



**SPACE FLORIDA**  
**(A COMPONENT UNIT OF**  
**THE STATE OF FLORIDA)**

**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

# SPACE FLORIDA

Table of Contents

June 30, 2009 and 2008

---

	<u>Page</u>
<b>Introductory Section</b>	
Title Page	1
Table of Contents	2
<b>Financial Section</b>	
Independent Auditors' Report	3
Management's Discussion and Analysis	5
Basic Financial Statements	
• Statements of Net Assets	12
• Statements of Revenues, Expenses and Changes in Net Assets	14
• Statements of Cash Flows	15
• Notes to the Financial Statements	17
Supplementary Information	
• Schedule of Travel, Entertainment and Incidental Expenses	27
<b>Additional Elements Required by <i>Government Auditing Standards</i> and the Rules of the Auditor General</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major State Project and on Internal Control over Compliance in Accordance with Chapter 10.550, Rules of the Auditor General	31
Schedule of Findings and Questioned Costs	33
Schedule of Expenditures of State Financial Assistance	35
Independent Auditors' Management Letter	37



Hoyman Dobson

## Independent Auditors' Report

The Board of Directors  
Space Florida  
Cape Canaveral, Florida

We have audited the accompanying basic financial statements of Space Florida as of June 30, 2009 and 2008, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of Space Florida's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Space Florida as of June 30, 2009 and 2008 and the changes in its financial position and its cash flows thereof for the years 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 dated September 28, 2009, on our consideration of Space Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 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 important for assessing the results of our audits.

The management's discussion and analysis on pages 5 through 9 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.

The Board of Directors  
Space Florida  
Page Two

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Space Florida's basic financial statements. The schedule of travel, entertainment and incidental expenses on page 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on it.

The accompanying schedule of expenditures of state financial assistance on page 35 is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Hoyman Dobson".

**Hoyman Dobson**  
Melbourne, Florida  
September 28, 2009

## Management's Discussion and Analysis

As management of Space Florida, we offer readers of Space Florida's financial statements this narrative overview and analysis of the financial activities of Space Florida for the years ended June 30, 2009 and 2008.

Effective September 1, 2006, Pursuant to Chapter 2006-60, Laws of Florida, a law enacted by the Florida Legislature during its 2006 Regular Session, Space Florida was created as an independent special district and subdivision of the State. Space Florida serves as the State's principal government space agency, responsible for space-related infrastructure development, industry recruitment, and education/research in partnership with federal agencies and private industry; for providing leadership for development of space transportation infrastructure; and for implementation of space commercialization and development programs.

Space Florida utilizes funds to operate programs that retain, attract, and expand new business to Florida, and to promote Florida as the world's premier space business destination. Space Florida is responsible for accelerating the growth of space-related economic development and supports Florida's economic goals through targeted space business retention, expansion, and diversification efforts in addition to providing innovative educational, research and development and workforce development programs and space related infrastructure development projects.

### Financial Highlights

- The assets of Space Florida exceeded its liabilities for the years ended June 30, 2009 and 2008 by \$74,349,475 and \$66,366,281 (net assets), respectively. Of this amount, \$3,140,882 and \$5,840,811 (unrestricted net assets), respectively, may be used to meet Space Florida's ongoing obligations to citizens and creditors.
- Space Florida's total net assets increased by \$7,983,194 and \$21,434,708 for the years ended June 30, 2009 and 2008, respectively. For the year ended June 30, 2009 the increase is due to state appropriations received for capital improvement projects (Orion and Launch Complex 36) offset by a decrease in receivables. For the year ended June 30, 2008 the increase is primarily attributable to state appropriations received for a capital improvement project (Orion).
- For the years ended June 30, 2009 and 2008, unrestricted net assets were 29 percent and 42 percent, respectively, of total operating expenditures.
- Space Florida's operating appropriated revenue for fiscal year 2009 was reduced by 45% to \$3,839,943 as compared with the appropriated operating revenue for fiscal year 2008 of \$7,000,000.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Space Florida's basic financial statements. Space Florida's basic financial statements are comprised of two components: financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements report information using the full accrual accounting methods as utilized by similar business activities in the public sector. The financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

The statement of net assets presents information on all of Space Florida's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as an indicator of the financial status of Space Florida.

The statement of revenues, expenses, and changes in fund net assets, presents information showing how Space Florida's net assets changed for the years ended June 30, 2009 and 2008. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows presents changes in cash and cash equivalents from operational, financing, and investing activities. This statement presents cash receipt and disbursement information without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The basic financial statements can be found on pages 12-16 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and thus are an integral part of these financial statements. The notes to the financial statements can be found on page 17-24 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. This supplementary information can be found on pages 27 and 35 of this report.

## Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial status. Assets exceeded liabilities as of June 30, 2009 and 2008 by \$74,349,475 and \$66,366,281, respectively.

The following table reflects the condensed statement of net assets.

