

SANTA FE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2011



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2010-11 fiscal year are listed below:

	<u>County</u>
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G. Thomas Mallini, Vice Chair (1)	Alachua
Winston J. Bradley (1)	Alachua
Glenna F. Brashear (1)	Alachua
Robert C. Hudson (1)	Alachua
Col. Arley W. McRae	Bradford
Ltc. Richard C. Solze, Jr. (1)	Bradford
Evelyn T. Womack (1)	Bradford

Dr. Jackson N. Sasser, President

Note: (1) Board member continued to serve beyond appointed term.

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 Sheila B. Ginsberg, 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.

SANTA FE COLLEGE
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	14
Statement of Revenues, Expenses, and Changes in Net Assets.....	16
Statement of Cash Flows.....	17
Notes to Financial Statements	19
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress – Other Postemployment Benefits Plan.....	44
Notes to Required Supplementary Information.....	45
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	
Internal Control Over Financial Reporting.....	46
Compliance and Other Matters	47

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, 2011. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

Audit Methodology

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



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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, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. 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, 2011, 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** and the **SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN**, as listed in the table of contents, 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
November 18, 2011

MANAGEMENT’S DISCUSSION AND ANALYSIS

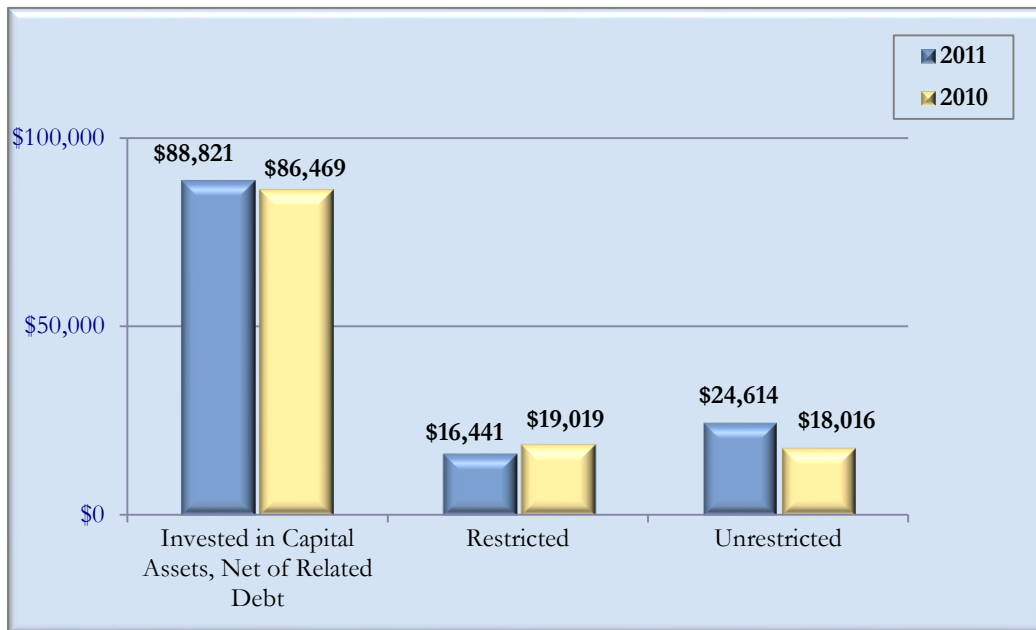
The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2011, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting 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 2010-11 and 2009-10 fiscal years, and of the College’s component unit, the Santa Fe College Foundation, Inc., for the fiscal years ended December 31, 2010, and 2009. To better distinguish the activities of the College and the 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, 2011, and 2010, are shown in the following graph:

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



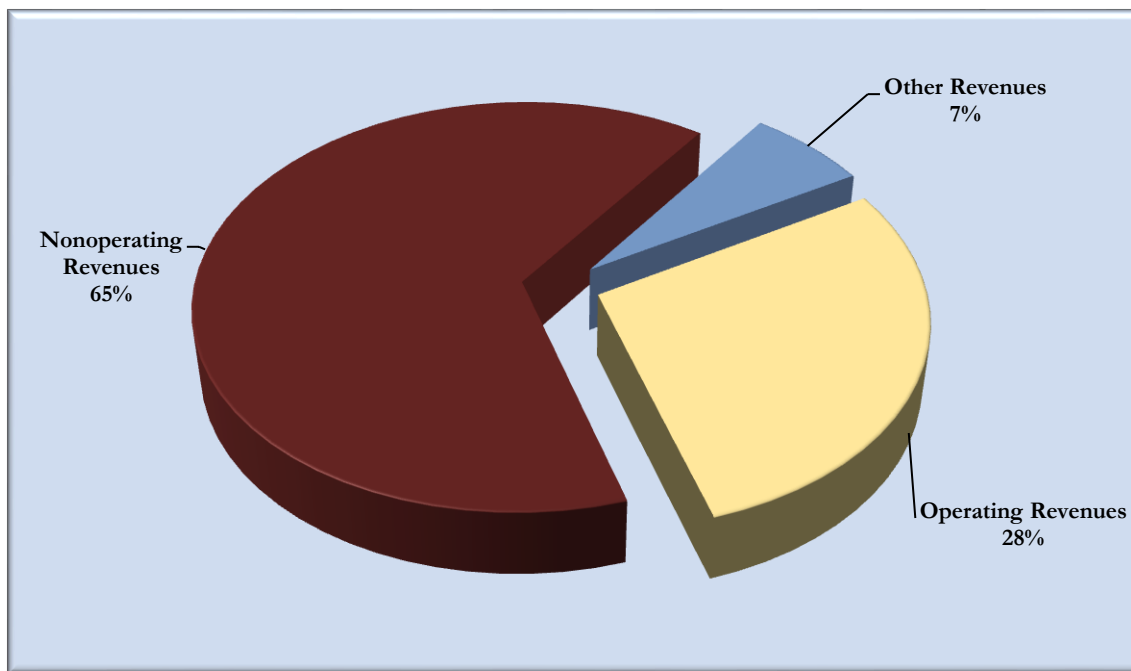
The College’s net investment in capital assets represents capital assets, net of accumulated depreciation and outstanding debt principal attributable to the acquisition, construction, or improvement of those assets. The College engaged in various construction projects during the year that included constructing an exterior covered patio at the food court, renovating sections of Building P for the Math Studio, and various energy retrofitting and renewable energy minor construction projects. Therefore, the \$2.4 million, or 2.7 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 2010-11 fiscal year.

