REPORT NO. 2011-126
MARCH 2011

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA

Financial Audit

For the Fiscal Year Ended
June 30, 2010

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

Board of Trustees and President

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 Elba M. Guzik, CPA, and the audit was supervised by Karen J. Collington, 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 State College of Florida, Manatee-Sarasota 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. 2011-007.

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.

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

INDEPENDENT AUDITOR'S
REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of State College of Florida, Manatee-Sarasota, 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 12 through 33. 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 State College of Florida, Manatee-Sarasota 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 State College of Florida, Manatee-Sarasota'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 11 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on pages 34 and 35 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
March 1, 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.

FINANCIAL HIGHLIGHTS

The College's assets totaled $107.4 million at June 30, 2010. This balance reflects a $5.7 million, or 5.6 percent, increase from the 2008-09 fiscal year, resulting from double digit enrollment growth and expansion of the College's facilities. While assets grew, liabilities increased by a lesser amount of $0.9 million, or 14.3 percent, totaling $7.3 million at June 30, 2010, compared to $6.4 million at June 30, 2009. As a result, the College's net assets increased by $4.8 million, reaching a year-end balance of $100.1 million.

The College's operating revenues totaled $20.5 million for the 2009-10 fiscal year, representing a 5.4 percent increase over the 2008-09 fiscal year due mainly to double digit enrollment growth. Operating expenses totaled $70.8 million for the 2009-10 fiscal year, representing an increase of 12.3 percent over the 2008-09 fiscal year due mainly to scholarships awarded and personnel services.

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:

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

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

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

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

Condensed Statement of Net Assets at
(In Thousands)

	College			Component Unit	
	6-30-10	6-30-09	9-30-09	9-30-08	
Assets					
Current Assets	$ 33,794	$ 36,281	$ 5,572	$ 4,304	
Capital Assets, Net	68,391	63,277	9	17	
Other Noncurrent Assets	5,259	2,181	32,676	35,377	
Total Assets	107,444	101,739	38,257	39,698	
Liabilities					
Current Liabilities	3,118	1,847	269	436	
Noncurrent Liabilities	4,177	4,533			
Total Liabilities	7,295	6,380	269	436	
Net Assets					
Invested in Capital Assets, Net of Related Debt	67,223	61,847	9	17	
Restricted	14,502	18,711	34,077	37,646	
Unrestricted	18,424	14,801	3,902	1,599	
Total Net Assets	$ 100,149	$ 95,359	$ 37,988	$ 39,262	
Increase (Decrease) in Net Assets	$ 4,790	5.0%	$ (1,274)	-3.2%	

Current assets decreased in total by $2.5 million, or 6.9 percent, compared to the prior year as a result of a hold back in Public Education Capital Outlay (PECO) appropriations for the construction of new facilities and the use of existing funds for the completion of the Medical Technology and Simulation Center at Lakewood Ranch. As an offset, the College did experience growth in enrollment. There were increases in current cash and investments (14.5 percent) and accounts receivable (69 percent) that can both be attributable to the enrollment growth.

Revenues and expenses of the College and its component unit 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)

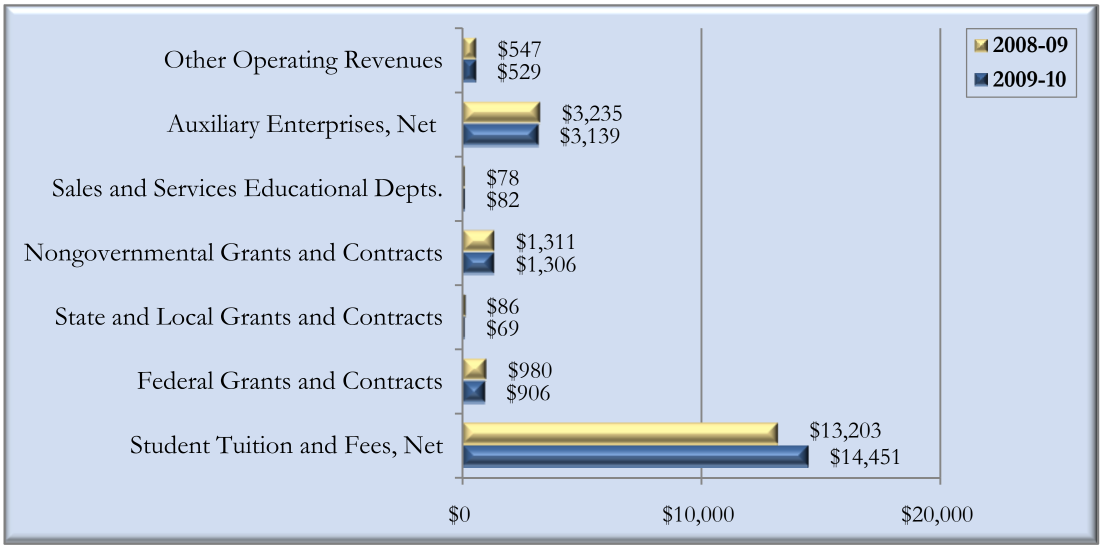
	College		Component Unit	
	6-30-10	6-30-09	9-30-09	9-30-08
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	$ 14,451	$ 13,203	$	$
Federal Grants and Contracts	906	980		
State and Local Grants and Contracts	69	86	95	1,764
Nongovernmental Grants and Contracts	1,306	1,311	2,635	4,228
Sales and Services of Educational Departments	82	78		
Auxiliary Enterprises, Net of Scholarship Allowances	3,139	3,235		
Other Operating Revenues	529	547	243	360
Total Operating Revenues	20,482	19,440	2,973	6,352
Less, Operating Expenses	70,794	63,032	3,909	4,250
Operating Income (Loss)	(50,312)	(43,592)	(936)	2,102
Nonoperating Revenues				
State Appropriations	19,883	21,647		
Other Nonoperating Revenues	30,488	19,444	(338)	(6,814)
Net Nonoperating Revenues (Expenses)	50,371	41,091	(338)	(6,814)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	59	(2,501)	(1,274)	(4,712)
Capital Appropriations	2,707	16,451		
Capital Grants, Contracts, Gifts, and Fees	2,024	3,241		
Increase (Decrease) in Net Assets	4,790	17,191	(1,274)	(4,712)
Net Assets, Beginning of Year	95,359	78,168	39,262	43,974
Net Assets, End of Year	$ 100,149	$ 95,359	$ 37,988	$ 39,262