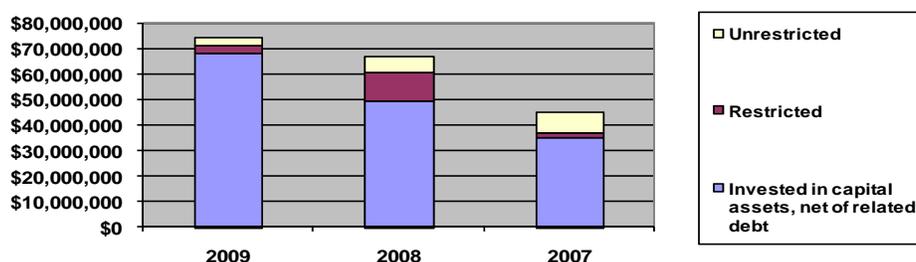
	2009	2008	2007
Cash	\$ 3,802,843	\$ 1,983,959	\$ 8,364,946
Receivables	3,303,438	17,521,974	1,872,489
Other current assets	167,858	110,024	154,585
Capital assets	67,882,586	48,939,545	34,683,909
Other assets	1,068,029	1,070,098	1,085,092
Total assets	76,224,754	69,625,600	46,161,021
Liabilities	1,875,279	3,259,319	1,229,448
Total liabilities	1,875,279	3,259,319	1,229,448
Net assets:			
Invested in capital assets, net			
of related debt	67,882,586	48,939,545	34,683,909
Restricted	3,326,007	11,585,925	2,004,157
Unrestricted	3,140,882	5,840,811	8,243,507
Total net assets	\$ 74,349,475	\$ 66,366,281	\$ 44,931,573

The largest portion of Space Florida net assets as of June 30, 2009 (91 percent) and as of June 30, 2008 (74 percent) reflects its investment in capital assets (e.g., buildings, equipment, and construction in progress), less any related debt used to acquire those assets that are still outstanding. Although Space Florida's investment in its capital assets is reported net of related debt above, Space Florida has no outstanding debt. If such debt existed, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of Space Florida net assets as of June 30, 2009 (4 percent) and as of June 30, 2008 (17 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet Space Florida's ongoing obligations.

As of June 30, 2009 and 2008, Space Florida was able to report positive balances in all three categories of net assets.

## Net Assets



The following table shows condensed revenue and expense data:

### *Space Florida Changes in Net Assets*

	2009	2008	2007
Operating revenues:			
Fees and charges for services	\$ 3,174,973	\$ 2,841,784	\$ 1,879,659
State appropriated funding	3,839,943	6,999,986	6,400,559
Other grant revenue	466,406	1,838,152	-
Total operating revenue	<u>7,481,322</u>	<u>11,679,922</u>	<u>8,280,218</u>
Non-operating revenues:			
Grant revenue	11,395,759	23,525,498	2,224,859
Other	16,761	180,556	939,601
Total non-operating revenues	<u>11,412,520</u>	<u>23,706,054</u>	<u>3,164,460</u>
Total revenues	<u>18,893,842</u>	<u>35,385,976</u>	<u>11,444,678</u>
Operating expenses:			
Business development	2,622,822	3,174,699	654,127
Educational research development and workforce activities	1,175,277	1,523,581	520,000
Operations	4,534,726	6,418,905	3,796,642
General, administrative and depreciation	2,577,823	2,834,083	2,027,518
Total operating expenses	<u>10,910,648</u>	<u>13,951,268</u>	<u>6,998,287</u>
Non-operating expenses:			
Total non-operating expenses	-	-	767,743
Total non-operating expenses	<u>-</u>	<u>-</u>	<u>767,743</u>
Total expenses	<u>10,910,648</u>	<u>13,951,268</u>	<u>7,766,030</u>
Change in net assets before transfer of net assets at inception	7,983,194	21,434,708	3,678,648
Net assets transferred in at inception	-	-	41,252,925
Change in net assets	7,983,194	21,434,708	44,931,573
Net assets – beginning	66,366,281	44,931,573	-
Net assets – ending	<u>\$ 74,349,475</u>	<u>\$ 66,366,281</u>	<u>\$ 44,931,573</u>

**Changes in Net Assets.** Space Florida grew its net assets balance to \$74,349,475 and \$66,366,281 for the years ended June 30, 2009 and 2008, respectively. For the year ended June 30, 2009 the increase in net assets consisted of a \$3,429,326 net loss from operations and \$11,412,520 in total non-operating revenues that include

\$11,395,759 in other grant revenue. For the year ended June 30, 2008 the increase in net assets consisted of a \$2,271,346 net loss from operations and \$23,706,054 in total non-operating revenues that include \$23,525,498 in other grant revenue.

Operating revenues totaled \$7,481,322 and \$11,679,922 for the years ended June 30, 2009 and 2008, respectively, and were primarily provided by State appropriated funding (51 and 60 percent of total operating revenues, respectively), with the remaining being generated from fees, charges for service and other grant revenues. In addition, Space Florida reported non-operating revenues of \$11,412,520 and \$23,706,054 for the years ended June 30, 2009 and 2008, respectively. Non-operating revenues consisted primarily of other grant revenues received for a particular capital improvement project (Orion).

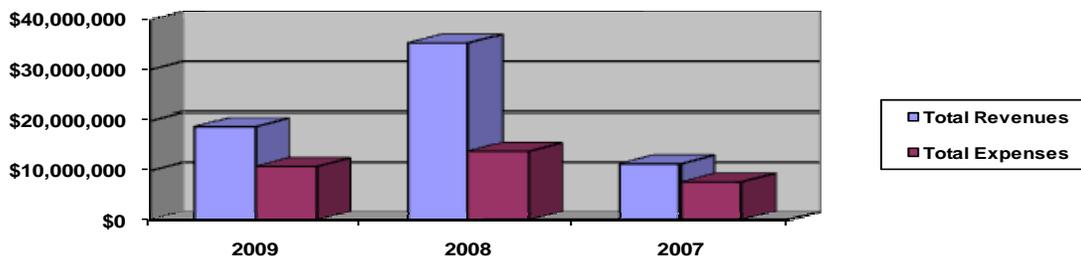
Operating expenses totaled \$10,910,648 for the year ended June 30, 2009 and \$13,951,268 for the year ended June 30, 2008 with 42 percent and 46 percent, respectively, expended on operations consisting of support for the execution of Space Florida's responsibilities as a state-created entity, including facilities management and policy-related responsibilities. Related to ownership and management of the operation and its facilities, depreciation totaled \$1,856,965 and \$1,739,800 for the years ended June 30, 2009 and 2008, respectively.

