NEW COLLEGE OF FLORIDA

Financial Audit

For the Fiscal Year Ended June 30, 2008



STATE OF FLORIDA AUDITOR GENERAL DAVID W. MARTIN, CPA

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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 Deidre J. Larkin, CPA, and the audit was supervised by Cathi M. Davis, 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 audit reports prepared by the Auditor General can be obtained on our Web site www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

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

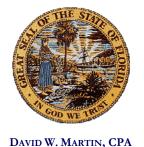
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements;
- Complied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

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, 2008. 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 financial statements. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

Audit Methodology

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



AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA



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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 New College of Florida, a component unit of the State of Florida, and it's discretely presented component unit as of and for the fiscal year ended June 30, 2008, which collectively comprise the College's basic financial statements as shown on pages 12 through 36. 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 blended and discretely presented component units, as described in note 1 to the financial statements. The financial statements of the blended component unit represent 33 percent of the total assets, and 88 percent of the total liabilities, reported for New College of Florida. The financial statements of the discretely presented component unit represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions on the financial statements, insofar as it relates to the amounts included for the blended and discretely presented component units, is based solely upon the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above

present fairly, in all material respects, the respective financial position of New College of Florida and of its discretely

presented component unit as of June 30, 2008, 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 our report on our consideration of New

College of Florida'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 the results of that testing, and not to provide an opinion on internal control over

financial reporting or on compliance. That report is an integral part of an audit performed in accordance with

Government Auditing Standards and should be considered in assessing the results of our audit.

The MANAGEMENT'S DISCUSSION AND ANALYSIS on pages 3 through 11 is not a required part of the

basic financial statements, but is supplementary information required by accounting principles generally accepted in

the United States of America. We have applied certain limited procedures, which consisted principally of inquiries

of management regarding the methods of measurement and presentation of the required supplementary

information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

David W. Martin, CPA

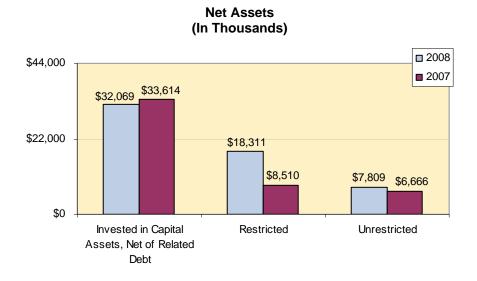
February 20, 2009

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, 2008, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$92.4 million at June 30, 2008. This balance reflects a \$5.5 million, or 6.4 percent, increase from the 2006-07 fiscal year, resulting primarily from an increase in capital assets. While assets grew, liabilities decreased in the amount of \$3.9 million, or 10.1 percent, totaling \$34.2 million at June 30, 2008, compared to \$38.1 million at June 30, 2007. As a result, the College's net assets increased by \$9.4 million, reaching a year end balance of \$58.2 million. Net assets increased primarily due to increased funding from the State for general and capital appropriations. The College's net assets by category for the fiscal years ended June 30, 2008, and June 30, 2007, in the following table:



The College's revenues totaled \$43.1 million for the 2007-08 fiscal year, representing a 3.8 percent decrease over the 2006-07 fiscal year. Mainly, the decrease in capital grants, contracts, donations, and fees was a result of a one time transfer of half the value of several buildings in the 2006-07 fiscal year from the University of South Florida. The College's expenses totaled \$33.7 million for the 2007-08 fiscal year, representing an increase of 19 percent over the 2006-07 fiscal year due mainly to an increase in other nonoperating expenses and compensation and benefits.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College's financial report includes 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. The financial statements and notes thereto, encompass the College and its component units, New College Foundation, Inc. (Foundation), and New College Development Corporation (Development Corporation). Based upon the application of the criteria for determining component units, the Development Corporation is included within the College reporting entity as a blended component unit, and the Foundation is included within the College reporting entity as a discretely presented component unit. This MD&A focuses on the College, excluding the discretely presented component unit, as it reports under FASB. MD&A information regarding the Development Corporation component unit can be found in its separately issued audit report.

THE STATEMENT OF NET ASSETS

The statement of net assets reflects the assets and liabilities of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. The difference between total assets and total liabilities, net assets, is one indicator of the College's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the College's financial condition.

The following summarizes the College's assets, liabilities, and net assets at June 30:

Combined Statement of Net Assets (In Thousands)

	2008	2007
Assets Current Assets Capital Assets, Net Other Noncurrent Assets	\$ 27,453 62,364 2,622	\$ 23,130 51,970 11,795
Total Assets	92,439	86,895
Liabilities Current Liabilities Noncurrent Liabilities	2,165 32,085	6,233 31,872
Total Liabilities	34,250	38,105
Net Assets Invested in Capital Assets, Net of Related Debt Restricted Unrestricted	32,069 18,311 7,809	33,614 8,510 6,666
Total Net Assets	\$ 58,189	\$ 48,790

Current assets at June 30, 2008, totaled \$27.4 million, compared to \$23.1 million at June 30, 2007. This was an increase of \$4.3 million, or 18.6 percent. The main reason for this increase was a \$2.7 million increase in the amount

due from State for PECO funding for capital projects relating to renovation, repair, and land acquisition and a \$1.6 million increase in cash and investments.