Operating Revenues

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

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

Operating Revenues: College
(In Thousands)



College operating revenue changes were the result of the following factors:

- Student tuition and fee revenue increased $4.5 million (19.7 percent) before scholarship allowances ($1.2 million, or 9.5 percent, net of scholarship allowances). This increase was primarily the result of a 9 percent increase in the load hour enrollment and an 8 percent increase in the tuition rate as authorized by Florida law. The increase in the fee rate resulted in a $0.5 million revenue increase and the increase in load hour enrollment (both in State and out-of-state) resulted in a $4 million revenue increase.
- Federal, State, and nongovernmental grants and contracts decreased by 4 percent due to the persistent downturn in the economy.
- Sales and services of educational departments and other operating revenues remained consistent with the prior year, and included rental of College facilities, vending and tower lease commissions, debit card copier sales and revenue sharing with several third-party vendors.
- Auxiliary enterprises revenues decreased slightly as a result of supplemental startup costs for revenue generating operations such as the café in the library and coffee machine sales. The bookstore revenues increased in line with the increase in enrollment.

Operating Expenses

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

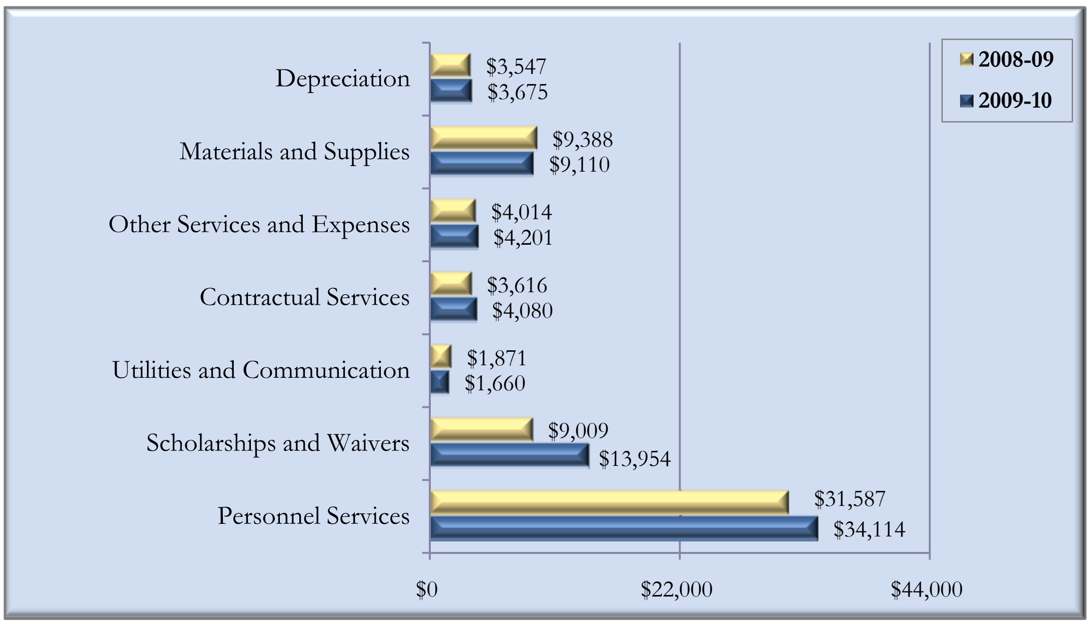
Operating expenses for the College and its component unit for the respective fiscal years ended are presented in the following table:

Operating Expenses
(In Thousands)

	College		Component Unit	
	6-30-10	6-30-09	9-30-09	9-30-08
Operating Expenses				
Personnel Services	$ 34,114	$ 31,587	$ 519	$ 365
Scholarships and Waivers	13,954	9,009	1,580	1,736
Utilities and Communications	1,660	1,871		
Contractual Services	4,080	3,616	95	152
Other Services and Expenses	4,201	4,014	1,700	1,977
Materials and Supplies	9,110	9,388	6	12
Depreciation	3,675	3,547	9	8
Total Operating Expenses	$ 70,794	$ 63,032	$ 3,909	$ 4,250

