,973,958 and \$55,265,527, respectively, of moneys held in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of Af by Standard & Poor's and had an effective duration of 1.81 years at June 30, 2010. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2010, the College and the Consortium reported as cash equivalents at fair value \$6,830,727 and \$68,295, respectively, 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 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; furniture, machinery, and equipment; and assets under capital leases. 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. All new buildings are capitalized, and capitalization of building improvements is dependent on whether or not the improvement adds to an existing building's useful life or significantly changes a building's character. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

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

Property and equipment acquisition of the College's component unit are recorded at cost, if purchased. Contributed property and equipment are recorded at estimated value, as determined by the donor or the component unit, at the date of receipt. Capitalized assets have a useful life greater than one year and an original cost of \$500 or greater. Buildings and equipment, not held for investment, are depreciated using the straight-line method, based on a 40-year useful life for buildings and 5 to 7 years useful life for equipment. Land and buildings held as investments are recorded at fair market value, based on comparable sales in the market, as of December 31, 2009. Changes in fair value during the reporting period are recorded as investment income or loss.

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

2. INVESTMENTS

College and Consortium

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

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

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

The College’s and the Consortium’s investments at June 30, 2010, are reported at fair value, as follows:

Investment Type	Fair Value	Modified Average Duration (in Years)
<u>College</u>		
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 393,702	(1)
State Board of Administration Debt Service Accounts	219,239	
United States Treasury Notes Obligations of United States	2,452,840	2.450
Government-Sponsored Enterprises	4,834,823	1.681
Corporate Bonds - Nonconvertible	301,759	0.201
Mortgage-Backed Pass-Throughs	236,647	2.557
Money Market Mutual Funds	88,219	(1)
Total College Investments	\$ 8,527,229	
Portfolio Modified Average Duration - College		1.870
<u>Consortium</u>		
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 578,860	(1)
United States Treasury Notes Obligations of United States	3,443,286	2.254
Government-Sponsored Enterprises	6,140,207	1.984
Corporate Bonds - Nonconvertible	3,555,857	1.460
Money Market Mutual Funds	2,546,263	(1)
Total Consortium Investments	16,264,473	
Portfolio Modified Average Duration - Consortium		1.899
Total Investments - College and Consortium	\$ 24,791,702	

Note: (1) The College and Consortium opted to use the weighted-average maturity interest rate risk method for the money market mutual funds (15 days) and the State Board of Administration Fund B Surplus Funds Trust Fund (8.05 years).

State Board of Administration Fund B Surplus Funds Trust Fund

On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund 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.

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

At June 30, 2010, the College and the Consortium reported investments at fair value of \$393,702 and \$578,860, respectively, for amounts held in Fund B. The investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.67353149 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 investments in Fund B are unrated.

State Board of Administration Debt Service Accounts

The College reported investments at fair value totaling \$219,239 at June 30, 2010, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments and to allow for the estimated arbitrage rebate liability (Note 9) on bonds issued by the State Board of Education for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Other Investments

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

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

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

At June 30, 2010, the Merrill Lynch 1-3 and 1-5 Year U.S. Treasury Indexes' modified average durations were 1.89 and 2.58 years, respectively. Recognizing that market volatility is a function of duration, the investment policies of the College and the Consortium also state that the portfolios are to be maintained as short- to intermediary-term duration portfolios. The maximum duration of floating rate and individual securities is five years from date of purchase. Furthermore, the investment policies are designed to limit principal fluctuation so that no more than 20 percent of the College's and 45 percent of the Consortium's portfolios have an effective duration greater than three years. An additional objective is to provide sufficient liquidity and stability of principal, so that no less than 10 percent of the portfolios have an effective duration of one year or less. Due to potential hurricane claims, and at the recommendation of the investment subcommittee, the Consortium's portfolio has a significant percentage of its total investments with durations of one year or less.

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

- Repurchase agreements must be fully collateralized at 102 percent by United States Treasuries.
- Asset-backed securities must, at a minimum, be rated “AAA” by either Standard & Poor’s or Moody’s for the Consortium; such securities are not an authorized investment for the College.
- Money market instruments, including, but not limited to commercial paper, time deposits, and banker’s acceptances, at the time of purchase must, at a minimum, be rated “A1/P1” or the equivalent by Standard & Poor’s and/or Moody’s and all other nationally recognized credit rating organizations.
- Corporate bonds and notes must have at least an “AAA” rating for the College by at least two of the following three credit rating organizations: Standard & Poor’s, Moody’s, or Fitch; and at least a “BBB” rating for the Consortium by both Standard & Poor’s and Moody’s.
- Money market funds must be registered with the SEC with the highest credit quality rating from a nationally recognized rating company.
- A total quality rating of 8 or higher for the College and 7 or higher for the Consortium must be maintained using the following scale:
 - United State Government Fully Guaranteed 10
 - Government-Sponsored Enterprises 9
 - “AAA” - Rated Securities 8
 - “AA” – Rated Securities 7
 - “A” – Rated Securities 6
 - “BBB” – Rated Securities (Consortium only) 5

As of June 30, 2010, the investments of the College and the Consortium’s total quality ratings were 9.18 and 8.58, respectively.