Total capital assets of \$62.3 million are comprised primarily of buildings, furniture and equipment, land and construction in progress. This amount is net of accumulated depreciation totaling \$26.1 million. Building values totaling \$77.6 million include the value of the five new student housing dorms and land values of \$4.6 million, including the value of the land in the car museum purchase and three smaller lots adjacent to College property.

Liabilities at June 30, 2008, totaled \$34.2 million, compared to \$38.1 million for June 30, 2007. This represents a \$3.9 million decrease. The decrease is primarily due to a \$4.2 million decrease in Construction Contracts Payable related to the construction of the new student dormitories which have now been completed.

In summary, New College of Florida's net assets of \$58.2 million at June 30, 2008, included \$32.1 million invested in capital assets, net of related debt, \$18.3 million in restricted expendable net assets, and \$7.8 million in unrestricted net assets.

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

The statement of revenues, expenses, and changes in net assets presents the College's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the College's activity for the 2007-08 and 2006-07 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets (In Thousands)

	2007-08	2006-07
Operating Revenues Operating Expenses	\$ 6,885 (28,646	
Operating Loss Net Nonoperating Revenues	(21,76 ² 18,080	, , , ,
Loss Before Other Revenues, Expenses, Gains, or Losses Other Revenues, Expenses, Gains, or Losses	(3,68 ² 13,080	, , ,
Net Increase In Net Assets	9,399	16,385
Net Assets, Beginning of Year	48,790	32,405
Net Assets, End of Year	\$ 58,189	9 \$ 48,790

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities during the 2007-08 and 2006-07 fiscal years:

Operating Revenues (In Thousands)

	20	07-08	20	006-07
Net Tuition and Fees Grants and Contracts Sales and Services of Auxiliary Enterprises Sales and Services of Educational Departments	\$	955 1,518 4,294 4	\$	1,169 1,634 3,061 6
Other		114		176
Total Operating Revenues	\$	6,885	\$	6,046

Total operating revenues increased by \$0.8 million in the 2007-08 fiscal year due to the increase in sales and services of auxiliary operations. The main reason for the rise in auxiliary sales was increased housing rental revenue due to the opening of the five new student housing dorms during the fiscal year which increased room rental capacity by over 200 beds.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen to report the expenses in

their natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

The following summarizes the operating expenses by natural classifications for the 2007-08 and 2006-07 fiscal years:

Operating Expenses (In Thousands)

	2007-08	2006-07
Compensation and Employee Benefits Services and Supplies Utilities and Communications Scholarships, Fellowships, and Waivers Depreciation	\$ 18,093 5,655 1,267 1,205 2,426	\$ 16,555 4,588 1,164 1,388 1,646
Total Operating Expenses	\$ 28,646	\$ 25,341

Total operating expenses for the 2007-08 fiscal year were \$28.6 million as compared to \$25.3 million for the 2006-07 fiscal year, which is a \$3.3 million or a 13 percent increase. The increase is mainly due to increases in compensation and benefits of \$1.5 million, services and supplies of \$1 million, and depreciation of \$0.8 million. Compensation and employee benefits accounted for 63.2 percent of total operating expenses and increased 9.3 percent over the 2006-07 fiscal year. The increase was the result of annual salary increases ranging between 2 and 4 percent and new employee hires. Most of the new employee hires were part of the second year of a three year plan approved by the Board of Governors to increase the academic and administrative infrastructure. The increase in supplies and services included \$0.5 million in furnishings for the five new student dorms. The increase in depreciation costs is related to the additional building values from the five new student dorms and equipment purchases.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2007-08 and 2006-07 fiscal years:

Nonoperating Revenues (Expenses) (In Thousands)

	2007-08	2006-07
State Appropriations Federal and State Student Financial Aid	\$ 18,823 2,762	\$ 16,807 2,385
Annual Subsidy from Foundation	720	720
Net Investment Income Other Nonoperating Revenues	791 2	1,589 11
Interest on Capital Asset-Related Debt Other Nonoperating Expenses	(894) (4,124)	(893) (2,132)
Net Nonoperating Revenues	\$ 18,080	\$ 18,487

Net nonoperating revenues decreased by \$0.4 million during the 2007-08 fiscal year. The decrease was due mainly to a \$0.8 million decrease in investment income with the remaining nonoperating revenues and expenses increasing by \$0.4 million to offset the investment income decrease.

Other Revenues, Expenses, Gains, or Losses

This category is composed of capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2007-08 and 2006-07 fiscal years:

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

	2007-08	2006-07
Capital Appropriations Capital Grants, Contracts, Donations, and Fees	\$ 13,047 33	\$ 6,964 10,229
Total	\$ 13,080	\$ 17,193

Total other revenues for the 2007-08 fiscal year decreased by \$4.1 million over the prior fiscal year. This decrease was the combination of a \$10.2 million decrease in capital grants, contracts, donations, and fees related to the University of South Florida transferring half of the value of several buildings in the 2006-07 fiscal year and an increase in capital appropriations of \$6.1 million related to increased Public Education Capital Outlay appropriations.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from the capital financing activities include all plant funds and related long-term debt activities. Cash flows from the investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from the noncapital financing activities include those activities not covered in other sections.