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

Operating Expenses: College
(In Thousands)



College operating expense changes were the result of the following factors:

- Scholarships increased by $4.9 million, or 54.9 percent, as a direct result of the number and amount of awards granted for the fiscal year. This number will fluctuate from year to year with the amount of the scholarship allowance. Due to economic conditions, both enrollment and the need for financial aid continue to show marked increases.
- Personnel services costs increased by $2.5 million, or 8 percent, primarily due to an increase in adjunct faculty payments to accommodate the increase in enrollment and a one-time payment of $1,000 to all full- and part-time (pro-rated for part time) employees in lieu of a salary increase.
- Utility and communication expenses decreased slightly due to conservation and cost-savings measures implemented by the College.
- Contractual services increased by $0.4 million, or 12.8 percent. The completion of the outsource contract for SunGard Higher Education, as well as contracts for security and custodial services are reflected in this category.

- Other services and expenses increased by $0.2 million, or 4.7 percent. This category includes such things as travel, printing, minor repairs, and maintenance.
- Materials and supplies decreased by $0.3 million, or 3 percent, and are fairly consistent with the prior year. The large ticket items in this category are books and supplies for auxiliary services (bookstore) and noncapitalized repairs and maintenance.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2009-10 and 2008-09 fiscal years:

Nonoperating Revenues (Expenses): College
(In Thousands)

	2009-10	2008-09
State Appropriations	$ 19,883	$ 21,647
Gifts and Grants	30,386	19,350
Investment Income	146	144
Other Nonoperating Revenues	10	14
Interest on Capital Asset-Related Debt	(54)	(64)
Net Nonoperating Revenues	**$ 50,371**	**$ 41,091**

Net nonoperating revenues increased by $9.3 million, or 22.6 percent, as a result of the following factors:

- State appropriations decreased by $1.8 million (8.1 percent), which is reflective of the downturn of Florida's economy and the resulting shortfall of revenue while demands increase for the State's resources.
- Other nonoperating gifts and grants increased by $11 million (57 percent) and included the College's Federal Pell and Supplemental Education Opportunity grant programs, as well as Bright Futures scholarships, and State appropriated American Recovery and Reinvestment Act (ARRA) funds. These programs experienced record growth as a result of the College's increased enrollment.

Other Revenues, Expenses, Gains, or Losses

This category is composed of capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2009-10 and 2008-09 fiscal years:

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

	2009-10	2008-09
Capital Appropriations	$ 2,707	$ 16,451
Capital Grants, Contracts, Gifts, and Fees	2,024	3,241
Total	**$ 4,731**	**$ 19,692**

Other revenues, expenses, gains or losses changes were the result of the following factors:

- Capital appropriations decreased by $13.7 million as only $1 million from the Public Education Capital Outlay (PECO) appropriations to fund the construction of new facilities was received for the year, in addition to reduced PECO appropriations for general renovation and remodeling and deferred maintenance. During the fiscal year, monies received in the prior fiscal year for the construction of the Medical Technology and Simulation Center at Lakewood Ranch were used.

- Capital grants, contracts, gifts and fees decreased by $1.2 million as the prior year included a gift of land at Lakewood Ranch. There was an increase in the capital improvement fee revenue as a result of increased enrollment.

THE STATEMENT OF CASH FLOWS

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

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

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

Condensed Statement of Cash Flows: College
(In Thousands)

	2009-10	2008-09
Cash Provided (Used) by:		
Operating Activities	$ (46,552)	$ (40,393)
Noncapital Financing Activities	50,326	40,998
Capital and Related Financing Activities	2,137	5,439
Investing Activities	(1,730)	9,865
Net Increase in Cash and Cash Equivalents	4,181	15,909
Cash and Cash Equivalents, Beginning of Year	16,306	397
Cash and Cash Equivalents, End of Year	$ 20,487	$ 16,306

Major sources of funds came from State appropriations ($19.9 million), net student tuition and fees ($13.9 million), nonoperating gifts and grants ($30.4 million), capital appropriations ($9 million), operating grants and contracts ($2.2 million), capital grants and gifts ($2 million), and auxiliary receipts ($3.1 million). Major uses of cash included payments to employees ($27.1 million), payments to suppliers ($17.5 million), and payments for scholarships ($14 million).

