

# LAKE CITY COMMUNITY COLLEGE

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2009



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Members of the Board of Trustees and President who served during the 2008-09 fiscal year are listed below:

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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 Micah E. Rodgers, CPA, and the audit was supervised by Cathy L. Bandy, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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## EXECUTIVE SUMMARY

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### 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 Lake City Community College and its officers with administrative and stewardship responsibilities for College operations had:

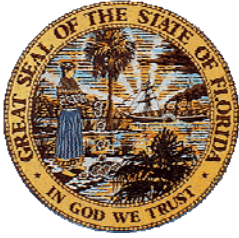
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the College's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, 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. The results of our operational audit of the College are included in our report No. 2010-019.

### 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.



DAVID W. MARTIN, CPA  
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 Lake City Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2009, which collectively comprise the College's basic financial statements as shown on pages 11 through 31. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which 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 report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Lake City Community College and of its discretely presented component unit as of June 30, 2009, and the respective changes in financial position and cash

flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Lake City Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 10 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  
January 7, 2010

## 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, 2009, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College's component unit, Lake City Community College Foundation, Inc., for the fiscal years ended March 31, 2009, and March 31, 2008.

### FINANCIAL HIGHLIGHTS

The College's assets totaled \$47.6 million at June 30, 2009. This balance reflects an \$8.5 million, or 22 percent, increase compared to the 2007-08 fiscal year, resulting in part from capital appropriations due from the State and an increase in capital assets. While assets grew, liabilities decreased \$270 thousand, or 6 percent, totaling \$4 million at June 30, 2009, compared to \$4.3 million at June 30, 2008. As a result, the College's net assets increased by \$8.7 million, reaching a year-end balance of \$43.6 million.

The College's operating revenues totaled \$5.2 million for the 2008-09 fiscal year, representing a decrease of \$1 million compared to the 2007-08 fiscal year. Operating expenses totaled \$24 million for the 2008-09 fiscal year, representing a decrease of 3 percent compared to the 2007-08 fiscal year.

### OVERVIEW OF FINANCIAL STATEMENTS

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

- Lake City Community College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Lake City Community College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

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

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

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

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

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

	<b>Condensed Statement of Net Assets at (In Thousands)</b>			
	College		Component Unit	
	6-30-09	6-30-08	3-31-09	3-31-08
<b>Assets</b>				
Current Assets	\$ 24,877	\$ 8,776	\$ 2,033	\$ 4,478
Capital Assets, Net	20,016	18,072	256	256
Other Noncurrent Assets	2,734	12,306	5,041	4,942
<b>Total Assets</b>	<u>47,627</u>	<u>39,154</u>	<u>7,330</u>	<u>9,676</u>
<b>Liabilities</b>				
Current Liabilities	2,004	1,962	17	19
Noncurrent Liabilities	1,981	2,293		
<b>Total Liabilities</b>	<u>3,985</u>	<u>4,255</u>	<u>17</u>	<u>19</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	20,016	18,072	256	257
Restricted	18,245	11,658	6,880	9,124
Unrestricted	5,381	5,169	177	276
<b>Total Net Assets</b>	<u>\$ 43,642</u>	<u>\$ 34,899</u>	<u>\$ 7,313</u>	<u>\$ 9,657</u>
<b>Increase in Net Assets</b>	<u>\$ 8,743</u>	25.1%	<u>\$ (2,344)</u>	-24.3%

Current assets increased due to an increase in due from other governmental agencies for anticipated 2009-10 capital outlay expenses, related to the Public Education Capital Outlay funds. In addition, capital assets increased based on major remodeling and renovation projects completed and in progress during the 2008-09 fiscal year.

Revenues and expenses of the College and its component unit for the respective fiscal years ended are shown in the following table:

**Operating Results for the Fiscal Years Ended  
(In Thousands)**

	College		Component Unit	
	6-30-09	6-30-08	3-31-09	3-31-08
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 3,216	\$ 3,609	\$	\$
Federal Grants and Contracts	874	402		
State and Local Grants and Contracts	149	793	61	412
Nongovernmental Grants and Contracts	143	177	924	804
Sales and Services of Educational Departments	25	14		
Auxiliary Enterprises, Net of Scholarship Allowances	729	1,163		
Other Operating Revenues	90	98	154	145
<b>Total Operating Revenues</b>	<b>5,226</b>	<b>6,256</b>	<b>1,139</b>	<b>1,361</b>
Less, Operating Expenses	23,987	24,843	984	1,103
<b>Operating Income (Loss)</b>	<b>(18,761)</b>	<b>(18,587)</b>	<b>155</b>	<b>258</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	13,985	14,375		
Gifts and Grants	3,210	3,682		
Investment Income (Loss)	(55)	363	(2,517)	203
Other Nonoperating Revenues	19	5		
Interest on Capital Asset-Related Debt	(24)	(27)		
Other Nonoperating Expenses	(14)	(36)		
<b>Net Nonoperating Revenues (Expenses)</b>	<b>17,121</b>	<b>18,362</b>	<b>(2,517)</b>	<b>203</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
	(1,640)	(225)	(2,362)	461
Capital Appropriations	10,080	4,556		
Capital Fees	303	348		
Additions to Permanent Endowments			18	250
<b>Increase (Decrease) in Net Assets</b>	<b>8,743</b>	<b>4,679</b>	<b>(2,344)</b>	<b>711</b>
Net Assets, Beginning of Year	34,899	30,220	9,657	8,946
<b>Net Assets, End of Year</b>	<b>\$ 43,642</b>	<b>\$ 34,899</b>	<b>\$ 7,313</b>	<b>\$ 9,657</b>

### Operating Revenues

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

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

- Student tuition and fee revenue, net of scholarship allowances, decreased by \$393 thousand, or 11 percent. Scholarship allowances increased by \$451 thousand, or 44 percent. The increase in scholarship allowances can be attributed to increases in Federal Pell grants and increase in student eligibility. Student tuition and fee revenue decreased in part due to the fact that the College no longer provides basic corrections instruction to the State of Florida, Department of Corrections. A portion of this decrease was reflected in the 2007-08 fiscal year, and the current academic year reflects the balance.

- State and local grants and contracts revenues decreased by \$644 thousand as a result of the completion of a grant funded by Workforce Florida for a Banner Center grant.

**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 classifications in the notes to financial statements.

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

**Operating Expenses for the Fiscal Years Ended  
(In Thousands)**

	College		Component Unit	
	6-30-09	6-30-08	3-31-09	3-31-08
<b>Operating Expenses</b>				
Personnel Services	\$ 13,809	\$ 14,394	\$	\$
Scholarships and Waivers	2,497	2,310	610	721
Utilities and Communications	850	934		
Contractual Services	1,613	2,071	95	143
Other Services and Expenses	1,712	1,609	250	218
Materials and Supplies	2,424	2,504	24	17
Depreciation	1,082	1,021	5	4
<b>Total Operating Expenses</b>	<b>\$ 23,987</b>	<b>\$ 24,843</b>	<b>\$ 984</b>	<b>\$ 1,103</b>

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

- There was a decrease in personnel services (salary and benefits) expenses of \$585 thousand, or 4 percent. The College outsourced custodial services as of May 2008, discontinued athletic programs, and reduced instructional costs related to the discontinuation of basic corrections classes. The positions that became open were not advertised but were filled during the year on a case by case basis. These staffing decisions were made to absorb current year funding reductions and anticipated future funding reductions.
- Materials and supplies expenses decreased by \$80 thousand, or 3 percent. The College decreased expenses for materials and supplies in an effort to assure funds were available in the event of an additional funding decrease of State appropriations.
- Contractual services expenses decreased \$458 thousand due to decreased cost associated with implementing an enterprise resource planning system software package during the 2008-09 fiscal year in comparison to the 2007-08 fiscal year.

The main focus of the Foundation is to support the College. The Foundation provided \$610 thousand in scholarships for the 2008-09 fiscal year. This is a \$111 thousand decrease in scholarships over the 2007-08 fiscal year. Annual contributions and endowments have a direct impact on the Foundation. The economy has significantly affected State appropriations and may affect the ability to get future contributions and endowment gifts from donors as well as funding from the State. This could affect the funding that the Foundation provides to support College programs.