Space Florida's strategic goal is to operate as a high performance public sector organization. In addition, an important element of Space Florida's mission is to promote federal and state policies that increase space enterprise within the state.

As directed by statute, Space Florida is also responsible for fostering the growth and development of a sustainable and world-leading aerospace industry in the state and thus is responsible for accelerating the growth and diversification of aerospace-related economic development throughout the state. Space Florida is partnering with other state entities such as Enterprise Florida to accomplish these directives. During the period of June 30, 2009 and June 30, 2008 Space Florida expended 24 percent and 23 percent, respectively, of its operating expenditures to create and direct activities and programs that retain, attract and help expand aerospace businesses in Florida.

Lastly, 11 percent was expended on innovative educational, research and development, and workforce development projects for the years ended June 30, 2009 and 2008. Working with partners such as the Florida Department of Education, Space Florida was able to launch innovative educational programs targeted towards the improvement of science, technology, engineering and math in K-20 students. In addition, Space Florida has provided discerning funding of aerospace research and development activities and has played a key role in efforts with aerospace workforce development including transition from the Shuttle program to the Constellation Program.

### Total Revenues and Expenses



## Capital Asset and Debt Administration

**Capital assets** Space Florida's investment in capital assets as of June 30, 2009 and 2008 amounted to \$67,882,586 and \$48,939,545 (net of accumulated depreciation), respectively. This investment in capital assets includes buildings, improvements, construction in progress and equipment. Construction in progress as of June 30, 2009 and 2008 primarily consisted of modification of the Operations and Checkout Building on the Kennedy Space Center for final assembly of the Orion Capsule.

### *Space Florida Capital Assets (net of depreciation)*

	2009	2008	2007
SRMU storage facility	\$ 7,310,949	\$ 7,736,830	\$ 8,162,711
RLV hangar and office space	3,773,255	2,264,683	2,571,114
Space Life Sciences Lab	22,875,754	23,058,684	23,406,170
Furniture, equipment and vehicles	434,929	335,214	285,956
Construction in progress	33,487,699	15,544,134	257,958
Total	<u>\$ 67,882,586</u>	<u>\$ 48,939,545</u>	<u>\$ 34,683,909</u>

Additional information on Space Florida capital assets can be found in Note 4 on pages 20 to 21 of this report.

## Requests for Information

This financial report is designed to provide a general overview of Space Florida's finances for all those with an interest in Space Florida's financial operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Space Florida, SPFL, Building M6-306, Room 9030, Kennedy Space Center, Florida, 32899.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

**BASIC FINANCIAL STATEMENTS**

# SPACE FLORIDA

## Statements of Net Assets

June 30, 2009 and 2008

<b>ASSETS</b>	<u>2009</u>	<u>2008</u>
<b>Current assets</b>		
Cash:		
Unrestricted	\$ 270,773	\$ 1,879,536
Restricted	3,532,070	104,423
Accounts receivable	174,721	133,040
Due from governments:		
Unrestricted	1,839,943	3,500,000
Restricted	1,288,774	13,888,934
Other current assets	167,858	110,024
Total current assets	<u>7,274,139</u>	<u>19,615,957</u>
<b>Noncurrent assets</b>		
Capital assets (net of accumulated depreciation):		
SRMU storage facility	7,310,949	7,736,830
Reusable Launch Vehicle (RLV) hangar and office space	3,773,255	2,264,683
Space Life Sciences Lab	22,875,754	23,058,684
Furniture, equipment and vehicles	434,929	335,214
Construction in progress	33,487,699	15,544,134
Other noncurrent assets	1,068,029	1,070,098
Total noncurrent assets	<u>68,950,615</u>	<u>50,009,643</u>
<b>Total assets</b>	<u>76,224,754</u>	<u>69,625,600</u>

# SPACE FLORIDA

Statements of Net Assets (continued)

June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	169,696	613,123
Accrued expenses	831	10,515
Salaries payable	18,500	48,028
Deferred revenue	115,501	115,501
Accrued retirement payable	8,061	19,709
Compensated absences, current portion	40,147	8,891
Payable from restricted assets:		
Accounts payable	1,494,837	2,407,432
Total current liabilities	<u>1,847,573</u>	<u>3,223,199</u>
<b>Noncurrent liabilities</b>		
Compensated absences, long-term portion	<u>27,706</u>	<u>36,120</u>
Total noncurrent liabilities	<u>27,706</u>	<u>36,120</u>
<b>Total liabilities</b>	<u>1,875,279</u>	<u>3,259,319</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	67,882,586	48,939,545
Restricted for:		
Special purpose	3,326,007	11,585,925
Unrestricted	<u>3,140,882</u>	<u>5,840,811</u>
<b>Total net assets</b>	<u>\$ 74,349,475</u>	<u>\$ 66,366,281</u>