Changes in cash and cash equivalents were the result of the following factors:

- The $6.2 million increase in net cash used by operating activities can be attributed to the College's double digit growth in enrollment and the requisite costs that accompany that such as scholarships, materials and supplies for operations, and books and supplies for students.
- Increases in net cash provided by noncapital financing activities can be directly attributable to an increase in gifts and grants (including Federal Pell, Supplemental Education Opportunity Grant programs, and ARRA funds), at $11 million, which offset the decrease in State appropriations of $1.8 million.
- Decreases in capital financing activities include the use of prior year appropriations and capital improvement fees for the completion of construction projects and renovation of existing college property and the payment of the College's capital lease for energy management.
- Cash used by investing activities increased due to purchases of investments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2010, the College had $108.5 million in capital assets, less accumulated depreciation of $40.1 million, for net capital assets of $68.4 million. Depreciation charges for the current fiscal year totaled $3.7 million. The following table summarizes the College's capital assets for the 2009-10 fiscal years:

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

Capital Assets	2010	2009
Land and Other Nondepreciable Assets	$ 2,113	$ 2,113
Artwork and Artifacts	15	
Buildings	73,194	73,047
Other Structures and Improvements	15,545	15,120
Furniture, Machinery, and Equipment	5,081	3,833
Assets Under Capital Lease	1,840	2,780
Construction in Progress	10,688	3,220
Total	108,476	100,113
Less, Accumulated Depreciation:		
Buildings	24,898	23,258
Other Structures and Improvements	10,611	9,392
Furniture, Machinery, and Equipment	3,748	2,744
Assets Under Capital Lease	828	1,442
Total Accumulated Depreciation	40,085	36,836
Capital Assets, Net	$ 68,391	$ 63,277

The College has $2.7 million in construction commitments at June 30, 2010. The construction commitments are for projects that include the completion of the Medical Technology and Simulation Center at Lakewood Ranch, initial planning for the construction of a new library complex, renovation of the technology building for the Collegiate School and bus loop and initial plans for the tennis facility. State appropriations together with local funds are expected to finance the construction and renovation of these facilities. More information about the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had $1.2 million in a capital lease outstanding compared to $1.4 million at the end of the prior fiscal year.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

State College of Florida, Manatee-Sarasota's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the coming year. In response, the Board of Trustees increased the tuition rate 8 percent to take effect beginning with the Fall 2010 term. The College's current financial and operational plans indicate that the infusion of additional financial resources from an increase in tuition rates coupled with double digit enrollment will enable it to maintain its present level of services to students.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Business and Administrative Services, State College of Florida, Manatee-Sarasota, 5840 26th Street West, Bradenton, Florida 34207.

BASIC FINANCIAL STATEMENTS

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
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	$ 12,026,949.06	$ 2,878,207.00
Restricted Cash and Cash Equivalents	3,343,345.92	
Other Short-Term Investments	8,173,844.21	
Accounts Receivable, Net	1,496,658.53	355,294.00
Notes Receivable, Net	7,468.20	
Due from Other Governmental Agencies	7,338,207.91	
Due from Component Unit	102,590.38	
Inventories	792,550.80	
Prepaid Expenses	512,109.08	13,398.00
Other Assets		2,325,260.00
Total Current Assets	33,793,724.09	5,572,159.00
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,116,778.45	
Restricted Investments	142,598.23	32,675,897.00
Depreciable Capital Assets, Net	55,575,305.09	8,913.00
Nondepreciable Capital Assets	12,815,685.62	
Total Noncurrent Assets	73,650,367.39	32,684,810.00
TOTAL ASSETS	$ 107,444,091.48	$ 38,256,969.00
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 251,547.59	$ 121,450.00
Salary and Payroll Taxes Payable	1,790,515.84	
Retainage Payable	394,079.36	
Due to Other Governmental Agencies	10,153.67	
Due to College		64,960.00
Deferred Revenue	47,568.00	82,520.00
Deposits Held for Others	425,407.39	
Long-Term Liabilities - Current Portion:		
Special Termination Benefits Payable	87,137.78	
Compensated Absences Payable	111,351.47	
Total Current Liabilities	3,117,761.10	268,930.00
Noncurrent Liabilities:		
Capital Lease Payable	1,167,563.82	
Special Termination Benefits Payable	167,275.52	
Compensated Absences Payable	2,668,360.48	
Other Postemployment Benefits Payable	173,818.00	
Total Noncurrent Liabilities	4,177,017.82	
TOTAL LIABILITIES	7,294,778.92	268,930.00

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

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 67,223,426.89	$ 8,913.00
Restricted:		
Nonexpendable:		
Endowment		12,193,182.00
Expendable:		
Grants and Loans	1,862,768.64	9,310,637.00
Scholarships	514,190.74	12,573,507.00
Capital Projects	12,125,093.87	
Unrestricted	18,423,832.42	3,901,800.00
Total Net Assets	100,149,312.56	37,988,039.00
TOTAL LIABILITIES AND NET ASSETS	$ 107,444,091.48	$ 38,256,969.00