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The following summarizes cash flows for the 2007-08 and 2006-07 fiscal years:

Condensed Statement of Cash Flows (In Thousands)

	200	7-08	20	006-07
Cash Provided (Used) by: Operating Activities Noncapital Financing Activities Capital and Related Financing Activities Investing Activities	(1	9,010) 2,283 1,781) 9,007		(17,560) 19,654 (15,746) 12,063
Net Increase (Decrease) in Cash and Cash Equivalents Cash and Cash Equivalents, Beginning of Year		499 251		(1,589) 1,840
Cash and Cash Equivalents, End of Year	\$	750	\$	251

The major sources of cash from operating activities included auxiliary enterprise revenues of \$4.3 million, Federal, State, and nongovernmental grants of \$1.5 million, and net student tuition and fees of \$0.9 million. Included in the total cash used for operating activities were payments to employees of \$17.7 million; payments to suppliers for goods and services of \$6.9 million; and payments to students for scholarships of \$1.2 million.

The major source of cash provided by noncapital financing activities was State appropriations of \$18.8 million which represents 84.5 percent of the total cash flows provided in this category.

Cash flows from capital and related financing activities included \$13 million in State capital appropriations for infrastructure and maintenance. Major cash outlays included \$2.7 million for capital subsidies and transfers and \$22.2 million for the purchase or construction of capital assets.

The major source of cash inflows from investing activities was the sale of investments as the Development Corporation's investments were used on the new dorm construction.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2008, the College had \$88.5 million in capital assets, less accumulated depreciation of \$26.1 million, for net capital assets of \$62.4 million. Depreciation charges for the current fiscal year totaled \$2.4 million.

The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30 (In Thousands)

	2008	2007
Land Buildings Construction in Progress	\$ 4,562 55,176 1,007	\$ 1,302 29,997 19,099
Computer Software Furniture and Equipment	70 1,313	39 1,296
Library Resources	181	182
Works of Art and Historical Treasures	55	55
Total Capital Assets, Net	\$ 62,364	\$ 51,970

During the 2007-08 fiscal year, the Legislature approved and appropriated \$13.1 million to the College's capital budget. The appropriations included \$9.6 million for the construction of a new Academic building, \$3.2 million for utilities, infrastructure, renovation, and roof replacements, and \$.3 million for planning, maintenance, and repairs.

Additional information about the College's capital assets is presented in the notes to the financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2008, were incurred on a new dorm project and were funded through the Development Corporation's issuance of \$30.1 million in Certificates of Participation, Series 2006.

The College's major capital commitment at June 30, 2008, is as follows:

	Amount _(In Thousands)
Total Commitment Completed to Date	\$ 2,833 (344)
Balance Committed	\$ 2,489

Additional information about the College's capital commitments is presented in the notes to the financial statements.

DEBT ADMINISTRATION

As of June 30, 2008, the College had \$30.3 million in outstanding revenue bonds and certificates of participation, representing a decrease of \$0.1 million, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

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

	2	2008		2008		2007
Revenue Bonds Payable Certificates of Participation Payable		\$ 339 29,956		348 30,038		
Total	\$ 3	0,295	\$	30,386		

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

The economic position of the College is closely tied to that of the State of Florida. State and capital appropriations for the 2007-08 fiscal year totaled \$31.9 million and are the largest source of funding. The recent downturn in the State economy resulted in a reduction of the College's 2008-09 fiscal year appropriations by \$0.3 million, or 2 percent. On July 1, 2008, in anticipation of a projected deficit in the General Revenue Fund, the Governor implemented a quarterly release plan that generally provides for a 24 percent release of appropriations for each quarter of 2008-09 (known as the "4 percent release holdback"). This 4 percent holdback, if approved by the Legislature would result in an additional reduction of approximately \$0.7 million.

The College received a total of \$1.9 million from the New College of Florida Foundation, Inc. (Foundation), during the 2007-08 fiscal year, comprised of \$0.5 million in student aid and \$1.4 million in other program support. Included in the \$1.4 million of other program support is \$0.7 million to subsidize its faculty personnel costs. These moneys are used to ensure that the College maintains its low student-to-faculty ratio, a feature that has been crucial to attracting students and increasing enrollment at the College. In the unlikely even the Foundation becomes unable to fund these contributions, losing this fund could adversely impact the College if not offset by additional funding appropriated by the Legislature or generated through increases in student tuition fees.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Controller, New College of Florida, 5800 Bay Shore Road, Sarasota, FL 34243-2109.