# SPACE FLORIDA

## Statements of Revenues, Expenses and Changes in Net Assets

For the years ended June 30, 2009 and 2008

	2009	2008
<b>Operating revenues</b>		
Fees and charges for services	\$ 3,174,973	\$ 2,841,784
State appropriated funding	3,839,943	6,999,986
Other grant revenue	466,406	1,838,152
Total operating revenues	<u>7,481,322</u>	<u>11,679,922</u>
<b>Operating expenses</b>		
Business development activities	2,622,822	3,174,699
Educational research development and workforce activities	1,175,277	1,523,581
Operations	4,534,726	6,418,905
General and administrative	720,858	1,094,283
Depreciation	1,856,965	1,739,800
Total operating expenses	<u>10,910,648</u>	<u>13,951,268</u>
<b>Loss from operations</b>	<u>(3,429,326)</u>	<u>(2,271,346)</u>
<b>Non-operating revenues</b>		
Interest income	16,761	180,556
Other grant revenue	11,395,759	23,525,498
Total non-operating revenues	<u>11,412,520</u>	<u>23,706,054</u>
<b>Change in net assets</b>	7,983,194	21,434,708
<b>Net assets, beginning of year</b>	<u>66,366,281</u>	<u>44,931,573</u>
<b>Net assets, end of year</b>	<u>\$ 74,349,475</u>	<u>\$ 66,366,281</u>

# SPACE FLORIDA

## Statements of Cash Flows

For the years ended June 30, 2009 and 2008

	2009	2008
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 3,133,292	\$ 2,949,983
Cash paid to suppliers for goods and services	(7,189,677)	(10,058,798)
Cash payments to employees for services	(2,391,216)	(1,756,583)
Operating grant receipts	5,966,406	6,938,282
Net cash used in operating activities	<u>(481,195)</u>	<u>(1,927,116)</u>
<b>Cash flows from capital and related financing activities:</b>		
Capital related grant receipts	23,995,919	9,636,564
Purchase and construction of capital assets	(21,712,601)	(14,302,097)
Net cash provided by (used in) capital and related financing activities	<u>2,283,318</u>	<u>(4,665,533)</u>
<b>Cash flows from investing activities:</b>		
Interest received	16,761	211,662
Net cash provided by investing activities	<u>16,761</u>	<u>211,662</u>
<b>Net increase (decrease) in cash</b>	1,818,884	(6,380,987)
<b>Cash, beginning of year</b>	1,983,959	8,364,946
<b>Cash, end of year</b>	<u>\$ 3,802,843</u>	<u>\$ 1,983,959</u>

Cash for the purposes of this statement consists of the following at June 30, 2009 and 2008:

Cash	\$ 270,773	\$ 1,879,536
Restricted cash	3,532,070	104,423
Total cash	<u>\$ 3,802,843</u>	<u>\$ 1,983,959</u>

## SPACE FLORIDA

Statements of Cash Flows (continued)

For the years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<b>Reconciliation of loss from operations to net cash used in operating activities:</b>		
<b>Loss from operations</b>	<u>\$ (3,429,326)</u>	<u>\$ (2,271,346)</u>
<b>Adjustment to reconcile loss from operations to net cash used in operating activities</b>		
Depreciation expense	1,856,965	1,739,800
Educational expense related to rocket launches	2,069	14,994
(Increase) decrease in assets:		
Accounts receivable	(41,681)	108,199
Due from other governments	1,660,057	(1,899,856)
Other current assets	(57,834)	44,561
Increase (decrease) in liabilities:		
Accounts payable	(443,427)	292,916
Accrued expenses	(9,684)	3,283
Accrued compensated absences	22,842	19,628
Salaries payable	(29,528)	27,072
Accrued retirement payable	(11,648)	(6,367)
Total adjustments	<u>2,948,131</u>	<u>344,230</u>
<b>Net cash used in operating activities</b>	<u><u>\$ (481,195)</u></u>	<u><u>\$ (1,927,116)</u></u>

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2009 and 2008

---

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY - Space Florida is an independent special district, a body politic and corporate, and subdivision of the State of Florida, which was created pursuant to the Space Florida Act, Sections 331.301-331.369, Florida Statutes, as amended. Space Florida's purpose is to foster the growth and development of a sustainable and world-leading aerospace industry in the State of Florida. Space Florida accomplishes its purpose by promoting aerospace business development, facilitating business financing, spaceport operations, research and development, workforce development, and innovative education programs. Space Florida is not considered an "agency" of the State for budgeting, as defined in Florida Statutes 216.011 and 287.012.

The governing body of Space Florida consists of a Board of Directors with twelve voting members appointed by the Governor, five statutorily designated voting members and two ex-officio, nonvoting members. One of the ex-officio members is appointed by the President of the Senate and must be a member of the Senate, and the other ex-officio member is appointed by the Speaker of the House of Representatives and must be a member of the House of Representatives.

The Board of Directors accomplishes its oversight of Space Florida through its appointment of a President who implements the policies and directives of the Board of Directors. The President is responsible for the management of the operations of Space Florida.

Space Florida has the authority to purchase or construct facilities, to set rates, fees and charges for the use of facilities and to undertake joint financing with municipalities or private sector entities for projects. Space Florida also has the power to issue bonds and other instruments of indebtedness. The full faith and credit of the State of Florida does not secure any bonds issued by Space Florida.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - Space Florida's financial statements are reported using the economic resources measurement focus, which is concerned with the inflow and outflow of resources that effect an entity. The Statement of Net Assets reflects those resources available to meet current obligations and to be used in the delivery of goods and services in subsequent periods. The Statement of Revenues, Expenses and Changes in Net Assets summarize those resources received and those consumed during the current period. The fund distinguishes between operating and non-operating revenues and expenses. Operating revenues generally result from leases, administrative fees, and operating grants. Operating expenses include the costs for space business development activities, educational research development and workforce activities, operations, administrative expenses and depreciation. All revenues and expenses not meeting the definition of operating are reported as non-operating revenues and expenses.