**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 2008-09 and 2007-08 fiscal years:

**Nonoperating Revenues (Expenses): College  
(In Thousands)**

	<u>2008-09</u>	<u>2007-08</u>
State Appropriations	\$ 13,985	\$ 14,375
Gifts and Grants	3,210	3,682
Investment Income (Loss)	(55)	363
Other Nonoperating Revenues	19	5
Interest on Capital Asset-Related Debt	(24)	(27)
Other Nonoperating Expenses	<u>(14)</u>	<u>(36)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$ 17,121</u></b>	<b><u>\$ 18,362</u></b>

Nonoperating changes were the result of the following factors:

- State appropriations for normal operations decreased by \$390 thousand, or 3 percent for the 2008-09 fiscal year.
- Investment income decreased by \$418 thousand, or 115 percent. The College had all excess funds invested with the State Board of Administration (SBA) in December 2007 when the account was frozen by SBA. The College Board of Trustees subsequently determined to move all available funds from the SBA to a local account that is collateralized. The interest rate earned is a lower rate, but assures safety and liquidity of the College’s funds.

**Other Revenues, Expenses, Gains, or Losses**

This category is composed of capital appropriations and capital fees. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2008-09 and 2007-08 fiscal years:

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

	<u>2008-09</u>	<u>2007-08</u>
Capital Appropriations	\$ 10,080	\$ 4,556
Capital Fees	<u>303</u>	<u>348</u>
<b>Total</b>	<b><u>\$ 10,383</u></b>	<b><u>\$ 4,904</u></b>

State appropriations received for capital projects increased by \$5.5 million. The College is in the second year of funding for a new library/audio visual center. The College is receiving appropriations over a three year period and received \$8.6 million in the 2008-09 fiscal year.

## THE STATEMENT OF CASH FLOWS

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

The statement of cash flows also helps users assess:

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

A summary of the College's cash flows for the 2008-09 and 2007-08 fiscal years is presented in the following table:

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

	2008-09	2007-08
Cash Provided (Used) by:		
Operating Activities	\$ (17,850)	\$ (17,200)
Noncapital Financing Activities	17,195	18,057
Capital and Related Financing Activities	1,190	778
Investing Activities	192	(106)
<b>Net Increase in Cash and Cash Equivalents</b>	727	1,529
Cash and Cash Equivalents, Beginning of Year	10,490	8,961
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 11,217</b>	<b>\$ 10,490</b>

Major sources of funds came from State noncapital appropriations (\$14 million), net student tuition and fees (\$3.1 million), and gifts and grants from other than capital or endowment (\$3.2 million).

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

- The College expended significant funds for operating activities in the 2007-08 fiscal year for a noncapital software upgrade and associated technology costs.
- The cash flows from investing activities increased \$298 thousand due to a change in the State Board of Administration Pool B restructuring in the 2007-08 fiscal year offset by proceeds from sales and maturities of investments in the current year.
- The College has cash and cash equivalents at year-end that are reserved for projects in process or to be implemented in the 2009-10 fiscal year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At June 30, 2009, the College had \$42.6 million in capital assets, less accumulated depreciation of \$22.6 million, for net capital assets of \$20 million. Depreciation charges for the current fiscal year totaled \$1.1 million. The following table summarizes the College's capital assets for the 2008-09 fiscal year:

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

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 159	\$	\$	\$ 159
Buildings	30,427	2,175		32,602
Other Structures and Improvements	4,714	104		4,818
Furniture, Machinery, and Equipment	3,365	217	14	3,568
Construction in Progress	960	2,824	2,279	1,505
<b>Total</b>	<b>39,625</b>	<b>5,320</b>	<b>2,293</b>	<b>42,652</b>
Less, Accumulated Depreciation:				
Buildings	14,703	693		15,396
Other Structures and Improvements	4,355	116		4,471
Furniture, Machinery, and Equipment	2,495	274		2,769
<b>Total Accumulated Depreciation</b>	<b>21,553</b>	<b>1,083</b>		<b>22,636</b>
<b>Capital Assets, Net</b>	<b>\$ 18,072</b>	<b>\$ 4,237</b>	<b>\$ 2,293</b>	<b>\$ 20,016</b>

The College has \$1.2 million in construction contract commitments at June 30, 2009. The contract commitments are for projects that include renovations of Building 17, Building 16, and architectural services for the new construction of a library/audio visual building. The new library/audio visual building is scheduled to be bid before December, 2009.