BASIC FINANCIAL STATEMENTS

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS As of June 30, 2008

	College		Component Unit	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$	689,951	\$	46,102
Restricted Cash and Cash Equivalents				1,465,654
Investments		10,430,940		20,850
Accounts Receivable, Net		381,377		2,991,508
Notes Receivable				70,000
Due from State		15,926,210		
Inventories				4,450
Other Current Assets		24,754		5,040
Total Current Assets		27,453,232		4,603,604
Noncurrent Assets:				
Restricted Cash and Cash Equivalents		60,124		
Investments		,		33,459,610
Restricted Investments		2,437,881		, ,
Depreciable Capital Assets, Net		56,739,419		1,176,646
Nondepreciable Capital Assets		5,624,322		1,026,310
Other Noncurrent Assets		124,178		
Total Noncurrent Assets		64,985,924		35,662,566
TOTAL ASSETS	\$	92,439,156	\$	40,266,170
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$	481,117	\$	212,185
Construction Contracts Payable		319,194		
Salaries and Wages Payable		971,845		
Deposits Payable		500		
Due to State		724		
Deferred Revenue		127,263		4,959
Other Current Liabilities		90,356		2,031,257
Long-Term Liabilities - Current Portion:				
Bonds and Certificates of Participation Payable		94,094		
Compensated Absences Payable		80,236		
Total Current Liabilities		2,165,329		2,248,401

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS (Continued) As of June 30, 2008

	College		C	Component Unit	
LIABILITIES (Continued)					
Noncurrent Liabilities:					
Bonds and Certificates of Participation Payable	\$	30,200,366	\$		
Compensated Absences Payable		1,631,647			
Other Non-Current Liabilities				294,689	
Postemployment Health Care Benefits Payable		253,000			
Total Noncurrent Liabilities		32,085,013		294,689	
TOTAL LIABILITIES		34,250,342		2,543,090	
NET ASSETS					
Invested in Capital Assets, Net of Related Debt		32,069,281		2,202,956	
Restricted for Nonexpendable:					
Endowment				41,810,877	
Restricted for Expendable:					
Capital Projects		17,951,179			
Other		359,700		3,195,268	
Unrestricted		7,808,654		(9,486,021)	
TOTAL NET ASSETS		58,188,814		37,723,080	
TOTAL LIABILITIES AND NET ASSETS	\$	92,439,156	\$	40,266,170	

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

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS For the Fiscal Year Ended June 30, 2008

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$4,059,234	\$ 955,014	\$
Federal Grants and Contracts	196,546	
State and Local Grants and Contracts	28,246	
Nongovernmental Grants and Contracts	1,293,347	
Sales and Services of Educational Departments	3,700	
Sales and Services of Auxiliary Enterprises	4,293,762	
Gifts and Donations		5,784,108
Other Operating Revenues	114,493	8,775
Total Operating Revenues	6,885,108	5,792,883
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	18,092,417	
Services and Supplies	5,655,234	
Utilities and Communications	1,266,784	
Scholarships, Fellowships, and Waivers	1,205,206	
Depreciation	2,426,310	
Other Operating Expenses		5,474,007
Total Operating Expenses	28,645,951	5,474,007
Operating Income (Loss)	(21,760,843)	318,876
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	18,822,952	
Federal and State Student Financial Aid	2,761,566	
Annual Subsidy from Foundation	720,050	
Net Investment Income	790,883	(2,178,510)
Other Nonoperating Revenues	2,016	
Interest on Capital Asset-Related Debt	(893,517)	
Other Nonoperating Expenses	(4,123,513)	718,923
Net Nonoperating Revenues (Expenses)	18,080,437	(1,459,587)
Loss Before Other Revenues, Expenses,		
Gains, or Losses	(3,680,406)	(1,140,711)
Capital Appropriations	13,046,930	
Capital Grants, Contracts, Donations, and Fees	32,670	
Increase (Decrease) in Net Assets	9,399,194	(1,140,711)
Net Assets, Beginning of Year	48,789,620	38,863,791
Net Assets, End of Year	\$ 58,188,814	\$ 37,723,080

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

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2008

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 916,013
Grants and Contracts	1,532,328
Sales and Services of Educational Departments	3,700
Sales and Services of Auxiliary Enterprises	4,270,219
Other Operating Receipts	106,416
Payments to Employees	(17,714,085)
Payments to Suppliers for Goods and Services	(6,919,812)
Payments to Students for Scholarships and Fellowships	(1,205,206)
Net Cash Used by Operating Activities	(19,010,427)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	18,822,952
Federal and State Student Financial Aid	2,761,566
Other Nonoperating Receipts	698,911
Net Cash Provided by Noncapital Financing Activities	22,283,429
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	13,046,930
Capital Grants, Contracts, Donations, and Fees	24,720
Capital Subsidies and Transfers	(2,681,134)
Purchase or Construction of Capital Assets	(21,188,496)
Principal Paid on Capital Debt and Leases	(93,743)
Interest Paid on Capital Debt and Leases	(888,963)
Net Cash Used by Capital and Related Financing Activities	(11,780,686)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sale of Investments	7,994,933
Net Investment Income	1,011,631
Net Cash Provided by Investing Activities	9,006,564
Net Increase in Cash and Cash Equivalents	498,880
Cash and Cash Equivalents, Beginning of Year	251,195
Cash and Cash Equivalents, End of Year	\$ 750,075

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF CASH FLOWS (Continued) For the Fiscal Year Ended June 30, 2008