Space Florida is applying all applicable GASB pronouncements and only FASB Statements and Interpretation, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

Space Florida accounts for all of its activities within one enterprise fund.

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2009 and 2008

---

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**USE OF ESTIMATES** – The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Upon settlement, actual results may differ from those estimates.

**CASH** – Consists of cash on hand and demand deposits that are restricted and unrestricted.

**OTHER CURRENT ASSETS** – Consist of deposits and prepaid expenses.

**RESTRICTED ASSETS** – Consist primarily of cash received and unexpended in connection with a specific State-funded project.

**OTHER NONCURRENT ASSETS** – Consist of donated Super Loki rockets stated at the lower of cost or market.

**CAPITAL ASSETS** – Are defined as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Capital assets are recorded at cost when purchased or at fair market value when donated. Additions, improvements and expenditures for repairs and maintenance that extend the lives of assets are capitalized. Other expenditures for repairs and maintenance are charged to expense as incurred. The carrying amount and accumulated depreciation of assets that are sold or retired are removed from the accounts in the year of disposal and any resulting gain or loss is included in results of operations.

Depreciation is provided using the straight-line method over the useful lives of the various classes of depreciable assets. The estimated useful lives of the property and equipment range from 1 to 27 years.

**ACCRUED COMPENSATED ABSENCES** - Space Florida's reporting of accrued compensated absences has been recorded in accordance with GASB Statement No. 16. A liability is accrued for an employee's right to receive compensation for future absences when certain conditions are met.

**DEFERRED REVENUES** - Include amounts collected before the revenue recognition criteria are met. The deferred items consist of refundable prepaid launch fees.

**NET ASSETS** - Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. At June 30, 2009 and 2008, restricted net assets consist primarily of cash received and unexpended in connection with a specific State-funded project. When both restricted and unrestricted resources are available for use, generally it is Space Florida's policy to use restricted resources first, then unrestricted resources as needed.

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2009 and 2008

---

## NOTE 2 - CASH

At June 30, 2009 and 2008, the carrying amount of Space Florida's deposits was \$3,802,843 and \$1,983,959, respectively, and the bank balance was \$4,429,026 and \$2,294,072, respectively. These deposits consist of interest and non-interest bearing demand accounts that are covered by federal depository insurance (FDIC) up to \$100,000. Effective October 3, 2008, the federal government temporarily increased the FDIC deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013, at which time it will revert back to \$100,000. Monies invested in amounts greater than FDIC limits are secured by collateral held by Space Florida's agent, pursuant to the Florida Security for Public Deposits Act (the Act). The Act requires that Space Florida maintain deposits only in "qualified public depositories". All qualified public depositories must deposit with the State Treasurer eligible collateral in such amounts as required by the Act. Should a default or insolvency occur, the State Treasurer would implement procedures for payment of losses according to the validated claims of Space Florida. Therefore, Space Florida's deposits are considered to be fully insured.

Florida Statute 331.309 authorizes Space Florida to select as a depository any qualified public depository as defined in Florida Statute 280.02. Space Florida may also deposit funds with the State Treasury.

Cash at June 30, 2009 and 2008, consists of the following:

	<u>2009</u>	<u>2008</u>
Demand deposits	<u>\$ 3,802,843</u>	<u>\$ 1,983,959</u>
Classified as:		
Cash	\$ 270,773	\$ 1,879,536
Restricted cash	3,532,070	104,423
	<u>\$ 3,802,843</u>	<u>\$ 1,983,959</u>

## NOTE 3 – DUE FROM GOVERNMENTS

Due from governments is comprised of \$1,839,943 and \$3,500,000 of State appropriations for operations at June 30, 2009 and 2008, respectively. In addition, at June 30, 2009 and 2008 Space Florida recorded \$1,288,774 and \$13,888,934, respectively, of additional State appropriations due from other governments that is restricted for particular capital projects.

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2009 and 2008

---

## NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 was as follows:

	2009			Balance June 30, 2009
	Balance June 30, 2008	Increases	Decreases	
Capital assets, not being depreciated:				
Construction in progress	\$ 15,544,134	\$ 20,439,077	\$ (2,495,512)	\$ 33,487,699
Total capital assets not being depreciated	<u>15,544,134</u>	<u>20,439,077</u>	<u>(2,495,512)</u>	<u>33,487,699</u>
Capital assets, being depreciated:				
SRMU storage facility	8,517,611	-	-	8,517,611
RLV hangar and office space	2,842,472	1,854,512	-	4,696,984
Space Life Sciences Lab	24,704,405	759,009	-	25,463,414
Furniture, equipment and vehicles	493,247	242,920	(5,359)	730,808
Total capital assets being depreciated	<u>36,557,735</u>	<u>2,856,441</u>	<u>(5,359)</u>	<u>39,408,817</u>
Less accumulated depreciation for:				
SRMU storage facility	(780,781)	(425,881)	-	(1,206,662)
RLV hangar and office space	(577,789)	(345,940)	-	(923,729)
Space Life Sciences Lab	(1,645,721)	(941,939)	-	(2,587,660)
Furniture, equipment and vehicles	(158,033)	(143,205)	5,359	(295,879)
Total accumulated depreciation	<u>(3,162,324)</u>	<u>(1,856,965)</u>	<u>5,359</u>	<u>(5,013,930)</u>
Total capital assets, being depreciated, net	<u>33,395,411</u>	<u>999,476</u>	<u>-</u>	<u>34,394,887</u>
Capital assets, net	<u>\$ 48,939,545</u>	<u>\$ 21,438,553</u>	<u>\$ (2,495,512)</u>	<u>\$ 67,882,586</u>