An engineering firm is preparing design documents for a master storm water system to be bid and awarded by the Board of Trustees in January, 2010. In addition, an architect is designing major renovations for Building 59. State appropriations together with local funds are expected to finance the new construction and renovations. More information about the College’s capital assets is presented in the notes to financial statements.

Capital asset additions during the current fiscal year included the following:

- Building additions consists of a major renovation of Building 21. Building 21 provides three new computer classrooms, an office, and workspace for technology services. This project was completed this year and was primarily funded by Public Education Capital Outlay funds.
- Furniture, machinery, and equipment additions consisted of technology equipment, mainly consisting of computers and associated equipment.
- Construction in progress additions included the Building 17 renovations and the planning phase of the library/audio visual Center.

**DEBT ADMINISTRATION**

At fiscal year-end, the College had \$585 thousand in long-term debt outstanding compared to \$681 thousand at the end of 2007-08 fiscal year, a decrease of 14 percent. Additional information about the College’s long-term debt is presented in the notes to financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

Lake City Community College’s economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, no increase in State funding is anticipated in the coming

year. In response to the lack of substantial State appropriation increases, the Board of Trustees increased the tuition rate 8 percent to take effect beginning with the Fall 2009 term. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services. The College's practice is to budget at a level to assure sufficient fund balance is available so that current operations will be adequately funded for the future. The College's Board of Trustees is prepared to take action by decreasing the College's current operating budget in the event that State appropriations are decreased.

### **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 Vice President for Business Services, Lake City Community College, 149 SE College Place, Lake City, Florida 32025-2007.

## BASIC FINANCIAL STATEMENTS

### LAKE CITY COMMUNITY COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS June 30, 2009

	College	Component Unit
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 7,781,106.61	\$ 172,920.00
Restricted Cash and Cash Equivalents	894,532.81	736,640.00
Restricted Investments		1,092,391.00
Accounts Receivable, Net	69,962.16	27,166.00
Notes Receivable, Net	9,067.90	
Due from Other Governmental Agencies	15,624,437.91	
Due from Component Unit	50,561.19	
Inventories	446,996.91	
Other Assets	200.00	3,761.00
<b>Total Current Assets</b>	<b>24,876,865.49</b>	<b>2,032,878.00</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,541,574.02	
Investments	192,503.03	
Endowment Investments		5,041,581.00
Depreciable Capital Assets, Net	18,352,459.87	155,571.00
Nondepreciable Capital Assets	1,663,620.74	100,214.00
<b>Total Noncurrent Assets</b>	<b>22,750,157.66</b>	<b>5,297,366.00</b>
<b>TOTAL ASSETS</b>	<b>\$ 47,627,023.15</b>	<b>\$ 7,330,244.00</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 257,290.55	\$ 17,177.00
Salary and Payroll Taxes Payable	1,109,820.99	
Deferred Revenue	205,054.82	
Deposits Held for Others	35,001.69	
Long-Term Liabilities - Current Portion:		
Note Payable	99,756.16	
Compensated Absences Payable	296,476.01	
<b>Total Current Liabilities</b>	<b>2,003,400.22</b>	<b>17,177.00</b>
Noncurrent Liabilities:		
Note Payable	484,863.76	
Compensated Absences Payable	1,448,578.40	
Postemployment Benefits Payable	47,629.00	
<b>Total Noncurrent Liabilities</b>	<b>1,981,071.16</b>	
<b>TOTAL LIABILITIES</b>	<b>3,984,471.38</b>	<b>17,177.00</b>

**LAKE CITY COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS (Continued)  
June 30, 2009**

	<b>College</b>	<b>Component Unit</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 20,016,080.61	\$ 255,785.00
Restricted:		
Nonexpendable:		
Endowment		5,043,405.00
Expendable:		
Grants and Loans	732,781.74	
Scholarships	63,923.58	1,837,277.00
Capital Projects	17,448,529.42	
Unrestricted	5,381,236.42	176,600.00
<b>Total Net Assets</b>	<b>43,642,551.77</b>	<b>7,313,067.00</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 47,627,023.15</b>	<b>\$ 7,330,244.00</b>