	College
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (21,760,843)
Adjustments to Reconcile Net Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	2,426,310
Change in Assets and Liabilities:	
Receivables, Net	(80,293)
Other Assets	(102,811)
Accounts Payable	105,017
Salaries and Wages Payable	91,808
Deposits Payable	(1,503)
Compensated Absences Payable	33,524
Deferred Revenue	25,364
Postemployment Health Care Benefits Payable	253,000
NET CASH USED BY OPERATING ACTIVITIES	\$ (19,010,427)

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

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA NOTES TO FINANCIAL STATEMENTS JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. In 1975, New College, a private residential liberal arts college, merged with the State's public universities. By the terms of the merger, New College became part of the University of South Florida (USF) which assumed management oversight of New College. Effective July 1, 2001, Chapter 2001-170, Laws of Florida, designated New College of Florida (College), a four-year residential liberal arts honors college of the State of Florida, as the State's 11th independent public institution of higher education. At that time, the College was vested with complete responsibility and authority for its academic and administrative operations. As a result of the reorganization, certain USF assets and liabilities, during the 2001-02 fiscal year, were transferred to the College. These assets and liabilities included, but are not limited to, buildings, machinery, furniture and equipment, bonded debt, and funds associated with general revenue, indirect costs, student fees, financial aid, grants, and auxiliary operations. During the 2006-07 fiscal year, certain buildings were transferred from USF to the College.

The College is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The College is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the College are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the College, which provide governance in accordance with State law and Board of Governors' Regulations. The Board of Governors, or the Trustees if designated by the Board of Governors, selects the College President. The College President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

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

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2008

Blended Component Unit. Based on the application of the criteria for determining component units, the New College Development Corporation (Development Corporation) is included within the College reporting entity as a blended component unit. The Development Corporation was created on November 4, 2005, as a not-for-profit Florida corporation under the provisions of Florida Statutes, Chapter 617, and as a direct-support organization of the College. The Development Corporation was established to secure, hold, invest, and administer property and to make expenditures for the exclusive benefit of the College. Due to the substantial economic relationship between the Development Corporation and the College, the financial activities of the Development Corporation are included in the College's financial statement. An annual audit of the Development Corporation is conducted by independent certified public accountants and is submitted to the Auditor General and the College Board of Trustees. Additional information on the Development Corporation, including copies of audit reports, is available by contacting the College Controller's Office.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the New College Foundation, Inc. (Foundation), a not-for-profit corporation and direct-support organization (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 6C-9.011) is included within the College reporting entity as a discretely presented component unit. This organization is authorized to fund, in whole or in part, academic and other programs of New College of Florida by grants that may be negotiated annually. An annual audit of the Foundation's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the College Board of Trustees. Additional information on the Foundation, including copies of audit reports, is available by contacting the College Controller's Office.

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

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2008

- Management's Discussion and Analysis
- ➤ Basic Financial Statements:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
 - Notes to Financial Statements

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

The College's discretely presented component unit uses the accrual basis of accounting whereby revenues are earned and expenses are recognized when incurred, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

The College follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

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

The College's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation on 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

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2008

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 a student or a third party making payment on behalf of the student. The College applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

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

Capital Assets. College capital assets consist of land, construction in progress, works of art and historical treasures, buildings, furniture and equipment, library resources, and computer software. 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 \$1,000 for tangible personal property and \$100,000 for new buildings and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- ➤ Buildings 15 to 50 years, Depending on Construction
- ➤ Furniture and Equipment 3 to 20 years
- ➤ Library Resources 5 years
- ➤ Computer Software 3 to 7 years

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of revenue certificates (bonds) payable, certificates of participation payable, compensated absences payable, and postemployment health care benefits payable that are not scheduled to be paid within the next fiscal year. Revenue certificates and certificates of participation payable are reported net of unamortized premiums and discounts, respectively. The College amortizes premiums and discounts over the life of the revenue certificates and certificates of

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2008

participation using the straight-line method. Issuance cost paid from the debt proceeds are reported as deferred charges and amortized over the life of the revenue certificates using the straight-line method.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and cash in demand accounts. 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 and construct capital or other restricted assets, are classified as restricted.

3. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the College is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in 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. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase and construct capital or other restricted assets, are classified as restricted.

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2008

The College's investments at June 30, 2008, are reported at fair value, as follows:

Investment Type	Amount
External Investment Pools:	
State Treasury Special Purpose Investment Account	\$ 10,310,532
State Board of Administration Fund B Surplus Funds	
Trust Fund	120,408
State Board of Administration Debt Service Accounts	8,274
Repurchase Agreements	2,429,607
Total College Investments	\$ 12,868,821

External Investment Pools

The College reported investments at fair value totaling \$10,310,532 at June 30, 2008, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.31 years at June 30, 2008. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool.

On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund (LGIP) to also establish the Fund B Surplus Trust Fund. Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the LGIP.