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

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
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 $12,778,262.06	$ 14,450,702.51	$
Federal Grants and Contracts	906,062.90	
State and Local Grants and Contracts	68,563.83	94,495.00
Nongovernmental Grants and Contracts	1,305,729.97	2,634,980.00
Sales and Services of Educational Departments	82,002.82	
Auxiliary Enterprises, Net of Scholarship Allowances of $ 2,786,098.71	3,139,234.21	
Other Operating Revenues	529,327.60	243,466.00
Total Operating Revenues	20,481,623.84	2,972,941.00
EXPENSES		
Operating Expenses:		
Personnel Services	34,113,931.87	519,077.00
Scholarships and Waivers	13,953,651.83	1,580,332.00
Utilities and Communications	1,659,851.21	
Contractual Services	4,080,194.11	94,700.00
Other Services and Expenses	4,201,088.26	1,699,806.00
Materials and Supplies	9,110,255.39	6,744.00
Depreciation	3,674,856.81	8,707.00
Total Operating Expenses	70,793,829.48	3,909,366.00
Operating Loss	(50,312,205.64)	(936,425.00)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	19,882,843.60	
Gifts and Grants	30,386,332.17	
Net Investment Income (Loss)	145,594.25	(374,440.00)
Other Nonoperating Revenues	10,478.00	36,996.00
Interest on Capital Asset-Related Debt	(53,861.54)	
Net Nonoperating Revenues (Expenses)	50,371,386.48	(337,444.00)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	59,180.84	(1,273,869.00)
Capital Appropriations	2,706,743.00	
Capital Grants, Contracts, Gifts and Fees	2,024,502.20	
Total Other Revenues	4,731,245.20	
Increase (Decrease) in Net Assets	4,790,426.04	(1,273,869.00)
Net Assets, Beginning of Year	95,358,886.52	39,261,908.00
Net Assets, End of Year	$ 100,149,312.56	$ 37,988,039.00

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

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
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	$ 13,886,605.10
Grants and Contracts	2,204,108.72
Payments to Suppliers	(17,498,628.41)
Payments for Utilities and Communications	(1,605,679.86)
Payments to Employees	(27,066,172.71)
Payments for Employee Benefits	(6,271,075.12)
Payments for Scholarships	(13,953,651.83)
Net Loans Issued to Students	(746,294.79)
Collection of Loans to Students	744,638.92
Auxiliary Enterprises, Net	3,072,376.60
Sales and Service of Educational Departments	82,002.82
Other Receipts	599,863.85
Net Cash Used by Operating Activities	(46,551,906.71)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	19,882,843.60
Gifts and Grants Received for Other Than Capital or Endowment Purposes	30,396,810.17
Other Nonoperating Receipts	46,295.14
Net Cash Provided by Noncapital Financing Activities	50,325,948.91
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	9,024,750.21
Capital Grants and Gifts	2,024,502.20
Purchases of Capital Assets	(8,596,288.66)
Principal Paid on Capital Lease	(262,585.34)
Interest Paid on Capital Lease	(53,861.54)
Net Cash Provided by Capital and Related Financing Activities	2,136,516.87
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Investments	(1,875,344.74)
Investment Income	145,594.25
Net Cash Used by Investing Activities	(1,729,750.49)
Net Increase in Cash and Cash Equivalents	4,180,808.58
Cash and Cash Equivalents, Beginning of Year	16,306,264.85
Cash and Cash Equivalents, End of Year	$ 20,487,073.43

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
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	$ (50,312,205.64)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,674,856.81
Changes in Assets and Liabilities:	
Receivables, Net	(711,155.87)
Inventories	(127,092.74)
Prepaid Expenses	(14,381.88)
Accounts Payable	112,720.98
Salaries and Payroll Taxes Payable	931,612.43
Deferred Revenue	2,297.00
Deposits Held for Others	46,370.59
Compensated Absences Payable	(112,332.41)
Special Termination Benefits Payable	(72,968.98)
Other Postemployment Benefits Payable	30,373.00
NET CASH USED BY OPERATING ACTIVITIES	$ (46,551,906.71)

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

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
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 State College of Florida, Manatee-Sarasota, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by law and State Board of Education rules. However, the District Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and State Board of Education rules. Geographic boundaries of the District correspond with those of Manatee and Sarasota Counties.

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the State College of Florida 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 September 30, 2009.

The Foundation is also a direct-support organization, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, is financially accountable to the College. The Foundation is managed independently, outside the College's budgeting process, and its powers generally are vested in a governing board pursuant to various State statutes. The Foundation receives, holds, invests, and administers property, and makes expenditures to or for the benefit of the College.

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting

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

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 FASB standards of accounting and financial reporting for not-for-profit organizations.

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 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 reduction of expenses and not revenues of those departments.

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and 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 computes its scholarship allowances by determining through its accounting records, the cash payments to students. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue and auxiliary enterprises revenue.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and funds invested with the State Board of Administration (SBA) Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the Florida PRIME investment pool to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2010, the College reported as cash equivalents at fair value $20,385,627.78 of moneys held in the Florida PRIME investment pool administered by 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; artwork and artifacts; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and assets under capital lease. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at

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

the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of $5,000 for tangible personal property and $25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

Noncurrent Liabilities. Noncurrent liabilities include capital lease payable, special termination benefits payable, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year.

2. INVESTMENTS

The College's Board of Trustees had not adopted a written investment policy. As such, pursuant to Section 218.415(17), Florida Statutes, the College is authorized to invest in the 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; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. 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 purchase or construct capital assets are classified as restricted.

The College's investments at June 30, 2010, are reported at fair value, as follows:

Investment Type	Amount
State Board of Administration Fund B Surplus Funds Trust Fund	$ 142,598.23
Money Market Mutual Fund	8,173,844.21
Total College Investments	$ 8,316,442.44

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

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.

At June 30, 2010, the College reported investments at fair value of $142,598.23 for amounts held in Fund B. The College's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.67353149 at June 30, 2010. The weighted-average life (WAL) of Fund B at June 30, 2010, was 8.05 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2010. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

Money Market Mutual Fund

The following risks apply to the mutual fund:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College invested $8,173,844.21 in a Bank of America Government Reserves mutual fund with a weighted average maturity of 34 days.