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

**LAKE CITY COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2009**

	<b>College</b>	<b>Component Unit</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$1,471,939.07	\$ 3,216,003.54	\$
Federal Grants and Contracts	874,039.87	
State and Local Grants and Contracts	149,304.13	61,045.00
Nongovernmental Grants and Contracts	143,012.76	924,132.00
Sales and Services of Educational Departments	25,157.60	
Auxiliary Enterprises, Net of Scholarship Allowances of \$750,947.52	728,366.29	
Other Operating Revenues	90,296.44	154,078.00
<b>Total Operating Revenues</b>	<b>5,226,180.63</b>	<b>1,139,255.00</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	13,809,114.67	
Scholarships and Waivers	2,497,491.32	609,741.00
Utilities and Communications	849,699.07	
Contractual Services	1,612,971.54	94,754.00
Other Services and Expenses	1,712,182.25	250,220.00
Materials and Supplies	2,423,483.95	23,895.00
Depreciation	1,081,934.18	5,677.00
<b>Total Operating Expenses</b>	<b>23,986,876.98</b>	<b>984,287.00</b>
<b>Operating Income (Loss)</b>	<b>(18,760,696.35)</b>	<b>154,968.00</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	13,985,042.61	
Gifts and Grants	3,210,310.00	
Investment Losses	(54,785.56)	(2,516,890.00)
Other Nonoperating Revenues	18,737.54	
Interest on Capital Asset-Related Debt	(23,746.26)	
Other Nonoperating Expenses	(14,392.00)	
<b>Net Nonoperating Revenues (Expenses)</b>	<b>17,121,166.33</b>	<b>(2,516,890.00)</b>
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(1,639,530.02)</b>	<b>(2,361,922.00)</b>
Capital Appropriations	10,079,356.86	
Capital Fees	303,352.82	
Additions to Permanent Endowments		18,202.00
<b>Total Other Revenues</b>	<b>10,382,709.68</b>	<b>18,202.00</b>
<b>Increase (Decrease) in Net Assets</b>	<b>8,743,179.66</b>	<b>(2,343,720.00)</b>
Net Assets, Beginning of Year	34,899,372.11	9,656,787.00
<b>Net Assets, End of Year</b>	<b>\$ 43,642,551.77</b>	<b>\$ 7,313,067.00</b>

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

**LAKE CITY COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2009**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 3,134,756.36
Grants and Contracts	1,114,460.34
Payments to Suppliers	(5,734,196.07)
Payments for Utilities and Communications	(849,699.07)
Payments to Employees	(10,693,460.93)
Payments for Employee Benefits	(2,995,873.62)
Payments for Scholarships	(2,497,491.32)
Net Loans Issued to Students	(65,010.87)
Collection of Loans to Students	63,782.53
Auxiliary Enterprises	732,059.92
Sales and Service of Educational Departments	25,157.60
Other Payments	(84,155.99)
	<b>(17,849,671.12)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	13,985,042.61
Gifts and Grants Received for Other Than Capital or Endowment Purposes	3,210,310.00
	<b>17,195,352.61</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Appropriations	4,109,509.18
Capital Fees	303,352.82
Proceeds from Sale of Capital Assets	18,737.54
Purchases of Capital Assets	(3,121,419.41)
Principal Paid on Capital Debt	(96,194.62)
Interest Paid on Capital Debt	(23,746.26)
	<b>1,190,239.25</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	95,160.08
Investment Income	96,533.67
	<b>191,693.75</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>727,614.49</b>
Cash and Cash Equivalents, Beginning of Year	10,489,598.95
	<b>\$ 11,217,213.44</b>

**LAKE CITY COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS (Continued)  
For the Fiscal Year Ended June 30, 2009**

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (18,760,696.35)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,081,934.18
Changes in Assets and Liabilities:	
Receivables, Net	18,176.60
Inventories	14,441.67
Due from Other Governmental Agencies	(108,590.75)
Accounts Payable	(171,055.81)
Salaries and Payroll Taxes Payable	129,726.43
Deferred Revenue	(39,035.82)
Deposits Held for Others	(3,396.62)
Loans to Students	(1,228.34)
Compensated Absences Payable	(31,872.31)
Postemployment Benefits Payable	21,926.00
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (17,849,671.12)</b>

**SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITY**

During the 2008-09 fiscal year, the College recognized unrealized losses of \$151,319.23 on investing activities. The unrealized losses were recognized as reductions to investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.

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

**LAKE CITY COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** The governing body of Lake City Community College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by law and State Board of Education rules. However, the District Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and State Board of Education rules. Geographic boundaries of the District correspond with those of Baker, Columbia, Dixie, Gilchrist, and Union Counties.