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2009 and 2008

## NOTE 4 – CAPITAL ASSETS (CONTINUED)

Capital asset activity for the year ended June 30, 2008 was as follows:

	2008			Balance June 30, 2008
	Balance June 30, 2007	Increases	Decreases	
Capital assets, not being depreciated:				
Construction in progress	\$ 257,958	\$ 15,286,176	\$ -	\$ 15,544,134
Total capital assets not being Depreciated	257,958	15,286,176	-	15,544,134
Capital assets, being depreciated:				
SRMU storage facility	8,517,611	-	-	8,517,611
RLV hangar and office space	2,833,472	9,000	-	2,842,472
Space Life Sciences Lab	24,151,656	552,749	-	24,704,405
Furniture, equipment and vehicles	345,736	147,511	-	493,247
Total capital assets being depreciated	35,848,475	709,260	-	36,557,735
Less accumulated depreciation for:				
SRMU storage facility	(354,900)	(425,881)	-	(780,781)
RLV hangar and office space	(262,358)	(315,431)	-	(577,789)
Space Life Sciences Lab	(745,486)	(900,235)	-	(1,645,721)
Furniture, equipment and vehicles	(59,780)	(98,253)	-	(158,033)
Total accumulated depreciation	(1,422,524)	(1,739,800)	-	(3,162,324)
Total capital assets, being depreciated, net	34,425,951	(1,030,540)	-	33,395,411
Capital assets, net	\$ 34,683,909	\$ 14,255,636	\$ -	\$ 48,939,545

## NOTE 5 - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the years ended June 30, 2009 and 2008, was as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Compensated absences	\$ 45,011	\$ 107,411	\$ (84,569)	\$ 67,853	\$ 40,147
Total	\$ 45,011	\$ 107,411	\$ (84,569)	\$ 67,853	\$ 40,147
	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Compensated absences	\$ 25,383	\$ 74,532	\$ (54,904)	\$ 45,011	\$ 8,891
Total	\$ 25,383	\$ 74,532	\$ (54,904)	\$ 45,011	\$ 8,891

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2009 and 2008

---

## NOTE 6 - CONDUIT DEBT

As defined by GASB Interpretation No. 2, conduit debt obligations are certain limited obligation debt instruments issued by a state or local governmental entity for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. Although the conduit debt obligations bear the name of the governmental entity, the entity has no obligation to repay the conduit debt beyond the resources provided by a lease or loan to the third party. GASB has concluded that conduit debt does not create a liability for the governmental entity and, therefore, is not reflected on the entity's basic financial statements. Space Florida has participated in the issuance of conduit debt projects that are not reflected on the statement of net assets of its basic financial statements.

The conduit debt transactions discussed below are limited-obligation debts of Space Florida and are payable solely from the pledged revenues described in the respective debt agreements. Neither the faith nor credit, nor the taxing power of Space Florida, the State of Florida, nor any subdivision thereof is pledged to the payment of the debts.

During January 2000, the Florida Space Authority entered into an agreement to assist in the financing and modification of Launch Complex 41 for use of the Atlas V rocket. This project was completed during the year ended June 30, 2003. The original value of the Florida Space Authority assisted financing on this project was approximately \$294,117,000. With the dissolution of the Florida Space Authority on September 1, 2006, the conduit debt was assigned to Space Florida. As of June 30, 2008, the outstanding balance on Space Florida assisted financing was approximately \$106,280,000. The debt was refinanced in June 2009 with a principal balance of \$100,000,000. As of June 30, 2009, the outstanding balance was approximately \$93,460,000. The debt is being repaid from the rental revenue received on the Atlas V facility.

During July 2005, the Florida Space Authority entered into an agreement to assist in the financing related to the construction of a Shuttle Launch Experience facility to be located at the Kennedy Space Center. With the dissolution of the Florida Space Authority on September 1, 2006, the conduit debt was assigned to Space Florida. The project was completed during the year ended June 30, 2009, at which point the total value of the Florida Space Authority assisted financing on this project was approximately \$35,000,000. As of June 30, 2009 and 2008, the outstanding balance on Space Florida assisted financing was approximately \$23,630,000 and \$29,820,000, respectively. The debt will be repaid from a percentage of ticket sale revenues at the Kennedy Space Center Visitor Complex.

During March 2007, Space Florida entered into an agreement to assist in additional financing related to the construction of a Shuttle Launch Experience facility to be located at the Kennedy Space Center. The project was completed during the year ended June 30, 2009, at which point the total value of the Florida Space Authority assisted financing on this project was approximately \$5,000,000. As of June 30, 2009 and 2008, the outstanding balance on Space Florida assisted additional financing was approximately \$4,950,000 and \$2,990,000, respectively. The debt will be repaid from a percentage of ticket sale revenues at the Kennedy Space Center Visitor Complex.

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2009 and 2008

---

## NOTE 7 - SRMU STORAGE FACILITY

On May 15, 2007, Space Florida entered into an agreement to lease the Titan IV Solid Rocket Motor Upgrade (SRMU) storage facility constructed at Camp Blanding, Florida. The lease currently extends through September 30, 2009, and may be extended for up to eight additional one year periods. However, the tenant may terminate the lease with a 90-day written notice. During the years ended June 30, 2009 and 2008, Space Florida recorded lease revenue of \$448,186 and \$409,264, respectively.