At June 30, 2008, the College reported investments at fair value of \$120,408 for amounts held in the Fund B. The College's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.923331 at June 30, 2008. The weighted-average life (WAL) of Fund B at June 30, 2008, was 9.22 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, 2008. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2008

State Board of Administration Debt Service Accounts

The College reported investments at fair value totaling \$8,274 at June 30, 2008, 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. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

Other Investments

The College's blended component unit, the New College Development Corporation, entered into a Master Trust Agreement with a bank (trustee). The trustee has entered into a repurchase agreement with Peoples Benefit Life Insurance Company, now known as Monumental Life Insurance (Monumental) for a portion of the unspent proceeds of the Certificates of Participation, Series 2006. The repurchase agreement totaled \$2,429,607 at June 30, 2008. Monumental's credit rating at June 30, 2008, was rated AA by Standard & Poor's. The guaranteed investment contract limits the Development Corporation's exposure to interest rate risk (the risk that change in interest rates will adversely affect the fair value of an investment) by guaranteeing a fixed rate of 5.05 percent on the balance on hand. The Development Corporation has no formal investment policy.

Component Units Investments

Investments held by the College's discretely presented component unit at June 30, 2008, are reported at fair value as follows:

Investment Type	Amount
United States Government Obligations Common Stock	\$ 5,274,564 20,759,212
Corporate Bonds	9,729
Other	7,436,955
Total Component Unit Investments	\$ 33,480,460

4. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2008

parties, and interest accrued on investments. As of June 30, 2008, the College reported the following amounts as accounts receivable:

Description	Amount
Student Tuition and Fees Contracts and Grants Auxiliary Services Other	\$ 13,787 178,532 74,814 131,725
Total Accounts Receivable Less, Allowance for	398,858
Uncollectable Accounts	17,481
Accounts Receivable, Net	\$ 381,377

<u>Allowance for Uncollectible Receivables</u>. An allowance for uncollectible student accounts is reported based upon management's best estimate of delinquent accounts that are over one year old. Accounts receivable and auxiliary services are reported net of allowances of \$17,481 at June 30, 2008.

No allowance has been accrued for other accounts receivable as College management considers these to fully collectible.

5. **DUE FROM STATE**

This is the amount of Public Education Capital Outlay allocations due to the College for construction of College facilities.

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, is shown below:

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2008

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets: Land Construction in Progress Works of Art and Historical Treasures	\$ 1,301,866 19,099,319 55,500	\$ 3,260,109 6,849,843	\$ 24,942,315	\$ 4,561,975 1,006,847 55,500
Total Nondepreciable Capital Assets	\$ 20,456,685	\$ 10,109,952	\$ 24,942,315	\$ 5,624,322
Depreciable Capital Assets: Buildings Furniture and Equipment Library Resources Computer Software	\$ 50,815,877 4,073,722 372,546 54,014	\$ 26,823,897 758,472 40,476 47,892	\$ 115,063	\$ 77,639,774 4,717,131 413,022 101,906
Total Depreciable Capital Assets	55,316,159	27,670,737	115,063	82,871,833
Less, Accumulated Depreciation: Buildings Furniture and Equipment Library Resources Computer Software	20,819,238 2,777,835 190,724 15,393	1,644,930 723,651 41,457 16,272	97,086	22,464,168 3,404,400 232,181 31,665
Total Accumulated Depreciation	23,803,190	2,426,310	97,086	26,132,414
Total Depreciable Capital Assets, Net	\$ 31,512,969	\$ 25,244,427	\$ 17,977	\$ 56,739,419

7. DEFERRED REVENUE

Deferred revenue totaling \$127,263 represents student fees and state and local contract and grant revenues received prior to fiscal year end related to subsequent account periods.

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2008, include certificates of participation, revenue bonds, compensated absences, and postemployment health care benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2008, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue Bonds Payable	\$ 347,816	\$	\$ 9,172	\$ 338,644	\$ 9,094
Certificates of Participation Payable	30,038,324	2,492	85,000	29,955,816	85,000
Compensated Absences Payable	1,678,359	136,340	102,816	1,711,883	80,236
Postemployment Health Care					
Benefits Payable		309,000	56,000	253,000	
Total Long-Term Liabilities	\$ 32,064,499	\$ 447,832	\$ 252,988	\$ 32,259,343	\$ 174,330

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2008

9. REVENUE BONDS PAYABLE

The College had the following revenue bonds payable outstanding at June 30, 2008:

Bond Type and Series		Amount of Original Issue		of Original O		Amount utstanding (1)	Interest Rates (Percent)	Maturity Date To
State University System Revenue Bonds: 2006A Trust Fund	\$	344,786	\$	338,644	4.00 - 5.00	2030		

Note: (1) Amount outstanding includes unamortized bond premiums.

State University System revenue bonds were issued for renovations and repairs to the student service facilities. These revenue bonds are secured and payable from capital improvement and building fees, which are remitted to the State Board of Education to be used to retire the bonds. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

Fiscal Year Ending June 30	P	Principal Interest		Interest		Total
2009	\$	9.094	\$	15,627	\$	24.721
2010	•	9,445	•	15,264	•	24,709
2011		9,825		14,886		24,711
2012		10,234		14,493		24,727
2013		10,644		14,083		24,727
2014-2018		60,267		63,289		123,556
2019-2023		76,408		47,167		123,575
2024-2028		97,316		26,255		123,571
2029-2030		45,967		3,475		49,442
Subtotal	;	329,200		214,539		543,739
Plus: Bond Premiums		9,444		,		9,444
Total	\$:	338,644	\$	214,539	\$	553,183