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

**Discretely Presented Component Unit.** Based on the application of the criteria for determining component units, the Lake City Community College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2009.

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

**LAKE CITY COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**Basis of Presentation.** The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

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

The College's component unit uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

The College follows 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.

**LAKE CITY COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College 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 of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

**Cash and Cash Equivalents.** The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash placed with the State Treasury Special Purpose Investment Account (SPIA). For the purpose of reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury SPIA to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

**LAKE CITY COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

At June 30, 2009, the College reported as cash equivalents at fair value \$19,418.15 of moneys held in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard and Poor's and had an effective duration of 1.84 years at June 30, 2009. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

**Capital Assets.** College capital assets consist of land; construction in progress; buildings; other structures and improvements; and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

**Noncurrent Liabilities.** Noncurrent liabilities include principal amounts of the note payable, compensated absences payable, and postemployment benefits payable that are not scheduled to be paid within the next fiscal year.

## **2. INVESTMENTS**

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the 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 by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type

**LAKE CITY COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

**State Board of Administration Fund B Surplus Funds Trust Fund**

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

At June 30, 2009, the College reported investments at fair value of \$192,503.03 for amounts held in Fund B. The College's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.51370946 at June 30, 2009. The weighted-average life (WAL) of Fund B at June 30, 2009, was 6.87 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, 2009. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

**Component Unit Investments**

The Lake City Community College Foundation, Inc. (Foundation), investments are managed by investment brokerage houses. There are no legal restrictions on the type of investments that can be made. The Foundation's investment policy provides that investments are to be limited to premium investment grade mutual funds, equity securities, and debt securities from companies located throughout the United States. The policy also provides that debt securities should be maintained as near as possible to 20 percent of the total investment portfolio. Foundation investments at March 31, 2009, are recorded at fair value based on quoted market prices as follows:

**LAKE CITY COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

Investment Type	Market Value
Commonfund:	
Bond Mutual Funds	\$ 1,523,378
Equity Mutual Funds	4,329,525
Realty Investors, LLC	280,083
Corporate Common Stocks	986
<b>Total Component Unit Investments</b>	<b>\$ 6,133,972</b>

*Interest Rate Risk:* Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The Foundation has no formal investment policy that limits investment maturities. However, the Foundation manages its exposure to fair value losses arising from increasing interest rates through the weighted average maturity method. As of March 31, 2009, the weighted average maturity for the Commonfund bond mutual funds was 7.8 years.

*Credit Risk:* Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Foundation has no formal investment policy on credit risk. As of March 31, 2009, the credit quality rating for the Commonfund bond mutual funds was AA.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$13,156.65 allowance for uncollectible accounts.

**4. NOTES RECEIVABLE**

Notes receivable represent student loans made under the College’s short-term loan program and are reported net of an \$8,789.22 allowance for uncollectible notes.

**5. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$15,394,358.68 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

**6. DUE FROM COMPONENT UNIT**

The \$50,561.19 reported as due from component unit consists of amounts owed to the College by its Foundation for scholarships and financial aid. The College’s financial statements are reported for the fiscal

**LAKE CITY COMMUNITY COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

year ended June 30, 2009. The College’s component unit’s financial statements are reported for the fiscal year ended March 31, 2009. Accordingly, although the College reported an amount due from the component unit on the statement of net assets, no amount is reported for the component unit as payable to the College.

**7. INVENTORIES**

Inventories consist of items for resale by the campus bookstore and are valued using the first-in, first-out, method of inventory valuation. In addition, inventories consist of various types of centrally stored consumable materials and supplies, which are valued using the average cost or last invoice price, which approximates the first-in, first-out, method of inventory valuation.