Restricted net assets are subject to externally imposed restrictions governing their use. The decrease in restricted net assets of \$2.6 million, or 13.6 percent, was primarily due to the decrease 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 are 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 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, 2011:

Total Revenues: College



For the fiscal year ended June 30, 2011, College revenue and other support exceeded expenses, creating an increase in net assets of \$6.4 million (compared to a \$9 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 65 percent of total revenues, included State noncapital appropriations (includes American Recovery and Reconciliation 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 7 percent of total revenues, include State capital appropriations and capital grants, contracts, gifts, and fees designated for capital projects.

The component unit revenues exceeded expenses during the 2010 fiscal year, resulting in an increase in net assets of \$1.8 million (compared to a \$4.7 million increase in the prior fiscal year), due to a net operating loss of \$711 thousand; additions to endowment and capital assets totaling \$852 thousand, less contributions to Santa Fe College of \$499 thousand; and nonoperating investment income of \$2.2 million. The nonoperating income results include a recovery in the market value of the Foundation's investment portfolio of \$992 thousand.

OVERVIEW OF FINANCIAL STATEMENTS

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

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 system 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 fiscal year's revenues and expenses are taken into account regardless of when cash is received or paid.

A condensed statement of assets, liabilities, and net assets of the College and its component unit as of June 30, 2011, and June 30, 2010, is shown in the following table:

	Primary Government				Component Unit	
	College		Consortium (1)		12-31-10	12-31-09
	6-30-11	6-30-10	6-30-11	6-30-10		
Assets						
Current Assets	\$ 44,815	\$ 41,081	\$69,550	\$61,317	\$ 3,178	\$ 1,160
Capital Assets, Net	102,607	95,314			14,466	15,288
Other Noncurrent Assets	17,701	22,489	13,358	12,052	20,155	19,511
Total Assets	<u>165,123</u>	<u>158,884</u>	<u>82,908</u>	<u>73,369</u>	<u>37,799</u>	<u>35,959</u>
Liabilities						
Current Liabilities	14,625	13,686	69,550	61,317	22	37
Noncurrent Liabilities	20,622	21,694	13,358	12,052	1,358	1,307
Total Liabilities	<u>35,247</u>	<u>35,380</u>	<u>82,908</u>	<u>73,369</u>	<u>1,380</u>	<u>1,344</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	88,821	86,469			14,466	15,288
Restricted	16,441	19,019			21,747	19,554
Unrestricted	24,614	18,016			206	(227)
Total Net Assets	<u>\$ 129,876</u>	<u>\$ 123,504</u>	<u>\$</u>	<u>\$</u>	<u>\$ 36,419</u>	<u>\$ 34,615</u>
Increase in Net Assets	<u>\$ 6,372</u> 5.2%		<u>\$</u>		<u>\$ 1,804</u> 5.2%	

Note: (1) The financial information reported for the Consortium includes the assets of 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.

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 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	
	6-30-11	6-30-10	12-31-10	12-31-09
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 23,262	\$ 21,716	\$	\$
Federal Grants and Contracts	3,494	2,941		
State and Local Grants and Contracts	2,419	2,263		
Nongovernmental Grants and Contracts	162	146	599	348
Sales and Services of Educational Departments	1,046	698		
Auxiliary Enterprises	952	729		
Other Operating Revenues	546	337	413	360
Total Operating Revenues	31,881	28,830	1,012	708
Less, Operating Expenses	104,699	93,371	1,723	1,546
Operating Loss	(72,818)	(64,541)	(711)	(838)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	34,439	32,816		
Gifts and Grants	36,712	30,406		
Other Nonoperating Revenues	1,225	2,206	2,162	4,212
Nonoperating Expenses	(672)	(716)		
Net Nonoperating Revenues	71,704	64,712	2,162	4,212
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
	(1,114)	171	1,451	3,374
State Capital Appropriations	2,934	3,420		
Endowment Principal Additions			327	1,170
Capital Grants, Contracts, Gifts, and Fees	4,552	5,369	525	203
Transfers in Support of College			(499)	
Increase in Net Assets	6,372	8,960	1,804	4,747
Net Assets, Beginning of Year	123,504	114,544	34,615	29,868
Net Assets, End of Year	\$ 129,876	\$ 123,504	\$ 36,419	\$ 34,615

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 as nonoperating.

College revenues increased \$8.7 million, or 8.4 percent, compared to the prior fiscal year as a result of the following factors:

Operating Revenues:

- An 8 percent increase in the tuition rate as authorized by State of Florida law and an increase in student enrollment credit courses resulted in a \$2.8 million increase in gross student tuition and fee revenue. Scholarship allowance increased by \$1.3 million, or 12.7 percent, primarily due to an increase in the funding received from Federal Pell Grants.