At June 30, 2010, the investments of the College and the Consortium in obligations of the United States Government-sponsored enterprises, nonconvertible corporate bonds and notes, mortgage-backed pass-throughs, money market mutual funds, and State Board of Administration Fund B Surplus Funds Trust Fund accounts were rated as follows:

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Investment Type	Fair Value	Credit Quality Rating
<u>College</u>		
Obligations of United States		
Government-Sponsored Enterprises	<u>\$ 4,834,823</u>	AAA
Corporate Bonds and Notes - Nonconvertible	\$ 200,820	AA
	100,939	A
Total Corporate Bonds and Notes - Nonconvertible	<u>\$ 301,759</u>	
Mortgage-Backed Pass-Throughs	<u>\$ 236,647</u>	AAA
Money Market Mutual Funds	<u>\$ 88,219</u>	AAA
State Board of Administration Fund B		
Surplus Funds Trust Fund	<u>\$ 393,702</u>	NR
<u>Consortium</u>		
Obligations of United States		
Government-Sponsored Enterprises	<u>\$ 6,140,207</u>	AAA
Corporate Bonds and Notes - Nonconvertible	\$ 1,892,202	AA
	1,663,655	A
Total Corporate Bonds and Notes - Nonconvertible	<u>\$ 3,555,857</u>	
Money Market Mutual Funds	<u>\$ 2,546,263</u>	AAA
State Board of Administration Fund B		
Surplus Funds Trust Fund	<u>\$ 578,860</u>	NR

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

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

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

Component Unit

Investments held by the College's component unit (Foundation) at December 31, 2009, were reported at fair value as follows:

Investment Type	Fair Value	Investment Maturities (In Years)				
		Less than 1	1-3	4-7	8-18	More Than 18
Investment in Debt Obligations:						
Obligations of United States Government						
Agencies and Instrumentalities	\$ 152,297	\$	\$	\$	\$ 152,297	\$
Mortgaged-Backed Pass-Throughs	890,423				13,446	876,977
Domestic Bonds and Notes	13,825,821	224,904	705,004	2,751,830	5,773,049	4,371,034
Total Investment in Debt Obligations	14,868,541	\$ 224,904	\$ 705,004	\$ 2,751,830	\$ 5,938,792	\$ 5,248,011
Other Investments:						
Certificates of Deposit	96,289					
Domestic Equities	4,220,375					
Money Market Mutual Funds	258,669					
Total Other Investments	4,575,333					
Total Component Unit Investments	\$ 19,443,874					

There was a \$2,668,144 unrealized gain in the fair value of investments during the year ended December 31, 2009. The carrying value of investments at December 31, 2009, includes all material changes in fair value, including unrealized gains.

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

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

Credit Risk: The Foundation's investment policy limits investment to investment grade securities (BBB or higher) issued by banks, corporations, or the Federal Government. Those securities listed at below investment grade have been downgraded subsequent to purchase. In each case the Foundation's Board of Directors, through its Finance Committee, has determined that the downgraded security has a reasonable

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expectation of recovery and has elected to maintain its position. The policy provides that 20 percent of the total investment in securities may be made in preferred corporate securities. Obligations of United States government agencies and instrumentalities, certificates of deposit, and domestic equities do not require disclosure of credit quality. Obligations of United States government agencies and instrumentalities, domestic bonds and notes, and mortgage-backed pass-throughs held by the Foundation at December 31, 2009, were rated as follows:

Investment Type	Fair Value	Credit Quality Ratings	
		Standard & Poor's	Moody's
Obligations of United States Government Agencies and Instrumentalities	\$ 152,297	AAA	Aaa
Mortgage-Backed Pass-Throughs	\$ 890,423	Not Rated	Not Rated
Domestic Bonds and Notes	\$ 431,446	AAA	Aaa
	5,652,708	AA to A	A to Aa
	6,701,660	BBB to B	Baa to Caa
	1,040,007	CCC to N/R	A to C
Total Domestic Bonds and Notes	\$ 13,825,821		

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

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

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferrals, Title IV Federal grant repayments due from students, agency billings, and commissions and/or rent due from vendors under contracts for food, vending, and bookstore operations. The receivables for students are reported net of a \$237,606 allowance for uncollectible student accounts. Other receivables are considered to be fully collectible.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the College's short-term loan program and are reported net of a \$379 allowance for uncollectible notes.