Credit Risk: Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The College's investment in the mutual fund was rated AAAm by Standard & Poor's and Aaa by Moody's Investors Service.

Component Unit Investments

Investments held by the College's Foundation at September 30, 2009, were reported at fair market value as follows:

Investment Type	Amount
United States Government Obligations	$ 591,575
Federal Agency Obligations	473,381
Bonds and Notes	678,250
Stocks and Other Equity Securities	1,860,075
Hedge Funds	1,721,836
Mutual Funds	27,350,780
Total Foundation Investments	$ 32,675,897

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

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a $227,500 allowance for uncollectible accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the short-term loan program of $12,468.20 and are reported net of a $5,000 allowance for uncollectible notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount includes $6,966,937.43 of Public Education Capital Outlay allocations due from the State for construction of College facilities and $371,270.48 of grant reimbursements and third party obligations for student fee registrations.

6. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The $102,590.38 reported as due from component unit consists of amounts owed to the College by the Foundation for scholarships and student aid. 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 as of September 30, 2009, the most recent fiscal year for which an audit report is available. Accordingly, the amount reported by the College as due from component unit on the statement of net assets does not agree with the amount reported by the component unit as due to the College.

7. INVENTORIES

Inventories consist of items for resale by the campus bookstore and office supplies maintained in central stores, and are valued using the last invoice cost, which approximates the first-in, first-out method of inventory valuation. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

8. CAPITAL ASSETS

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

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

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 2,112,805.24	$	$	$	$ 2,112,805.24
Artwork and Artifacts			14,800.00		14,800.00
Construction in Progress	3,219,644.29		7,468,436.09		10,688,080.38
Total Nondepreciable Capital Assets	$ 5,332,449.53	$	$ 7,483,236.09	$	$ 12,815,685.62
Depreciable Capital Assets:					
Buildings	$ 73,047,543.32	$	$ 146,636.18	$	$ 73,194,179.50
Other Structures and Improvements	15,120,566.33		424,506.93		15,545,073.26
Furniture, Machinery, and Equipment	3,832,784.35	939,053.00	734,654.78	425,853.22	5,080,638.91
Assets Under Capital Lease	2,779,683.00	(939,053.00)			1,840,630.00
Total Depreciable Capital Assets	94,780,577.00		1,305,797.89	425,853.22	95,660,521.67
Less, Accumulated Depreciation:					
Buildings	23,257,899.48		1,640,017.38		24,897,916.86
Other Structures and Improvements	9,391,539.74		1,219,637.13		10,611,176.87
Furniture, Machinery, and Equipment	2,744,358.22	892,100.35	537,234.00	425,853.22	3,747,839.35
Assets Under Capital Lease	1,442,415.55	(892,100.35)	277,968.30		828,283.50
Total Accumulated Depreciation	36,836,212.99		3,674,856.81	425,853.22	40,085,216.58
Total Depreciable Capital Assets, Net	$ 57,944,364.01	$	$ (2,369,058.92)	$	$ 55,575,305.09

Note: (1) Certain assets under capital lease and the accumulated depreciation expense associated with these assets were transferred from assets under capital lease to furniture, machinery, and equipment because of final payment on the capital lease.

9. DEFERRED REVENUE

Deferred revenue in the amount of $47,568 includes student tuition and fees received prior to fiscal year-end related to subsequent accounting periods.

10. LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Lease Payable	$ 1,430,149.16	$	$ 262,585.34	$ 1,167,563.82	$
Special Termination Benefits Payable	327,382.28	53,400.08	126,369.06	254,413.30	87,137.78
Compensated Absences Payable	2,892,044.36	364,119.37	476,451.78	2,779,711.95	111,351.47
Other Postemployment Benefits Payable	143,445.00	200,526.00	170,153.00	173,818.00	
Total Long-Term Liabilities	$ 4,793,020.80	$ 618,045.45	$ 1,035,559.18	$ 4,375,507.07	$ 198,489.25

Capital Lease Payable. Equipment consisting of air conditioning, electrical, and other energy management improvement items at various campuses in the amount of $1,840,630 is being acquired under a capital lease agreement. The stated interest rate is 4.1 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2010, are as follows:

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

Fiscal Year Ending June 30	Amount
2011 (1)	$
2012	208,800.00
2013	218,700.00
2014	229,000.00
2015	239,400.00
2016	424,778.71
Total Minimum Payments	1,320,678.71
Less, Amount Representing Interest	153,114.89
Present Value of Minimum Payments	$ 1,167,563.82

Note: (1) Paid in the 2009-10 fiscal year.

Special Termination Benefits Payable. On March 17, 1993, the Board of Trustees established the Retirement Incentive Program (Program), whereby employees meeting certain eligibility guidelines could receive benefits under the Program. For qualifying employees, the Program provides payment of 100 percent of the hospitalization coverage (or 100 percent Medicare Supplement) for a period of 5 years; payments for $5,000 Retiree Group Life through age 69; and 2.5 percent of accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. The College recognized a Retirement Incentive Program payable of $16,476.60 as of June 30, 2010, for 15 participants who gave notice to retire under the Retirement Incentive Program. This program terminated on June 30, 2006. Any otherwise eligible employee as of that date must have retired no later than June 30, 2006, to participate.