**8. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 159,029.23	\$	\$	\$ 159,029.23
Construction in Progress	960,132.07	2,823,213.87	2,278,754.43	1,504,591.51
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 1,119,161.30</b>	<b>\$ 2,823,213.87</b>	<b>\$ 2,278,754.43</b>	<b>\$ 1,663,620.74</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 30,427,097.75	\$ 2,175,091.59	\$	\$ 32,602,189.34
Other Structures and Improvements	4,714,294.81	103,662.84		4,817,957.65
Furniture, Machinery, and Equipment	3,365,001.47	217,338.78	14,392.00	3,567,948.25
<b>Total Depreciable Capital Assets</b>	<b>38,506,394.03</b>	<b>2,496,093.21</b>	<b>14,392.00</b>	<b>40,988,095.24</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	14,702,989.56	692,708.32		15,395,697.88
Other Structures and Improvements	4,355,379.93	115,716.89		4,471,096.82
Furniture, Machinery, and Equipment	2,495,331.70	273,508.97		2,768,840.67
<b>Total Accumulated Depreciation</b>	<b>21,553,701.19</b>	<b>1,081,934.18</b>		<b>22,635,635.37</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 16,952,692.84</b>	<b>\$ 1,414,159.03</b>	<b>\$ 14,392.00</b>	<b>\$ 18,352,459.87</b>

**9. DEFERRED REVENUE**

Deferred revenue includes student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2009, the College reported \$205,054.82 as deferred revenue.

**LAKE CITY COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**10. LONG-TERM LIABILITIES**

Long-term liabilities of the College at June 30, 2009, include a note, compensated absences, and postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Note Payable	\$ 680,814.54	\$	\$ 96,194.62	\$ 584,619.92	\$ 99,756.16
Compensated Absences Payable	1,776,926.72	97,463.00	129,335.31	1,745,054.41	296,476.01
Postemployment Benefits Payable	25,703.00	21,926.00		47,629.00	
<b>Total Long-Term Liabilities</b>	<b>\$ 2,483,444.26</b>	<b>\$ 119,389.00</b>	<b>\$ 225,529.93</b>	<b>\$ 2,377,303.33</b>	<b>\$ 396,232.17</b>

**Note Payable.** On May 20, 2004, the College entered into an energy savings installment note with a bank in the aggregate principal amount of \$1,000,000, under the provisions of Section 1013.23, Florida Statutes, at an interest rate of 3.74 percent. Proceeds were used to fund an energy performance-based contract for energy management facilities upgrade projects. The note matures on November 20, 2014. Annual requirements for planned repayment of the note payable at June 30, 2009, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 99,756.16	\$ 20,270.82	\$ 120,026.98
2011	103,654.30	16,372.58	120,026.88
2012	107,566.07	12,460.81	120,026.88
2013	111,690.78	8,336.10	120,026.88
2014	115,841.75	4,185.13	120,026.88
2015	46,110.86	410.22	46,521.08
<b>Total</b>	<b>\$ 584,619.92</b>	<b>\$ 62,035.66</b>	<b>\$ 646,655.58</b>

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2009, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$1,745,054.41. The current portion of the compensated absences liability was determined based on the anticipated payout in the next fiscal year.

**LAKE CITY COMMUNITY COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**Postemployment Benefits Payable.** 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 healthcare and life insurance benefits provided by the Florida College System Risk Management Consortium (Consortium).

*Plan Description.* The College contributes to a cost-sharing, multiple-employer defined-benefit plan administered by the Consortium. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan, on average, than those of active employees. The College does not offer any explicit subsidies. Retirees are required to enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. The Consortium does not issue a stand-alone annual report for the Plan and they are 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 contribution rates can be amended by the Board of Trustees. The College has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on pay-as-you-go basis. For the 2008-09 fiscal year, 29 retirees received postemployment healthcare benefits, and 57 retirees received postemployment life insurance benefits. The College provided required contributions of \$1,461 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$180,407.

*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:

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Description	Amount
Normal Cost (Service Cost for One Year)	\$ 15,493
Amortization of Unfunded Actuarial Accrued Liability	7,980
<b>Annual Required Contribution</b>	23,473
Interest on Net OPEB Obligation	771
Adjustment to Annual Required Contribution	(857)
<b>Annual OPEB Cost (Expense)</b>	23,387
Contribution Toward the OPEB Cost	(1,461)
<b>Increase in Net OPEB Obligation</b>	21,926
Net OPEB Obligation, Beginning of Year	25,703
<b>Net OPEB Obligation, End of Year</b>	\$ 47,629

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, 2009, and for the transition and preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	23,473	(9.5%)	25,703
2008-09	23,387	6.2%	47,629

*Funded Status and Funding Progress.* As of June 30, 2007, transition date, the actuarial accrued liability for benefits was \$239,406, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$239,406 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$9,702,323 for the 2007-08 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the

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types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's initial OPEB actuarial valuation as of July 1, 2007, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of July 1, 2007, and to estimate the 2007-08 fiscal year ARC. This method was selected because it is the same method used in the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent for the 2008-09 fiscal year, reduced by 1 percent per year for one year, then 0.5 percent per year thereafter, to an ultimate rate of 5 percent after five years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years. The remaining amortization period at June 30, 2009, was 28 years.