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The College's component unit sold a parcel of land held for resale in March 2000 and carries a mortgage note as part of the sale. The note bears interest at nine percent and carries an outstanding balance of \$72,110 at December 31, 2009, of which \$4,134 is current.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$5,594,287 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

6. DUE FROM COMPONENT UNIT

The \$1,190,816 reported as due from the component unit primarily consists of the remaining amount owed to the College by the Foundation for donor contributed matching funds. The College's financial statements are reported for the fiscal year ended June 30, 2010. The College's component unit's financial statements are reported for the calendar year December 31, 2009. Accordingly, although the College reported an amount due from component unit on the statement of net assets, the component unit did not report an amount due to the College.

7. CAPITAL ASSETS

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 3,763,775	\$ 499,183	\$	\$ 4,262,958
Construction in Progress	21,297,422	3,684,346	824,771	24,156,997
Total Nondepreciable Capital Assets	\$ 25,061,197	\$ 4,183,529	\$ 824,771	\$ 28,419,955
Depreciable Capital Assets:				
Buildings	\$ 93,738,101	\$ 7,810,487	\$	\$ 101,548,588
Other Structures and Improvements	21,727,294	3,719,099		25,446,393
Furniture, Machinery, and Equipment	8,149,573	617,809	358,424	8,408,958
Assets Under Capital Leases	48,148			48,148
Total Depreciable Capital Assets	123,663,116	12,147,395	358,424	135,452,087
Less, Accumulated Depreciation:				
Buildings	41,394,450	3,305,695		44,700,145
Other Structures and Improvements	14,651,340	2,080,186		16,731,526
Furniture, Machinery, and Equipment	6,647,023	775,131	334,608	7,087,546
Assets Under Capital Leases	28,890	9,630		38,520
Total Accumulated Depreciation	62,721,703	6,170,642	334,608	68,557,737
Total Depreciable Capital Assets, Net	\$ 60,941,413	\$ 5,976,753	\$ 23,816	\$ 66,894,350

Capital assets activity of the College's component unit for the fiscal year ended December 31, 2009, is shown below:

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Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 3,741,643	\$ (64,500)	\$	\$	\$ 3,677,143
Art Collection	98,612				98,612
Film Costs in Production	961,992				961,992
Land Held for Investment		64,500	101,000		165,500
Buildings Held for Investment		481,094	1,378,906		1,860,000
Total Nondepreciable Capital Assets	\$ 4,802,247	\$ 481,094	\$ 1,479,906	\$	\$ 6,763,247
Depreciable Capital Assets:					
Buildings and Improvements	\$ 12,277,618	\$ (481,094)	\$ 91,465	\$	\$ 11,887,989
Library Books	7,415				7,415
Total Depreciable Capital Assets	12,285,033	(481,094)	91,465		11,895,404
Less, Accumulated Depreciation:					
Buildings and Improvements	3,140,188	(77,677)	300,510		3,363,021
Library Books	7,415				7,415
Total Accumulated Depreciation	3,147,603	(77,677)	300,510		3,370,436
Total Depreciable Capital Assets, Net	\$ 9,137,430	\$ (403,417)	\$ (209,045)	\$	\$ 8,524,968

Note: (1) Adjustments were made to account for the Foundation's reclassification of certain land and buildings and improvements as land held for investment and buildings held for investment, respectively. Accordingly, the Foundation reduced the accumulated depreciation related to these assets that had been expensed in prior years.

8. DEFERRED REVENUE

Deferred revenue of the College, as of June 30, 2010, totaled \$5,017,445 and primarily includes student tuition and fees received prior to the fiscal year end related to subsequent accounting periods.

9. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2010, include bonds, capital leases, compensated absences, bond arbitrage, and postemployment healthcare and life insurance benefits. 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	\$ 15,265,000	\$	\$ 720,000	\$ 14,545,000	\$ 765,000
Capital Leases Payable	26,812		9,847	16,965	10,509
Compensated Absences Payable	8,287,928	666,000	685,287	8,268,641	716,532
Estimated Arbitrage Rebate Payable	177,764			177,764	
Other Postemployment Benefits Payable	148,689	28,631		177,320	
Total Long-Term Liabilities	\$ 23,906,193	\$ 694,631	\$ 1,415,134	\$ 23,185,690	\$ 1,492,041

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

- Capital Outlay Bonds. 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

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State-assessed motor vehicle license tax and by the State's full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.