10. CERTIFICATION OF PARTICIPATION

On April 7, 2006, the New College Development Corporation (Development Corporation) issued variable rate Certificates of Participation (COPS), Series 2006, in the amount of \$30,110,000. The proceeds were used to finance the acquisition, construction, and equipping of five new residence halls containing approximately 200 new student beds, the renovation and improvement of three existing residence halls (Johnson, Bates, and Rothenberg), comprising the Pei complex, and if sufficient funding is available, the

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2008

renovation and improvement to the existing student activities center. A portion of the proceeds (\$4,296,564) of the COPS were used to defease \$4,155,000 of outstanding Board of Regents, University of South Florida Housing Facility Revenue Bonds (Sarasota/New College Campus Project) Series 1996B and Series 1998. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. At June 30, 2008, the Series 1996B and Series 1998 bonds were fully defeased.

As a condition of the financing arrangement, the College entered into a Master Ground and Operating Lease Agreement with the New College Florida Property Corporation (a component unit of the Development Corporation), which assigned all of its interest in the lease to the Development Corporation. The property covered by the Master Ground Lease together with the improvement thereon is leased back by the College to manage and operate through the Master Operating Lease and Facilities Sublease and Management Agreement. The payments on the lease are equal to the annual debt service requirements of the related bond debt and operating costs of the Development Corporation. The Lease will terminate the date on which the certificates and any related obligations are paid in full. Revenues from student housing are pledged to pay rent to the Development Corporation or its assignees equal to the debt service on the COPS.

Principal and interest payment requirements on the COPS outstanding as of June 30, 2008, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$ 85,000	\$ 1,229,282	\$ 1,314,282
2010	175,000	1,223,953	1,398,953
2011	305,000	1,214,112	1,519,112
2012	485,000	1,197,918	1,682,918
2013	495,000	1,177,828	1,672,828
2014-2018	3,675,000	5,482,212	9,157,212
2019-2023	4,675,000	4,623,058	9,298,058
2024-2028	5,830,000	3,550,190	9,380,190
2029-2033	7,245,000	2,214,923	9,459,923
2034-2037	7,055,000	594,192	7,649,192
Subtotal	30,025,000	22,507,668	52,532,668
Less: Discounts	(69,184)		(69,184)
Total	\$ 29,955,816	\$ 22,507,668	\$ 52,463,484

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2008

To protect against the potential of rising interest rates, the Development Corporation entered into an interest rate swap agreement at the time the COPS were issued. The intention of the swap was to effectively change the variable interest rate on the COPS to a synthetic fixed rate of 4.10 percent. The details of the swap are shown in the following table:

Amount	Effective Date	Termination Date	Fixed Rate		Counter Party Credit Rating
\$30,025,000	4-07-06	7-01-16	4.10%	(1)	AA

Note: (1) Determined weekly by the remarketing agent. At June 30, 2008, the variable rate was 1.585 percent.

The Development Corporation pays the variable rate interest monthly and then either pays the swap interest expense or receives a swap payment to effectively fix the rate at 4.10 percent.

Fair Value: Because interest rates have decreased, the swap had a negative fair value as of June 30, 2008. The negative fair value may be countered by reductions in total interest payments required under the variable-rate COPS. Because the coupons on the Development Corporation variable-rate COPS adjust to changing interest rates, the COPS do not have corresponding fair value increases. The fair value estimate is provided to the Development Corporation by a financial institution known to be a high value participant in this market. The Development Corporation has requested the fair value of its swap be determined, although it has no intention of selling the agreement and has the ability to hold and meet the swap obligation. At June 30, 2008, the negative fair value of the swap agreement held by the Development Corporation was \$1,498,786.

Credit Risk: As of June 30, 2008, the Development Corporation was not exposed to credit risk on its outstanding swap because of the negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the Development Corporation would be exposed to credit risk in the amount of the derivative's fair value.

Termination Risk: The Development Corporation or the counter party may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the associated variable-rate bonds would no longer carry synthetic fixed interest rates. Also, if at the time of the termination the swap has a negative fair value, the Development Corporation would be liable to the counter party for a payment equal to the swap's fair value.

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2008

Rollover Risk: The Development Corporation is exposed to rollover risk on the swap since it matures prior to the associated debt. When the swap terminates the Development Corporation will not realize the synthetic rate offered by the swap.

11. COMPENSATED ABSENCES PAYABLE

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulation 6C-5.920 and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. 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, 2008, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$1,711,883. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

12. POSTEMPLOYMENT HEALTH CARE BENEFITS

Effective for the 2007-08 fiscal year, the College implemented Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, for certain postemployment health care benefits administered by the State Group Health Insurance Program. The requirements of this Statement are being implemented prospectively, with the actuarially determined liability of \$3,427,000 at the July 1, 2007, the date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of transition.

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the College are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined-benefit plan. 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. Retirees are required to enroll in the Federal Medicare program for their

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2008

primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The College has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2007-08 fiscal year, eight retirees received postemployment health care benefits. The College provided required contributions of \$56,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$89,000.