Nonoperating Revenues and Other Revenues and Gains:

- State noncapital appropriations increased by \$1.6 million, or 4.9 percent, due to increased funding in appropriated program funds.
- Gifts and grants revenue increased by \$6.3 million, or 20.7 percent, due to an increase in State and Federal scholarship and grant support (including State-appropriated ARRA funds).
- Other nonoperating revenues decreased by \$1 million, or 44.5 percent, principally due to a decrease in investment income.
- State capital appropriations decreased by \$486 thousand, or 14.2 percent. This was due to decreased funding from prior year appropriated State funding for capital projects. 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 this revenue will continue in the 2011-12 fiscal year.
- Capital grants, contracts, gifts, and fees decreased \$817 thousand, or 15.2 percent, primarily due to a decrease in capital cash contributions.

Component unit revenues decreased \$2.3 million, or 36 percent, compared to the prior fiscal year as a result of the following factors:

- Operating revenue increased by \$304 thousand, or 42.9 percent from the prior year.
- Investment income net of realized and unrealized gain or losses decreased \$2.1 million from the prior year.
- Endowment principal additions decreased \$843 thousand, or 72.1 percent, from the prior year.
- Capital additions increased \$322 thousand from the prior year.

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 are presented in the following table:

	Operating Expenses			
	For the Fiscal Years Ended			
	(In Thousands)			
	<u>College</u>		<u>Component Unit</u>	
	<u>6-30-11</u>	<u>6-30-10</u>	<u>12-31-10</u>	<u>12-31-09</u>
Operating Expenses				
Personnel Services	\$ 55,852	\$ 52,572	\$	\$
Scholarships and Waivers	24,048	18,420	477	457
Utilities and Communications	2,552	2,579		
Contractual Services	4,630	3,865		
Other Services and Expenses	4,078	3,837	855	788
Materials and Supplies	5,919	5,927		
Depreciation	<u>7,620</u>	<u>6,171</u>	<u>391</u>	<u>301</u>
Total Operating Expenses	<u>\$ 104,699</u>	<u>\$ 93,371</u>	<u>\$ 1,723</u>	<u>\$ 1,546</u>

College operating expenses increased by \$11.3 million, or 12.1 percent, compared to the prior fiscal year as a result of the following factors:

- The College provided a thousand dollar raise to the base pay and a 5 percent salary increase to all full-time personnel, as a result salary and benefit expenses increased \$3.3 million from the prior year.
- Scholarship expenses increased by \$5.6 million mostly due to increases in Federal Title IV financial aid.
- Utilities and communication expenses decreased by \$27 thousand due to a \$13 thousand reduction in communication expenses, a \$31 thousand increase in heating fuel expenses, and a \$45 thousand decrease in electricity expense.
- Contractual services increased by \$765 thousand as a result of purposefully increasing the usage of part-time employees.
- There was virtually no change in materials and supplies expenses from this year to last year.
- Depreciation expense increased by \$1.4 million primarily due to the capitalization of the Health Sciences Renovation (Building W) and Center for Emerging Technologies (Alachua Center) accepted as complete this fiscal year.

Total operating expenses for the component unit increased by \$177 thousand 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 \$1.7 million in total operating expenses for the current fiscal year, \$1.3 million, or 76 percent, directly benefited the College as scholarship, program, capital, or festival expenditures. An additional \$391 thousand of expenses resulted from depreciation of buildings used by the College for classrooms and administrative offices.

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 the Consortium's cash flows for the 2010-11 and 2009-10 fiscal years is presented in the following table:

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

	College		Consortium	
	2010-11	2009-10	2010-11	2009-10
Cash Provided (Used) by:				
Operating Activities	\$ (65,563)	\$ (58,162)	\$ 9,402	\$ 6,279
Noncapital Financing Activities	71,157	63,199		
Capital and Related Financing Activities	(4,984)	(7,838)		
Investing Activities	1,175	1,700	(185)	19
Net Increase (Decrease) in Cash and Cash Equivalents	1,785	(1,101)	9,217	6,298
Cash and Cash Equivalents, Beginning of Year	42,579	43,680	57,104	50,806
Cash and Cash Equivalents, End of Year	\$ 44,364	\$ 42,579	\$ 66,321	\$ 57,104

The College's cash and cash equivalents increased during the 2010-11 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 \$7.4 million is primarily due to an increase of \$1.3 million in receipts for student tuition and fees, an increase of \$501 thousand in receipts for contracts and grants, an increase of \$3.2 million in payments for salaries and benefits, an increase of \$5.6 million in payments to students for scholarships, and an increase of \$988 thousand 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 \$8 million from the prior fiscal year predominantly due to an increase of \$6.3 million in Federal grants and State scholarships and an increase of \$1.6 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 outflows for capital and related financing activities decreased \$2.9 million primarily due to the increase of \$2 million in capital appropriations from the State, the decrease of \$816 thousand from other granting agencies and fees, and a \$1.6 million decrease in the purchases of capital assets.
- Cash flows for investing activities of the college decreased by \$525 thousand primarily due to decreased investment income.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2011, the College had \$178.3 million in capital assets, less accumulated depreciation of \$75.7 million, for net capital assets of \$102.6 million. Depreciation charges for the current fiscal year totaled \$7.6 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	\$ 4,263	\$	\$	\$ 4,263
Buildings	101,548	17,542		119,090
Other Structures and Improvements	25,446	1,538		26,984
Furniture, Machinery, and Equipment	8,410	987	451	8,946
Assets Under Capital Leases	48			48
Construction in Progress	24,156	13,942	19,080	19,018
Total	163,871	34,009	19,531	178,349
Less, Accumulated Depreciation:				
Buildings	44,700	4,415		49,115
Other Structures and Improvements	16,732	2,362		19,094
Furniture, Machinery, and Equipment	7,087	833	435	7,485
Assets Under Capital Leases	38	10		48
Total Accumulated Depreciation	68,557	7,620	435	75,742
Capital Assets, Net	\$ 95,314	\$ 26,389	\$ 19,096	\$ 102,607