The SRMU storage facility was constructed on land owned by the State of Florida Armory Board. The annual land use fee is approximately \$154,000 and is payable by Space Florida in monthly installments of \$12,834.

If the current tenant chooses not to renew the lease and no suitable lease agreement is secured with another tenant, management believes the service utility of the facility would be significantly reduced. Under such circumstances, and in accordance with GASB No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, Space Florida would be required to report an impairment loss, not to exceed the then carrying value of the facility, which is \$7,310,949 as of June 30, 2009. However, management believes the current tenant will continue to renew the lease. Accordingly, no impairment loss has been recorded as of June 30, 2009.

Space Florida also stores the majority of its inventory of Super Loki rockets (Note 1) at the Camp Blanding facility. Depending on how the facility is ultimately utilized, as described above, Space Florida may be forced to either destroy or donate its stock of Super Loki rockets. If such circumstances occurred, Space Florida would be required to record a loss of approximately \$1,068,000, the carrying value of the rockets stored at its Camp Blanding facility. As of June 30, 2009, management believes it will be able to continue to store the rockets at its Camp Blanding facility and have, therefore, not recorded a contingent loss.

## NOTE 8 – SPACE LIFE SCIENCES LAB

During 2004, the Florida Space Authority completed construction of the Space Life Sciences Lab (SLSL) and entered into an agreement to lease the facility. With the dissolution of the Florida Space Authority on September 1, 2006, the asset and lease were assigned to Space Florida. The net carrying value of the facility at June 30, 2009 was \$22,875,754. The lease term extends through September 30, 2009. During the years ended June 30, 2009 and 2008, Space Florida recorded lease revenue of \$1,600,957 and \$1,554,327, respectively.

The SLSL lease agreement also provides that the tenant is responsible for the operation and maintenance of the facility. However, Space Florida makes monthly payments to the tenant to cover such expenses. During the years ended June 30, 2009 and 2008, Space Florida recorded operations and maintenance expenses related to the SLSL facility of \$533,652 and \$444,950, respectively.

# SPACE FLORIDA

Notes to the Financial Statements

June 30, 2009 and 2008

---

## NOTE 9 - RETIREMENT PLAN

Effective September 1, 2006, Space Florida established a Simplified Employee Pension Plan (the Plan). The Plan eliminates the taxation required for the social security element of the Federal Insurance Contributions Act (FICA) for all participants and for Space Florida. Employees may not contribute to social security while participating in the Plan.

All employees of Space Florida are eligible to participate in the Plan immediately. Participants vest at 100% upon entering the Plan and retirement is set at age 65. The Plan is non-contributory for employees and, therefore, all contributions are the obligation of Space Florida. Contributions to the Plan for the years ended June 30, 2009 and 2008 were \$315,783 and \$235,930, respectively, and represented 15% of total eligible employee gross compensation for each period.

## NOTE 10 - COMMITMENTS AND CONTINGENCIES

### Construction and Other Commitments

Commitments for the repair, modification, improvements, material and new construction of property owned by Space Florida at June 30, 2009 and 2008 were approximately \$0 and \$2,100,000, respectively. Other contract commitments at June 30, 2009 and 2008 were approximately \$565,000 and \$0, respectively.

### Economic Dependency

Space Florida received approximately 83% and 92% of its total support from State legislative appropriations during the years ended June 30, 2009 and 2008.

### State Appropriated Funds & Federal Contracts

Amounts received from State and Federal agencies are subject to audit and adjustment at the discretion of these entities. If expenditures are disallowed as a result of these audits, the claims for reimbursement to the agency would become a liability of Space Florida.

SUPPLEMENTARY INFORMATION

THIS PAGE IS INTENTIONALLY LEFT BLANK.

## SPACE FLORIDA

### Schedule of Travel, Entertainment and Incidental Expenses

For the year ended June 30, 2009

---

Domestic:

Travel and incidental (1)	\$ 229,614
Entertainment	<u>36,367</u>
Total domestic	<u>265,981</u>

Foreign:

Travel and incidental (1)	16,038
Entertainment	<u>-</u>
Total foreign	<u>16,038</u>
Total	<u><u>\$ 282,019</u></u>

(1) Incidental expenses consist of telephone charges and gratuities

THIS PAGE IS INTENTIONALLY LEFT BLANK.

**Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Board of Directors  
Space Florida

We have audited the financial statements of Space Florida as of and for the year ended June 30, 2009, and have issued our report thereon dated September 28, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Space Florida'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 Space Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Space Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Space Florida'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 Space Florida's financial statements that is more than inconsequential will not be prevented or detected by Space Florida's internal control. We consider all of the control deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

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 entity's internal control.

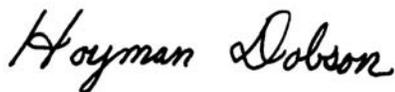
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described in the schedule of findings and questioned costs to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Space Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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*.

Space Florida's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Space Florida's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Space Florida's Board of Directors, others within the entity, State awarding agencies, specific legislative or regulatory bodies and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.



**Hoyman Dobson**  
Melbourne, Florida  
September 28, 2009



Hoyman Dobson

**Independent Auditors' Report on Compliance with Requirements Applicable  
to Each Major State Project and on Internal Control over Compliance  
in Accordance with Chapter 10.550, Rules of the Auditor General**

To the Board of Directors  
Space Florida

**Compliance**

We have audited the compliance of Space Florida with the types of compliance requirements described in the Executive Office of the Governor's State Projects Compliance Supplement, that are applicable to each of its major state projects for the year ended June 30, 2009. Space Florida's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state projects is the responsibility of Space Florida's management. Our responsibility is to express an opinion on Space Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about Space Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Space Florida's compliance with those requirements.