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

Description	Amount		
Normal Cost (Service Cost for One Year) Amortization of Unfunded Actuarial	\$	179,000	
Accrued Liability		118,000	
Interest on Normal Cost and Amortization		12,000	
Annual Required Contribution Interest on Net OPEB Obligation Adjustment to Annual Required Contribution		309,000	
Annual OPEB Cost (Expense) Contribution Toward the OPEB Cost		309,000 (56,000)	
Increase in Net OPEB Obligation Net OPEB Obligation, Beginning of Year		253,000	
Net OPEB Obligation, End of Year	\$	253,000	

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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, 2008 (the year of implementation), was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	309,000	18.1%	253,000

<u>Funded Status and Funding Progress</u>. As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$3,427,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$3,427,000. The covered payroll (annual payroll of active participating employees) was \$12,645,227 for the 2007-08 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 27.1 percent.

Actuarial Methods and Assumptions. 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 health care 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. 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 initial OPEB actuarial valuation as of July 1, 2007, used the entry age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2008, and the estimated 2007-08 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 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 4 percent per year. Initial health care cost trend rates for employees not covered by Medicare was

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2008

9.6 percent, grading to 5.5 percent in half percent steps after nine years, and for employees covered by Medicare was 9.1 percent grading to 5.5 percent in half percent steps after eight years. The unfunded actuarial accrued liability is being amortized over 30 years as a level percentage of projected payroll on an opened 30 year period. The remaining amortization period at June 30, 2008, was 29 years.

13. RETIREMENT PROGRAMS

<u>Florida Retirement System</u>. The Florida Retirement System (FRS) is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions 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. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All 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, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

A Deferred Retirement Option Program (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 the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2007-08 fiscal year were as follows:

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

- Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.
 - (B) Contribution rates are dependent upon retirement class or plan in which reemployed.

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions for the fiscal years ended June 30, 2006, June 30, 2007, and June 30, 2008, totaled \$345,254, \$530,746, and \$511,262, respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. College employees already participating in the State University 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, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 33 College participants during the 2007-08 fiscal year. Required contributions made to the PEORP totaled \$75,803.

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.

NEW COLLEGE OF FLORIDA A COMPONENT UNIT OF THE STATE OF FLORIDA NOTES TO FINANCIAL STATEMENTS (CONTINUED) JUNE 30, 2008

<u>State University System Optional Retirement Program</u>. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities 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 university 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 115 College participants during the 2007-08 fiscal year. Required employer contributions made to the Program totaled \$718,875 and employee contributions totaled \$325,707.

14. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2008, are as follows:

Project Description		Total Commitment		Completed to Date		Balance Committed	
Residence Halls	\$	2,833,244	\$	344,563	\$	2,488,681	
Chemical Storage-Heiser		330,605		35,253		295,352	
Hamilton Center Generator		281,880		82,042		199,838	
Parkview Renovation		340,301		252,935		87,366	
Hamilton Center Bathrooms		190,523		175,373		15,150	
Cook Hall Sun Room Roof		136,172		116,681		19,491	
Total	\$	4,112,725	\$	1,006,847	\$	3,105,878	

15. OPERATING LEASE COMMITMENTS

The College leased land under an operating lease, which expire in 2056. The leased assets and the related commitments are not reported on the College's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from the lease agreement are contingent upon future appropriations. The lease is between New College of Florida and

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the Sarasota-Manatee Airport Authority. Every fifth year the annual lease payment is adjusted based on the Consumer Price Index. Future minimum lease commitments under this lease as of June 30, 2008, are as follows:

Fiscal Year Ending June 30		Amount	
2009	\$	85,771	
2010		85,771	
2011		85,771	
2012		85,771	
2013		85,771	
2014-2018		428,855	
2019-2023		428,855	
2024-2028		428,855	
2029-2033		428,855	
2034-2038		428,855	
2039-2043		428,855	
2044-2048		428,855	
2049-2053		428,855	
2054-2056		257,313	
Total Minimum Payments Required	\$ 4	,117,008	

16. 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. Pursuant to Section 1001.72(3), Florida Statutes, the College participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2007-08 fiscal year, for property losses the State retained the first \$2 million of losses for each occurrence with an annual aggregate retention of \$40 million for named wind and flood losses and no annual aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for named wind and flood. For perils other than named wind and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage. All losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$100,000 per person and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk

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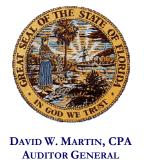
exposure for each participant. Settlements have not exceeded insurance coverage during the past three years.

Pursuant to Section 110.123, Florida Statutes, College employees may obtain health care services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

17. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, research, 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 academic departments for which the primary departmental function is instruction may include some activities other than direct instruction such as research and 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 Research Academic Support	\$	7,949,973 210,310 2,285,899		
Student Services Institutional Support Operation and Maintenance of Plant Scholarships and Followships		2,815,126 5,461,785 2,827,314 1,205,206		
Scholarships and Fellowships Depreciation Auxiliary Enterprises		2,426,310 3,464,028		
Total Operating Expenses	\$	28,645,951		



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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 audited the financial statements of New College of Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2008, 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 blended and discretely presented component units as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's

ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Respectfully submitted,

David W. Martin, CPA

February 20, 2009