- Capital Improvement Revenue Bonds, Series 2006A. These bonds are issued by the Florida Department of Education on behalf of the College and are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and Section 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Section 1009.23(11), Florida Statutes, by the participating colleges on a parity with the outstanding Series 2006A Bonds and any additional bonds issued subsequent to the issuance of the Series 2006A Bonds. These bonds constitute the first series of bonds to be issued pursuant to a Master Authorizing Resolution. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all colleges participating in any series of bonds then outstanding. These bonds will share the lien of such additional bonds on the Series 2006A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The bonds were issued for new construction and renovation and remodeling of educational facilities.

The College had the following bonds payable at June 30, 2010:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education:			
Capital Outlay Bonds:			
Series 2002B	\$ 1,020,000	4.0 - 5.375	2015
Series 2005A	315,000	5.00	2017
Florida Department of Education:			
Capital Improvement Revenue Bonds:			
Series 2006A	<u>13,210,000</u>	3.50 - 5.00	2027
Total Bonds Payable	<u>\$ 14,545,000</u>		

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

Fiscal Year Ending June 30	Capital Outlay Bonds		
	Principal	Interest	Total
2011	\$ 225,000	\$ 67,825	\$ 292,825
2012	235,000	55,881	290,881
2013	255,000	46,131	301,131
2014	270,000	32,594	302,594
2015	250,000	18,250	268,250
2016-2020	<u>100,000</u>	<u>7,500</u>	<u>107,500</u>
Total	<u>\$ 1,335,000</u>	<u>\$ 228,181</u>	<u>\$ 1,563,181</u>

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<u>Fiscal Year Ending June 30</u>	<u>Capital Improvement Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 540,000	\$ 592,625	\$ 1,132,625
2012	560,000	571,025	1,131,025
2013	580,000	548,625	1,128,625
2014	605,000	525,425	1,130,425
2015	630,000	501,225	1,131,225
2016-2020	3,585,000	2,064,325	5,649,325
2021-2025	4,565,000	1,082,375	5,647,375
2026-2027	2,145,000	113,225	2,258,225
Total	<u>\$ 13,210,000</u>	<u>\$ 5,998,850</u>	<u>\$ 19,208,850</u>

Capital Leases Payable. Copier equipment in the amount of \$48,148 is being acquired under capital lease agreements. The imputed interest rates ranged from 5.33 percent to 10.36 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2010, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2011	\$ 11,311
2012	6,599
Total Minimum Payments	17,910
Less, Amount Representing Interest	<u>(945)</u>
Present Value of Minimum Payments	<u>\$ 16,965</u>

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave 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 \$8,268,641. Of this amount, \$716,532 is considered a current liability as this is expected to be paid in the coming fiscal year. The current portion of the compensated absences liability was determined by calculating the ratio of actual 2009-10 fiscal year reductions of compensated absences payable to the total possible current leave liability at June 30, 2009, and applying that ratio to the total possible current leave liability at June 30, 2010.

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

Other Postemployment Benefits Payable. The College follows Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other*

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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 (Plan) administered by the Consortium. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare 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 employees' 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 Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 126 retirees received postemployment healthcare benefits and 69 retirees received postemployment life insurance benefits. The College provided required contributions of \$21,080 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 \$760,640.

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 GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the College's net OPEB obligation:

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Description	Amount
Normal Cost (Service Cost for One Year)	\$ 33,020
Amortization of Unfunded Actuarial Accrued Liability	17,335
Annual Required Contribution	50,355
Interest on Net OPEB Obligation	4,461
Adjustment to Annual Required Contribution	(5,105)
Annual OPEB Cost (Expense)	49,711
Contribution Toward the OPEB Cost	(21,080)
Increase in Net OPEB Obligation	28,631
Net OPEB Obligation, Beginning of Year	148,689
Net OPEB Obligation, End of Year	\$ 177,320

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, 2010, 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	\$		\$ 0
2007-08	134,143	39.6%	81,054
2008-09	133,873	49.5%	148,689
2009-10	49,711	42.4%	177,320

Funded Status and Funding Progress. As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$504,898 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$504,898 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$42,603,913 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.19 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

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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 the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent for the 2009-10 fiscal year, reduced on average by 0.2 percent per year, to an ultimate rate of 4.5 percent after 17 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years. The remaining amortization period at June 30, 2010, was 27 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.