In our opinion, Space Florida complied, in all material respects, with the requirements referred to above that are applicable to each of its major state projects for the year ended June 30, 2009.

**Internal Control Over Compliance**

The management of Space Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state projects. In planning and performing our audit, we considered Space Florida's internal control over compliance with requirements that could have a direct and material effect on a major state project to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Space Florida's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a state project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects Space Florida's ability to administer a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Space Florida's Board of Directors, others within the entity, State awarding agencies, specific legislative or regulatory bodies and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.



**Hoyman Dobson**  
Melbourne, Florida  
September 28, 2009

# SPACE FLORIDA

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2009

---

### SUMMARY OF AUDITOR'S RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Space Florida.
2. A significant deficiency relating to the audit of the financial statements is reported in this Schedule.
3. No instances of noncompliance material to the financial statements of Space Florida were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major state award programs are reported.
5. The auditors' report expresses an unqualified opinion on state award programs.
6. We had no audit findings that would be required to be reported in accordance with Chapter 10.550, Rules of the Auditor General.
7. The programs tested as major projects include:

<u>CSFA Number(s)</u>	<u>Name of State Project</u>
31.004	Infrastructure Agreement – Orion
31.004	Funding and Program Agreements
31.004	Infrastructure Agreement – Launch Complex 36

8. The threshold used for distinguishing between Type A and B programs was \$723,626 for state grants.
9. Space Florida qualified as a low-risk auditee.

### FINDINGS – FINANCIAL STATEMENTS

#### IC 2009-01      ACCOUNTS AND RETAINAGE PAYABLE

**Criteria:** Due to strict reporting guidelines and delays in receiving invoices from certain vendors, Space Florida operates on a quasi-cash basis of accounting throughout the year, meaning liabilities are recognized as of the date invoices are received. However, management is required to report liabilities under the full accrual basis of accounting and recognize liabilities as of Space Florida's fiscal year end, June 30.

**Condition:** Management's current procedures to identify year end liabilities consist of a review of outstanding purchase orders, discussions with project managers, and a review of invoices and general ledger detail. Subsequent testing is not performed to identify material liabilities that are received after the cutoff date when the trial balance is reasonably adjusted to include all transaction through year end.

**Effect:** Without enhanced subsequent testing, there is the opportunity that liabilities are not recognized as of yearend. During the audit, we noted that a material accounts payable and a retainage payable invoice balance were not recorded at yearend.

# SPACE FLORIDA

## Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2009

---

### FINDINGS – FINANCIAL STATEMENTS (CONTINUED)

**Recommendation:** We recommend management enhance its existing procedures to ensure all significant Space Florida liabilities are identified as of fiscal year end. Specifically, we recommend reviewing a sample of invoices from subsequent check runs in the new fiscal year and the invoices for capital projects, to ensure payables and retainage balances are recognized in accordance with the accrual basis of accounting. Evidence that these procedures were performed should be documented.

**Management's Response:** Management concurs with the recommendation and is enhancing the existing procedures to include subsequent liability testing to insure all significant liabilities are identified as of fiscal year end.

### FINDINGS AND QUESTIONED COSTS – MAJOR STATE PROJECTS

None noted.

### OTHER ISSUES

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.

# SPACE FLORIDA

## Schedule of Expenditures of State Financial Assistance

For the year ended June 30, 2009

---

<u>State Agency</u>	<u>CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>	<u>Transfer to Subrecipients</u>
<b>Office of Tourism, Trade and Economic Development</b>				
Direct Projects				
Infrastructure Agreement - Orion	31.004	OT-07-059	\$ 16,272,808	\$ -
Funding & Program Agreement	31.004	OT-08-008	2,045,588	-
Funding & Program Agreement	31.004	OT-09-008	3,358,303	-
Infrastructure Agreement - Launch Complex 36	31.004	OT-09-045	2,444,181	-
Total expenditures of State financial assistance			<u>\$ 24,120,880</u>	<u>\$ -</u>

Note: This schedule is prepared on the accrual basis of accounting.

THIS PAGE IS INTENTIONALLY LEFT BLANK.



Hoyman Dobson

**Independent Auditors’  
Management Letter**

To the Board of Directors  
Space Florida

We have audited the financial statements of Space Florida as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated September 28, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors’ Report on Compliance with Requirements Applicable to each Major State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 28, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor’s reports or schedule:

- ❖ Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, as noted below:

Internal Control Findings:

1. Policies and Procedures	Corrected
----------------------------	-----------

- ❖ Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that Space Florida complied with Section 218.415, Florida Statutes.
- ❖ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

*Certified Public Accountants*

215 Baytree Drive | Melbourne, FL 32940 | p: (321) 255.0088 | f: (321) 259.8648  
4767 New Broad Street | Orlando, FL 32814 | p: (407) 422.1681 | f: (407) 514.2604  
www.hoyman.com

- ❖ Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- ❖ Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- ❖ Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority of Space Florida is disclosed in the footnotes.
- ❖ Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the special condition(s) met. In connection with our audit, we determined that Space Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- ❖ Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Space Florida for the fiscal year ended June 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended June 30, 2009. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Space Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Pursuant to Chapter 119, Florida Statutes, this management letter 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 letter is intended solely for the information and use of management, Space Florida's Board of Directors and others within the entity, State awarding agencies, specific legislative or regulatory bodies, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



**Hoyman Dobson**  
Melbourne, Florida  
September 28, 2009