On September 21, 2005, the Board of Trustees established the Retirement Enhancement Program (Program), whereby employees meeting certain eligibility guidelines could receive benefits under the Program. For qualifying employees hired prior to October 1, 2005, the Program provides payment of hospitalization coverage (or equivalent Medicare Supplement) at the rate in effect on January 1, 2006, for a period of 5 years, payments for $5,000 Retiree Group Life for a period of 5 years, and 2.5 percent of accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. For new qualifying employees hired on or after October 1, 2005, the Program provides for payment of hospitalization coverage (or equivalent Medicare Supplement) at the rate in effect on January 1, 2006, for a period of 3 years, payments for $5,000 Retiree Group Life for a period of 3 years, and the standard sick payout per College rule. The College recognized a Retirement Enhancement Program payable of $237,936.70 at June 30, 2010, for 25 employees who gave notice to retire under the Retirement Enhancement Program.

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

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

compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $2,779,711.95. Of this amount, $111,351.47 is considered a current liability as this is the amount that is expected to be paid in the coming fiscal year. The current portion of the compensated absences liability is estimated as the sum of the average compensated absences paid upon termination for the prior 11 years, and represents payments for employees in the final year of the Deferred Retirement Option Program.

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

Plan Description. The College contributes to an agent multiple-employer defined-benefit plan administered by the Consortium. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plans on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare 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 plans are financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 83 retirees received postemployment healthcare benefits, and 82 retirees received postemployment life insurance benefits. The College provided required contributions of $170,153 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 $210,811.61.

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Description	Amount
Normal Cost (Service Cost for One Year)	$ 134,655
Amortization of Unfunded Actuarial Accrued Liability	66,569
Annual Required Contribution	201,224
Interest on Net OPEB Obligation	4,301
Adjustment to Annual Required Contribution	(4,922)
Annual OPEB Cost (Expense)	200,603
Contribution Toward the OPEB Cost	(170,153)
Increase in Net OPEB Obligation	30,450
Net OPEB Obligation, Beginning of Year	143,445
Actuarial Adjustment to Beginning of Year	(77)
Net OPEB Obligation, End of Year	$ 173,818

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	$		$
2007-08	199,074	61.2%	77,259
2008-09	198,816	66.7%	143,445
2009-10	200,603	84.8%	173,818

Funded Status and Funding Progress. As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was $1,938,902 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $1,938,902 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $24,962,876 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The College's OPEB actuarial valuation as of July 1, 2009, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the College's 2009-10 fiscal year ARC. This method was selected because it is the same method used in the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent for the 2009-10 fiscal year, reduced by 0.1 to 0.3 percent per year, to an ultimate rate of 4.5 percent after 18 years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years. The remaining amortization period at June 30, 2010, was 27 years.

11. 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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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.
(B) Contribution rates are dependent upon retirement class in which reemployed.

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled $1,383,601.75, $1,369,123.76, and $1,366,661.82, 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 102 College participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled $366,626.78.

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.

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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 43 College participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled $279,102.98.

Senior Management Service Optional Annuity Program. Section 121.055, Florida Statutes, created the Senior Management Service Optional Annuity Program (SMSOAP) as an optional retirement program for members of the Senior Management Service Class. The SMSOAP is a defined-contribution plan that provides full and immediate vesting of all contributions paid on behalf of the participants. Employees in eligible positions may make an irrevocable election to participate in the SMSOAP in lieu of the Senior Management Class of FRS, and purchase retirement and death benefits through contracts with participating provider companies. The employing college contributes 12.49 percent of the participant's salary. The contribution is invested in the companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by salary reduction, an amount not to exceed the percentage contributed by the College to the participant's annuity contract. There were three participants during the 2009-10 fiscal year. Required employer contributions made to the program totaled $51,520.01.

12. CONSTRUCTION COMMITMENTS

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Project Description	Total Committed	Completed to Date	Balance Committed
Lakewood Ranch:			
Medical Technology and Simulation Center:			
Architect	$ 855,195.00	$ 789,227.30	$ 65,967.70
Contractor	7,185,556.87	6,935,806.22	249,750.65
Direct Purchases	1,621,609.39	1,621,609.39	
Miscellaneous	230,101.37	230,101.37	
Bradenton:			
Collegiate School (Building 19):			
Architect	138,958.00	120,964.19	17,993.81
Contractor	1,888,099.00	791,202.49	1,096,896.51
Bus Loop Collegiate School:			
Architect	21,820.00	16,365.00	5,455.00
Contractor	360,000.00	136,579.42	223,420.58
Library:			
Architect	538,129.00	32,975.00	505,154.00
Contractor	385,042.00		385,042.00
Tennis Facility:			
Architect	132,233.20	13,250.00	118,983.20
Total	$ 13,356,743.83	$ 10,688,080.38	$ 2,668,663.45

13. 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 starting March 1, 2010. Insurance coverage obtained through the Consortium included health, life, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

14. 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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which are determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates are deducted from the sum of these components to determine the net annual State apportionment to each college.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the College on an annual basis. The College is authorized to receive and expend these resources only upon applying for and receiving an encumbrance authorization from the Florida Department of Education.