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:

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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
Florida Retirement System, Special Risk	0.00	20.92
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 years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$2,919,863, \$2,986,685, and \$2,802,034, 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 82 College participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$282,536.

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.

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

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 91 College participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled \$475,786.

Senior Management Service Class Local Annuity Program. Section 121.055, Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the FRS, Senior Management Service Class may elect to withdraw from the FRS altogether and participate in a lifetime monthly annuity program offered by the local agency. Pursuant thereto, the College established a Senior Management Service Class Local Annuity Program (Program). Employees in the eligible positions are allowed to make an irrevocable election to participate in the program, rather than in the FRS. Under the Program, the College contributes the same percentage of participant's salary as would have been contributed to the FRS, Senior Management Service Class, toward an annuity provided by approved fund sponsors. The participant does not make any contributions to the Program. As of June 30, 2010, three College employees had opted to participate in the Program. Required contributions made by the College to the Program totaled \$68,133 during the 2009-10 fiscal year.

11. CONSTRUCTION COMMITMENTS

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

SANTA FE COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Project	Total Committed	Completed to Date	Balance Committed
Building B,L,M Air Handler Upgrade:			
Engineer	\$ 187,404	\$ 160,149	\$ 27,255
Construction Manager	2,787,660	1,242,782	1,544,878
Center for Emerging Technologies:			
Construction Manager	1,278,950	1,259,226	19,724
Building P Math Lab Renovation:			
Architect	44,513	2,390	42,123
Construction Manager	647,116	13,931	633,185
Building B,F,L Roofing:			
Architect	26,053	10,421	15,632
Construction Manager	490,364	470,508	19,856
Building X, Planetarium Chiller Addition:			
Construction Manager	41,417	36,034	5,383
Charles R. Perry Construction Program Building:			
Architect	347,575	345,800	1,775
Construction Manager	68,560	65,397	3,163
Building L, M Flooring:			
Construction Manager	245,613		245,613
Heat Pump for D Building:			
Engineer	56,790	33,639	23,151
North Sidewalk:			
General Contractor	68,769		68,769
Performing/Fine Arts Building:			
Construction Manager	15,824,262	6,947,932	8,876,330
Building H, W Renovations:			
Construction Manager	2,688,580	2,504,393	184,187
Total	\$ 24,803,626	\$ 13,092,602	\$ 11,711,024

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 \$175 million through February 28, 2010, and \$150 million effective March 1, 2010. Insurance coverage obtained through the Consortium included health and hospitalization, life, dental, 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.

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

13. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college’s apportionment considering the following components: base budget, which includes the State appropriation to the College Program Fund in the current year plus the related student tuition and fees assigned in the current General Appropriations Act; the cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operating 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	\$ 28,701,463
Bright Futures Scholarship Program	4,691,766
Education Enhancement Trust Fund (Lottery)	4,049,217
Gross Receipts Tax (Public Education Capital Outlay)	2,913,652
Florida Student Assistance Grants	2,362,232
Restricted Contracts and Grants	689,104
Motor Vehicle License Tax (Capital Outlay and Debt Service)	506,400
Other State Sources	100,503
Total	\$ 44,014,337

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:

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 30,710,718
Public Services	1,328,410
Academic Support	5,953,580
Student Services	8,924,195
Institutional Support	11,896,149
Operation and Maintenance of Plant	9,948,443
Scholarships and Fellowships	18,334,519
Depreciation	6,170,642
Auxiliary Enterprises	<u>104,062</u>
Total Operating Expenses	<u><u>\$ 93,370,718</u></u>

**SANTA FE COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS -
OTHER POSTEMPLOYMENT BENEFITS PLAN**

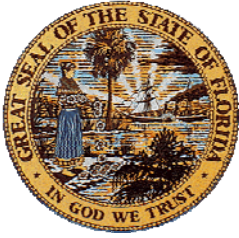
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 1,246,787	\$ 1,246,787	0%	\$ 43,915,179	2.84%
7/1/2009	\$	\$ 504,898	\$ 504,898	0%	\$ 42,603,913	1.19%

Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate actuarial accrued liability.

**SANTA FE COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The July 1, 2009, actuarial accrued liability (AAL) of \$504,898 was significantly lower than the July 1, 2007, AAL of \$1,246,787 as a result of revised participation assumptions, updated claims costs, required retiree contributions, and revised withdrawal and mortality assumptions. These reductions were partially offset by increases due to the expected growth of liabilities over time, demographic changes, and an updated medical trend assumption.



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

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

We have audited the financial statements of Santa Fe College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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
February 18, 2011