The College has \$2 million in construction contract commitments at June 30, 2011. The contract commitments are for projects that include the construction of a Fine Arts Hall, classroom and lab renovations, expansion of the Center for Emerging Technologies, Watson Center Outdoor Classroom and various telecommunications, utility, reroofing, and energy management projects. State capital 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 \$18.2 million in capital assets, less accumulated depreciation of \$3.7 million, for net capital assets of \$14.4 million. Depreciation charges for the current fiscal year totaled \$392 thousand. Details of the component unit's capital assets activity for the fiscal year ended December 31, 2010, are shown in the following table:

Capital Assets, Net at December 31: Component Unit
(In Thousands)

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 3,677	\$	\$ 474	\$ 3,203
Buildings and Improvements	11,888	51	66	11,873
Film Costs in Production	962		962	
Film Costs (Depreciable)		962		962
Land and Buildings Held for Investment	2,025	26		2,051
Library Books and Art Collection	106		7	99
Total	18,658	1,039	1,509	18,188
Less, Accumulated Depreciation	3,370	392	40	3,722
Capital Assets, Net	\$ 15,288	\$ 647	\$ 1,469	\$ 14,466

DEBT ADMINISTRATION

At fiscal year-end, the College had \$13.8 million in long-term debt outstanding versus \$14.6 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, 2011, and June 30, 2010:

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

	2011	2010
Bonds Payable	\$ 13,780	\$ 14,545
Capital Leases	6	17
Total	\$ 13,786	\$ 14,562

Proceeds from bonds are used to construct and renovate College facilities. During the 2010-11 fiscal year, debt repayments and reductions totaled \$540 thousand for the State Board of Education Capital Improvement Revenue bonds, \$225 thousand for the State Board of Education bonds, and \$10,509 for the capital leases. Additional information about the College’s long-term debt is presented in the notes to the 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. The College’s current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services. Forty-six percent of the College’s planned recurring 2011-12 operating funds are received through State appropriations. Although initial State allocations for the 2011-12 fiscal year were slightly higher than the 2010-11 fiscal year allocations, limited economic growth 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 seven percent increase in tuition rates to take effect beginning with the Fall 2011 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 somewhat uncertain at this time. As a result of this uncertainty, the College continues to designate reserves in excess of the statutory level 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 fourth year in a row the State Legislature did not fund the match to all of the private donations received by the component unit this past year and placed a hold on the program. 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, CPA, 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, 2011**

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 29,189,699	\$
Restricted Cash and Cash Equivalents	3,784,507	1,880,390
Investments	2,154,108	1,297,765
Accounts Receivable, Net	4,924,987	
Notes Receivable, Net	807	
Due from Other Governmental Agencies	4,638,240	
Due from Component Unit	6,666	
Inventories	73,182	
Prepaid Expenses	42,783	
Risk Management Consortium:		
Restricted Cash and Cash Equivalents	66,321,253	
Restricted Investments	3,229,271	
Total Current Assets	114,365,503	3,178,155
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	11,389,225	
Investments	6,275,940	209,467
Restricted Investments	35,391	2,395,143
Endowment Investments		17,550,694
Depreciable Capital Assets, Net	79,325,800	9,113,360
Nondepreciable Capital Assets	23,281,522	5,353,012
Risk Management Consortium:		
Restricted Investments	13,357,789	
Total Noncurrent Assets	133,665,667	34,621,676
TOTAL ASSETS	\$ 248,031,170	\$ 37,799,831
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,512,243	\$ 22,590
Salary and Payroll Taxes Payable	4,336,758	
Retainage Payable	934,597	
Due to Other Governmental Agencies	1,034	
Deferred Revenue	5,156,221	
Deposits Held for Others	1,078,199	
Long-Term Liabilities - Current Portion:		
Bonds Payable	795,000	
Capital Leases Payable	6,456	
Compensated Absences Payable	804,571	
Risk Management Consortium:		
Deposits Held for Others	69,550,524	
Total Current Liabilities	84,175,603	22,590

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2011

	College	Component Unit
Liabilities (Continued)		
Noncurrent Liabilities:		
Bonds Payable	\$ 12,985,000	\$
Compensated Absences Payable	7,449,947	
Other Postemployment Benefits Payable	186,870	
Other Noncurrent Liabilities		1,357,814
Risk Management Consortium:		
Deposits Held for Others	13,357,789	
Total Noncurrent Liabilities	33,979,606	1,357,814
TOTAL LIABILITIES	118,155,209	1,380,404
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	88,820,866	14,466,372
Restricted:		
Nonexpendable:		
Endowment		17,863,862
Expendable:		
Grants	1,620,211	
Loans	571,494	
Scholarships	86,431	1,325,360
Capital Projects	14,127,432	
Debt Service	35,392	
Other		2,557,345
Unrestricted	24,614,135	206,488
Total Net Assets	129,875,961	36,419,427
TOTAL LIABILITIES AND NET ASSETS	\$ 248,031,170	\$ 37,799,831

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, 2011

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$11,392,648	\$ 23,262,189	\$
Federal Grants and Contracts	3,494,024	
State and Local Grants and Contracts	2,418,722	
Nongovernmental Grants and Contracts	162,097	598,625
Sales and Services of Educational Departments	1,045,737	
Auxiliary Enterprises	952,017	
Other Operating Revenues	545,849	413,057
Total Operating Revenues	31,880,635	1,011,682
EXPENSES		
Operating Expenses:		
Personnel Services	55,852,390	
Scholarships and Waivers	24,048,465	476,676
Utilities and Communications	2,552,087	
Contractual Services	4,630,127	
Other Services and Expenses	4,078,000	854,585
Materials and Supplies	5,918,849	
Depreciation	7,619,661	391,411
Total Operating Expenses	104,699,579	1,722,672
Operating Loss	(72,818,944)	(710,990)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	34,438,633	
Gifts and Grants	36,712,251	
Investment Income	1,219,195	2,161,715
Other Nonoperating Revenues	6,010	
Interest on Capital Asset-Related Debt	(661,252)	
Loss on Disposal of Capital Assets	(11,082)	
Net Nonoperating Revenues	71,703,755	2,161,715
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,115,189)	1,450,725
State Capital Appropriations	2,934,220	
Capital Grants, Contracts, Gifts, and Fees	4,552,255	525,000
Endowment Principal Additions		327,633
Contributions to Santa Fe College		(499,182)
Total Other Revenues	7,486,475	353,451
Increase in Net Assets	6,371,286	1,804,176
Net Assets, Beginning of Year	123,504,675	34,615,251
Net Assets, End of Year	\$ 129,875,961	\$ 36,419,427