## **11. RETIREMENT PROGRAMS**

**Florida Retirement System.** Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at 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; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability and death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with

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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 2008-09 fiscal year were as follows:

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

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class in which reemployed.

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$683,066, \$716,773, and \$670,653, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 43 College participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$192,952.

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

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Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

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

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

There were 16 College participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$84,326.

**Senior Management Service Class Local Annuity Program.** Section 121.055, Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the FRS, Senior Management Service Class may elect to withdraw from the FRS altogether and participate in a lifetime monthly annuity program offered by the local agency. Pursuant thereto, the College established a Senior Management Service Class Local Annuity Program (Program). Employees in eligible positions are allowed to make an irrevocable election to participate in the Program, rather than the FRS. Under the Program, the College contributes the same percentage of the participant's salary as would have been contributed to the FRS, Senior Management Service Class toward an annuity provided by approved fund sponsors. The participant does not make any contributions to the Program. As of June 30, 2009, three College employees had opted to participate in the Program. Contributions made by the College to the Program totaled \$29,066 during the 2008-09 fiscal year.

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**12. CONSTRUCTION COMMITMENTS**

The College’s major construction commitments at June 30, 2009, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Building 17, Renovation:			
Architect/Engineer	\$ 184,401.00	\$ 130,487.33	\$ 53,913.67
General Contractor	759,365.00	91,218.00	668,147.00
Building 16, Renovation:			
Architect	33,750.00	18,562.50	15,187.50
Building 5, Re-roof:			
Architect	17,208.08	14,110.62	3,097.46
General Contractor	229,441.00	24,009.75	205,431.25
Library & Media Center Construction:			
Architect	866,200.00	649,205.00	216,995.00
Overhead to Underground Utilities:			
Engineer	26,398.00	9,030.19	17,367.81
General Contractor	92,900.00	50,876.00	42,024.00
Steam Condensate Upgrades:			
Engineer	29,000.00	2,829.00	26,171.00
<b>Total</b>	<b>\$ 2,238,663.08</b>	<b>\$ 990,328.39</b>	<b>\$ 1,248,334.69</b>

**13. RISK MANAGEMENT PROGRAMS**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$200 million through February 28, 2009, and up to \$175 million effective March 1, 2009. Insurance coverage obtained through the Consortium included health and hospitalization, life, dental, fire and extended property, general and automobile liability, workers’ compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

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**14. SCHEDULE OF STATE REVENUE SOURCES**

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

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

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

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 11,289,366.00
Gross Receipts Tax (Public Education Capital Outlay)	9,961,406.00
Education Enhancement Trust Fund (Lottery)	1,485,452.00
Bright Futures Scholarship Program	729,800.37
Florida Student Assistance Grants	455,694.00
Restricted Contracts and Grants	155,323.87
Motor Vehicle License Tax (Capital Outlay and Debt Service)	117,950.86
First Generation Scholarship	16,858.00
<b>Total State Revenues</b>	<b>\$ 24,211,851.10</b>

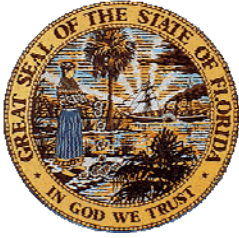
**15. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements,

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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:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 8,127,729.69
Institutional Support	3,976,987.02
Operation and Maintenance of Plant	3,005,656.05
Scholarships and Fellowships	2,489,703.17
Academic Support	2,421,799.73
Student Services	1,660,165.99
Auxiliary Enterprises	1,222,901.15
Depreciation	1,081,934.18
<b>Total Operating Expenses</b>	<b>\$ 23,986,876.98</b>



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

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

We have audited the financial statements of Lake City Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2009, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

A *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*.

We noted a certain operational matter that we reported to College management in our report No. 2010-019, dated September 2009.

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  
January 7, 2010