The following is a summary of State revenue sources and amounts:

Source	Amount
College Program Fund	$ 17,413,185.00
Education Enhancement Trust Fund (Lottery)	2,456,661.00
Bright Futures Scholarship Program	2,372,783.43
Gross Receipts Tax (Public Education Capital Outlay)	2,361,993.00
Florida Student Assistance Grants	1,457,418.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	344,750.00
Other State Sources	103,320.40
Restricted Contracts and Grants	12,997.60
Total	$ 26,523,108.43

15. 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:

Functional Classification	Amount
Instruction	$ 20,775,100.63
Academic Support	2,816,194.72
Student Services	5,201,663.33
Institutional Support	11,907,653.25
Operation and Maintenance of Plant	7,322,909.77
Scholarships and Fellowships	14,179,991.18
Depreciation	3,674,856.81
Auxiliary Enterprises	4,915,459.79
Total Operating Expenses	$ 70,793,829.48

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

16. CURRENT UNRESTRICTED FUNDS

The Southern Association of Colleges and Schools, Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets. To meet this requirement, statements of net assets and revenues, expenses, and changes in net assets for the current unrestricted funds are presented, as follows:

Statement of Current Unrestricted Funds Net Assets

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 10,801,167.45
Other Short Term Investments	8,173,844.21
Accounts Receivable, Net	1,241,127.06
Due from Other Governmental Agencies	81,561.73
Inventories	792,550.80
Prepaid Expenses	501,684.08
Noncurrent Assets:	
Restricted Investments	142,598.23
TOTAL ASSETS	$ 21,734,533.56
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 177,175.61
Due to Other Governmental Agencies	10,153.67
Deferred Revenue	45,893.00
Special Termination Benefits Payable	87,137.78
Compensated Absences Payable	99,287.16
Total Current Liabilities	419,647.22
Noncurrent Liabilities:	
Special Termination Benefits Payable	167,275.52
Compensated Absences Payable	2,549,960.40
Other Postemployment Benefits Payable	173,818.00
TOTAL LIABILITIES	3,310,701.14
TOTAL NET ASSETS	18,423,832.42
TOTAL LIABILITIES AND NET ASSETS	$ 21,734,533.56

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Statement of Current Unrestricted Funds Revenues, Expenses, and Changes in Net Assets

REVENUES	
Operating Revenues:	
Student Tuition and Fees, Net of Scholarship Allowances of $12,778,262.06	$ 10,834,363.97
Sales and Services of Educational Departments	80,552.82
Auxiliary Enterprises, Net of Scholarship Allowances of $2,786,098.71	3,139,234.21
Other Operating Revenues	436,081.53
Total Operating Revenues	14,490,232.53
EXPENSES	
Operating Expenses:	
Personnel Services	31,418,883.89
Scholarships and Waivers	38,743.17
Utilities and Communications	1,625,753.66
Contractual Services	3,563,589.74
Other Services and Expenses	3,300,960.15
Materials and Supplies	7,132,747.81
Total Operating Expenses	47,080,678.42
Operating Loss	(32,590,445.89)
NONOPERATING REVENUES	
State Appropriations	19,869,846.00
Gifts and Grants	1,734,726.00
Investment Income	127,379.32
Other Nonoperating Revenues	698.00
Net Nonoperating Revenues	21,732,649.32
Loss Before Other Revenues, Expenses, Gains, or Losses	(10,857,796.57)
Transfers to/from Other Funds	14,480,028.94
Increase in Net Assets	3,622,232.37
Net Assets, Beginning of Year	14,801,600.05
Net Assets, End of Year	$ 18,423,832.42

17. SUBSEQUENT EVENTS

The College entered into an agreement with the United States Department of Education (USDOE) to repay $3,178,253 in Federal Title IV student financial aid that the College overpaid to students in prior years. The College's liability was established as a result of a final Federal audit determination letter issued on November 3, 2010. The agreement with the USDOE provides that the College pay $529,708.83 on signing of the agreement and the remaining balance of $2,648,544.17, including interest at the rate of one percent, will be paid in three annual installments. The final payment is due on June 30, 2013.

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
7/1/2007	$	$ 1,793,567	$ 1,793,567	0%	$ 21,995,339	8.2%
7/1/2009	$	$ 1,938,902	$ 1,938,902	0%	$ 24,962,876	7.8%

Note: (1) The actuarial cost method used by the College is the projected unit credit method.

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2009, unfunded actuarial liability of $1,938,902 was higher than the July 1, 2007, liability of $1,793,567, by approximately $145,000 as a result of the expected growth of liabilities over time and demographic changes in the amount of $348,000. An updated medical trend assumption also increased AAL by $3,000. These increases were primarily offset by a decrease in AAL of $206,000 resulting from claims costs, contributions, and the revised participation rates and mortality trend assumptions.

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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 State College of Florida, Manatee-Sarasota, 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*.

We noted certain matters that we reported to College management in our operational audit report No. 2011-007.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

David W. Martin, CPA
March 1, 2011