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, 2011

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 22,689,785
Grants and Contracts	5,945,459
Payments to Suppliers	(14,639,616)
Payments for Utilities and Communications	(2,552,087)
Payments to Employees	(44,980,128)
Payments for Employee Benefits	(10,711,071)
Payments for Scholarships	(24,048,465)
Loans Issued to Students	(67,337)
Collection of Loans to Students	78,249
Auxiliary Enterprises	868,790
Sales and Service of Educational Departments	1,045,737
Other Receipts	807,586
Risk Management Consortium:	
Other Receipts	9,402,339
Net Cash Used by Operating Activities	(56,160,759)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	34,438,633
Gifts and Grants Received for Other Than Capital or Endowment Purposes	36,712,251
Student Direct Lending Receipts	34,073,656
Student Direct Lending Disbursements	(34,073,656)
Other Nonoperating Receipts	6,010
Net Cash Provided by Noncapital Financing Activities	71,156,894
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	6,610,545
Capital Grants, Contracts, Gifts, and Fees	4,552,255
Proceeds from Sale of Capital Assets	4,709
Purchases of Capital Assets	(14,714,921)
Principal Paid on Capital Debt and Leases	(775,509)
Interest Paid on Capital Debt and Leases	(661,252)
Net Cash Used by Capital and Related Financing Activities	(4,984,173)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	155,413
Investment Income	1,019,200
Risk Management Consortium:	
Purchase of Investments	(184,932)
Net Cash Provided by Investing Activities	989,681
Net Increase in Cash and Cash Equivalents	11,001,643
Cash and Cash Equivalents, Beginning of Year	99,683,041
Cash and Cash Equivalents, End of Year	\$ 110,684,684
Cash and Cash Equivalents, End of Year:	
College	\$ 44,363,431
Consortium	66,321,253
Total Cash and Cash Equivalents, End of Year	\$ 110,684,684

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2011

	College
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (72,818,944)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	7,619,661
Changes in Assets and Liabilities:	
Receivables, Net	(923,791)
Notes Receivable, Net	10,912
Inventories	(12,639)
Prepaid Expenses	(5,496)
Accounts Payable	186,783
Salary and Payroll Taxes Payable	165,762
Due to Other Governmental Agencies	(597)
Deferred Revenue	138,776
Deposits Held for Others	9,483,387
Compensated Absences Payable	(14,123)
Other Postemployment Benefits Payable	9,550
NET CASH USED BY OPERATING ACTIVITIES	\$ (56,160,759)

SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITY

The College and Consortium recognized unrealized gains of \$93,623 and \$137,654, respectively, on investing activities. The unrealized gains totaling \$231,277 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.

Losses from the disposal of capital assets, totaling \$11,082, were recognized 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, 2011

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 of an Employee Benefit Plan and 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 (GASB) *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 activities 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, 2010.

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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 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, 2011

after November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

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

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 and the State Treasury Special Purpose Investment Account (SPIA). For 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 SBA Florida PRIME investment pool and the SPIA 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, 2011

At June 30, 2011, the College and the Consortium reported as cash equivalents at fair value \$29,440,062 and \$60,318,534, respectively, 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 2.13 years at June 30, 2011. 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 SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2011, the College and the Consortium reported as cash equivalents at fair value \$8,622,912 and \$19,282, respectively, in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The 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, 2011, 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 31 days as of June 30, 2011. 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 the 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, 2011

Property and equipment acquisitions 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, 5 to 7 years useful life for equipment, and 10 years for film production costs. Land and buildings held as investments are recorded at fair market value, based on comparable sales in the market, as of December 31, 2010. Changes in fair value during the reporting period are recorded as investment income or loss.

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, compensated absences 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, 2011

The College's and the Consortium's investments at June 30, 2011, 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	\$ 364,927	(1)
State Board of Administration Debt Service Accounts	35,391	
United States Treasury Notes	1,793,719	1.610
Obligations of United States Government-Sponsored Enterprises	3,557,692	1.410
Commercial Paper	1,097,568	0.150
Corporate Bonds - Nonconvertible	200,598	2.820
Mortgage-Backed Pass-Throughs	1,307,629	10.260
Money Market Mutual Funds	107,915	(1)
Total College Investments	<u>\$ 8,465,439</u>	
Portfolio Modified Average Duration - College		2.770
<u>Consortium</u>		
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 536,552	(1)
United States Treasury Notes	3,492,785	2.7
Obligations of United States Government-Sponsored Enterprises	5,093,610	1.510
Corporate Bonds - Nonconvertible	2,440,982	2.220
Mortgage-Backed Pass-Throughs	2,365,895	11.230
Money Market Mutual Funds	2,657,236	(1)
Total Consortium Investments	<u>\$ 16,587,060</u>	
Portfolio Modified Average Duration - Consortium		2.670
Total Investments - College and Consortium	<u>\$ 25,052,499</u>	

Note: (1) The College and Consortium opted to use the weighted-average maturity interest rate risk method for the money market mutual funds (40 days) and the State Board of Administration Fund B Surplus Funds Trust Fund (7.16 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

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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, 2011, the College and the Consortium reported investments at fair value of \$364,927 and \$536,552, respectively, in Fund B. The investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.78965331 at June 30, 2011. The weighted-average life (WAL) of Fund B at June 30, 2011, was 7.16 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, 2011. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

State Board of Administration Debt Service Accounts

The College reported investments at fair value totaling \$35,391 at June 30, 2011, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

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 changing 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, 2011, the Merrill Lynch 1-3 and 1-5 Year U.S. Treasury Indexes' modified average durations were 1.80 and 2.55 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.

**SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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 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 States 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, 2011, using the above scale, the College’s and the Consortium’s total quality ratings were 8.97 and 8.92, respectively.

At June 30, 2011, 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:

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>
<u>College</u>		
Obligations of United States		
Government-Sponsored Enterprises	<u>\$ 3,557,692</u>	AAA
Corporate Bonds and Notes - Nonconvertible	<u>\$ 200,598</u>	AAA
Commercial Paper	<u>\$ 1,097,568</u>	A-1
Mortgage-Backed Pass-Throughs	<u>\$ 1,307,629</u>	AAA
Money Market Mutual Funds	<u>\$ 107,915</u>	AAA
State Board of Administration Fund B		
Surplus Funds Trust Fund	<u>\$ 364,927</u>	Not Rated
<u>Consortium</u>		
Obligations of United States		
Government-Sponsored Enterprises	<u>\$ 5,093,610</u>	AAA
Corporate Bonds and Notes - Nonconvertible	\$ 631,884	AAA
	1,558,698	AA
	<u>250,400</u>	A
Total Corporate Bonds and Notes - Nonconvertible	<u>\$ 2,440,982</u>	
Mortgage-Backed Pass-Throughs	<u>\$ 2,365,895</u>	AAA
Money Market Mutual Funds	<u>\$ 2,657,236</u>	AAA
State Board of Administration Fund B		
Surplus Funds Trust Fund	<u>\$ 536,552</u>	Not Rated

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

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

the Consortium and held in safekeeping by a third-party custodial bank or other third-party custodial 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, 2010, 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:						
Mortgaged-Backed Pass-Throughs	\$ 423,272	\$	\$	\$	\$ 11,949	\$ 411,323
Domestic Bonds and Notes	16,871,452	1,297,765	900,478	3,608,591	8,071,384	2,993,234
Total Investment in Debt Obligations	17,294,724	\$ 1,297,765	\$ 900,478	\$ 3,608,591	\$ 8,083,333	\$ 3,404,557
Other Investments:						
Certificates of Deposit	96,293					
Domestic Equities	3,786,349					
Money Market Mutual Funds	275,703					
Total Other Investments	4,158,345					
Total Component Unit Investments	\$ 21,453,069					

There was a \$992,449 unrealized gain in the fair value of investments during the year ended December 31, 2010. The carrying value of investments at December 31, 2010, 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 investments 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 expectation of recovery and has elected to maintain its position. The policy provides that 20 percent of the

**SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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, 2010, were rated as follows:

Investment Type	Fair Value	Credit Quality Ratings	
		Standard & Poor's	Moody's
Mortgage-Backed Pass-Throughs	\$ 423,272	Not Rated	Not Rated
Domestic Bonds and Notes	\$ 377,891	AAA	Aaa
	6,847,910	AA to A	A to Aa
	8,426,344	BBB to B	Baa to Caa
	1,219,307	CCC to N/R	A to C
Total Domestic Bonds and Notes	\$ 16,871,452		

Custodial Credit Risk: The Foundation has no formal policy on custodial credit risk. However, all investments are insured, registered, or held in the Foundation’s name by the custodial bank.

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 deferments, Title IV Federal grant and Florida Bright Futures Scholarship Program 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 \$463,812 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 \$677 allowance for uncollectable notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$3,102,112 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$842,953 of Federal Direct Loans allocations due from the Federal government for student loan disbursements.

**SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

6. DUE FROM COMPONENT UNIT

The \$6,666 reported as due from the component unit primarily consists of the remaining amount owed to the College by the Foundation for donor contributed and matching funds. The College's financial statements are reported for the fiscal year ended June 30, 2011. The College's component unit's financial statements are reported for the fiscal year ended December 31, 2010. 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, 2011, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 4,262,958	\$	\$	\$ 4,262,958
Construction in Progress	24,156,997	13,941,817	19,080,250	19,018,564
Total Nondepreciable Capital Assets	\$ 28,419,955	\$ 13,941,817	\$ 19,080,250	\$ 23,281,522
Depreciable Capital Assets:				
Buildings	\$ 101,548,588	\$ 17,542,223	\$	\$ 119,090,811
Other Structures and Improvements	25,446,393	1,538,027		26,984,420
Furniture, Machinery, and Equipment	8,408,958	986,652	450,638	8,944,972
Assets Under Capital Leases	48,148			48,148
Total Depreciable Capital Assets	135,452,087	20,066,902	450,638	155,068,351
Less, Accumulated Depreciation:				
Buildings	44,700,145	4,415,276		49,115,421
Other Structures and Improvements	16,731,526	2,361,854		19,093,380
Furniture, Machinery, and Equipment	7,087,546	832,903	434,847	7,485,602
Assets Under Capital Leases	38,520	9,628		48,148
Total Accumulated Depreciation	68,557,737	7,619,661	434,847	75,742,551
Total Depreciable Capital Assets, Net	\$ 66,894,350	\$ 12,447,241	\$ 15,791	\$ 79,325,800

Capital assets activity of the College's component unit for the fiscal year ended December 31, 2010, is shown below:

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 3,677,143	\$	\$ 474,243	\$ 3,202,900
Art Collection	98,612			98,612
Film Costs in Production	961,992		961,992	
Land Held for Investment	165,500	26,000		191,500
Buildings Held for Investment	1,860,000			1,860,000
Total Nondepreciable Capital Assets	\$ 6,763,247	\$ 26,000	\$ 1,436,235	\$ 5,353,012
Depreciable Capital Assets:				
Buildings and Improvements	\$ 11,887,989	\$ 51,235	\$ 65,895	\$ 11,873,329
Film Costs		961,992		961,992
Library Books	7,415		7,415	
Total Depreciable Capital Assets	11,895,404	1,013,227	73,310	12,835,321
Less, Accumulated Depreciation:				
Buildings and Improvements	3,363,021	295,212	32,471	3,625,762
Capitalized Film Costs		96,199		96,199
Library Books	7,415		7,415	
Total Accumulated Depreciation	3,370,436	391,411	39,886	3,721,961
Total Depreciable Capital Assets, Net	\$ 8,524,968	\$ 621,816	\$ 33,424	\$ 9,113,360

8. DEFERRED REVENUE

Deferred revenue of the College, as of June 30, 2011, totaled \$5,156,221 and consists of 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, 2011, include bonds, capital leases, compensated absences, and other postemployment benefits. Long-term liabilities activity for the fiscal year ended June 30, 2011, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 14,545,000	\$	\$ 765,000	\$ 13,780,000	\$ 795,000
Capital Leases Payable	16,965		10,509	6,456	6,456
Compensated Absences Payable	8,268,641	781,760	795,883	8,254,518	804,571
Estimated Arbitrage Rebate Payable	177,764		177,764		
Other Postemployment Benefits Payable	177,320	9,550		186,870	
Total Long-Term Liabilities	\$ 23,185,690	\$ 791,310	\$ 1,749,156	\$ 22,227,844	\$ 1,606,027

**SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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

- State Board of Education 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 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 (FDOE) 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 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. The Series 2006A 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, 2011:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education			
Capital Outlay Bonds:			
Series 2002B	\$ 835,000	4.0 - 5.375	2015
Series 2005A	275,000	5.00	2017
Florida Department of Education			
Capital Improvement Revenue Bonds:			
Series 2006A	<u>12,670,000</u>	3.50 - 5.00	2027
Total	<u>\$ 13,780,000</u>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Fiscal Year Ending June 30	Capital Outlay Bonds		
	Principal	Interest	Total
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	50,000	5,000	55,000
2017	50,000	2,500	52,500
Total	\$ 1,110,000	\$ 160,356	\$ 1,270,356

Fiscal Year Ending June 30	Capital Improvement Revenue Bonds		
	Principal	Interest	Total
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	655,000	476,025	1,131,025
2017-2021	3,755,000	1,891,625	5,646,625
2022-2026	4,795,000	854,125	5,649,125
2027	1,090,000	38,150	1,128,150
Total	\$ 12,670,000	\$ 5,406,225	\$ 18,076,225

Capital Leases Payable. Copier equipment in the amount of \$48,148 is being acquired under capital lease agreements. The imputed interest rate is 5.33 to 10.36 percent. The final lease payments under the capital lease agreements, which total \$6,599 including \$143 interest, will be made during the 2011-12 fiscal year.

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, 2011, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$8,254,518. Of this amount, \$804,571 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 2010-11 fiscal year reductions of compensated absences payable to the total possible current leave liability at June 30, 2010, and applying that ratio to the total possible current leave liability at June 30, 2011.

Other Postemployment Benefits Payable. The College follows GASB 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).

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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 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 2010-11 fiscal year, 140 retirees received postemployment healthcare benefits and 71 retirees received postemployment life insurance benefits. The College provided required contributions of \$40,214 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 \$754,272.

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:

**SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 33,020
Amortization of Unfunded Actuarial Accrued Liability	17,335
Interest on Normal Cost and Amortization	
Annual Required Contribution	50,355
Interest on Net OPEB Obligation	5,320
Adjustment to Annual Required Contribution	(5,911)
Annual OPEB Cost (Expense)	49,764
Contribution Toward the OPEB Cost	(40,214)
Increase in Net OPEB Obligation	9,550
Net OPEB Obligation, Beginning of Year	177,320
Net OPEB Obligation, End of Year	\$ 186,870

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, 2011, and for the two preceding years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 133,873	49.5%	\$ 148,689
2009-10	49,711	42.4%	177,320
2010-11	49,764	80.8%	186,870

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 \$45,145,891 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1.12 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.

**SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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, 2011, and the College's 2010-11 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 7.8 percent for the 2010-11 fiscal year, reduced by 0.2 percent through 2011-12, by an additional 0.1 percent through 2012-13, to an ultimate rate of 4.5 percent after 16 years. The unfunded actuarial accrued liability is being amortized as a level percentage of payrolls amortized over 30 years. The remaining amortization period at June 30, 2011, was 26 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, 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.

**SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2010-11 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Senior Management Service	0.00	14.57
Florida Retirement System, Special Risk	0.00	23.25
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
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 0.03 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, 2009, June 30, 2010, and June 30, 2011, totaled \$2,986,685, \$2,802,034, and \$3,090,892, 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 85 College participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled \$345,500.

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.

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

State College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible college instructors and administrators. The Program is designed to aid colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes, on behalf of the participant, 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account.

There were 85 College participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled \$547,424.

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 12.65 percent of participant's salary toward an annuity provided by approved fund sponsors. The participant does not make any contributions to the Program. As of June 30, 2011, three College employees had opted to participate in the Program. Required contributions made by the College to the Program totaled \$75,988 during the 2010-11 fiscal year.

11. CONSTRUCTION COMMITMENTS

The College's construction commitments at June 30, 2011, are as follows:

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Project	Total Committed	Completed to Date	Balance Committed
Building K,M,V, Air Handler Upgrade:			
Engineer	\$ 43,525	\$ 18,610	\$ 24,915
General Contractor	459,973	63,464	396,509
Center for Emerging Technologies Expansion:			
Architect	126,840	42,875	83,965
Building P, Math Studio Expansion:			
Architect	49,987	21,796	28,191
Construction Manager	736,991	584,504	152,487
Building A,D,E and Cultural Building Roofing:			
Architect	30,000	12,911	17,089
Construction Manager	832,448	559,533	272,915
Building X, Planetarium Chiller Addition:			
General Contractor	41,417	36,034	5,383
Charles R. Perry Construction Institute:			
Construction Manager	28,810	23,904	4,906
Institute of Public Safety Fire Alarm Upgrade:			
Engineer	8,200	5,740	2,460
General Contractor	89,307		89,307
Building W, Health Sciences Flooring:			
Construction Manager	166,993	160,861	6,132
Building D, Heat Pump:			
Engineer	64,105	53,450	10,655
General Contractor	436,568	92,847	343,721
Fine Arts Hall:			
Architect	1,510,000	1,496,485	13,515
Construction Manager	739,885	460,185	279,700
Building R, Renovation Food Court Terrace:			
Architect	11,975	10,220	1,755
Construction Manager	175,485	172,773	2,712
Building H,N,V,W, Renovations:			
Architect	20,545	18,490	2,055
Construction Manager	226,273	153,856	72,417
Basin 28A-1 Remediation:			
Engineer	6,000	4,380	1,620
General Contractor	39,080		39,080
Watson Center Outdoor Classroom:			
Architect	13,700	10,960	2,740
Construction Manager	114,786		114,786
Total	\$ 5,972,893	\$ 4,003,878	\$ 1,969,015

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

**SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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 \$150 million. Insurance coverage obtained through the Consortium included health and hospitalization, life, dental, vision, 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.

13. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college’s apportionment considering the following components: base budget, which includes the State appropriation to the College Program Fund in the current year plus the related student tuition and fees assigned in the current General Appropriations Act; the cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which are determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates are deducted from the sum of these components to determine the net annual State apportionment to each college.

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

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

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 30,011,553
Education Enhancement Trust Fund (Lottery)	4,365,004
Bright Futures Scholarship Program	4,245,353
Gross Receipts Tax (Public Education Capital Outlay)	2,480,220
Florida Student Assistance Grants	2,377,385
Motor Vehicle License Tax (Capital Outlay and Debt Service)	454,000
Restricted Contracts and Grants	384,964
Other State Sources	111,543
Total	\$ 44,430,022

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

**SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011**

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	\$ 33,463,244
Public Services	1,297,989
Academic Support	6,299,229
Student Services	9,331,474
Institutional Support	12,733,556
Operation and Maintenance of Plant	9,809,505
Scholarships and Fellowships	24,029,827
Depreciation	7,619,661
Auxiliary Enterprises	115,094
Total Operating Expenses	\$ 104,699,579

15. CURRENT UNRESTRICTED FUNDS

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

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

Statement of Current Unrestricted Funds Net Assets

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 28,650,751
Investments	2,154,108
Accounts Receivable, Net	4,886,636
Due from Other Government Agencies	89,530
Inventories	73,182
Prepaid Expenses	<u>40,752</u>

Total Current Assets 35,894,959

Noncurrent Assets:

Investments	<u>6,275,940</u>
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TOTAL ASSETS \$ 42,170,899

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 858,673
Salary and Payroll Taxes Payable	4,166,433
Deferred Revenue	4,220,146
Compensated Absences Payable	<u>804,159</u>

Total Current Liabilities 10,049,411

Noncurrent Liabilities:

Compensated Absences Payable	7,320,483
Other Postemployment Benefits Payable	<u>186,870</u>

Total Noncurrent Liabilities 7,507,353

TOTAL LIABILITIES 17,556,764

TOTAL NET ASSETS 24,614,135

TOTAL LIABILITIES AND NET ASSETS \$ 42,170,899

SANTA FE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

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

REVENUES

Operating Revenues:

Student Tuition and Fees, Net of Scholarship		
Allowances of \$11,392,648	\$	20,075,882
Federal Grants and Contracts		222,773
State and Local Grants and Contracts		1,805,592
Sales and Services of Educational Departments		1,040,407
Auxiliary Enterprises		952,017
Other Operating Revenue		467,079

Total Operating Revenues 24,563,750

EXPENSES

Operating Expenses:

Personnel Services	52,290,900
Scholarships and Waivers	169,795
Utilities and Communications	2,550,722
Contractual Services	3,581,614
Other Services and Expenses	3,518,612
Materials and Supplies	4,511,652

Total Operating Expenses 66,623,295

Operating Loss (42,059,545)

NONOPERATING REVENUES

State Noncapital Appropriations	34,376,557
Gifts and Grants	2,799,662
Investment Income	1,007,424
Other Nonoperating Revenues	10,719

Net Nonoperating Revenues 38,194,362

Loss Before Other Revenues, Expenses

Gains, or Losses	(3,865,183)
State Capital Appropriations	6,810
Capital Grants, Contracts, Gifts, and Fees	1,423,973
Transfers from Other Funds, Net	9,000,251

Increase in Net Assets 6,565,851

Net Assets, Beginning of Year	18,016,132
Adjustments to Beginning Net Assets	32,152

Net Assets, Beginning of Year, as Restated 18,048,284

Net Assets, End of Year \$ 24,614,135

**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 PLAN

The July 1, 2009, unfunded actuarial accrued liability (UAAL) of \$504,898 was significantly lower than the July 1, 2007, UAAL 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, 2011, 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
November 18, 2011