

LAKE-SUMTER COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2009



BOARD OF TRUSTEES AND PRESIDENT

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

	<u>County</u>
Margo S. Odom, Vice Chair to 7-20-09, Chair from 7-21-09	Lake
Timothy Morris, Vice Chair from 7-21-09	Lake
Jon A. Simpson, Chair to 7-20-09	Sumter
Richard P. Bowersox	Lake
Richard D. Childers	Sumter
Dr. Kenneth W. Kelly	Sumter
Joe M. Norman	Lake
William R. Pruitt	Lake

Dr. Charles R. Mojock, President

Note: One Board member position remained vacant during the 2008-09 fiscal year.

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 Christina T. Rider, CPA, and the audit was supervised by Brenda C. Racis, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**LAKE-SUMTER COMMUNITY COLLEGE
TABLE OF CONTENTS**

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	11
Statement of Revenues, Expenses, and Changes in Net Assets.....	13
Statement of Cash Flows.....	14
Notes to Financial Statements	16
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	
Internal Control Over Financial Reporting.....	34
Compliance and Other Matters	35

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether Lake-Sumter 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.

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

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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-Sumter 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 33. 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 solely upon 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-Sumter 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-Sumter 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
December 15, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 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-Sumter Community College Foundation, Inc., for the fiscal years ended December 31, 2007, and December 31, 2008.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$76.6 million at June 30, 2009. This balance reflects an \$8 million, or 11.7 percent, increase compared to the 2007-08 fiscal year, resulting from the completion of a major building construction project. While assets grew, liabilities increased by a lesser amount of \$0.7 million, or 20.2 percent, totaling \$4.4 million at June 30, 2009, compared to \$3.7 million at June 30, 2008. As a result, the College's net assets increased by \$7.3 million, reaching a year-end balance of \$72.2 million.

The College's operating revenues totaled \$6 million for the 2008-09 fiscal year, representing a 9.2 percent increase compared to the 2007-08 fiscal year due mainly to increases in tuition and enrollment. Operating expenses totaled \$25.7 million for the 2008-09 fiscal year, remaining essentially unchanged 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-Sumter 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-Sumter 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-Sumter 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-Sumter Community College's operating results.

These two statements report Lake-Sumter 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 periods ended is shown in the following table:

	Condensed Statement of Net Assets at (In Thousands)			
	College		Component Unit	
	6-30-09	6-30-08	12-31-08	12-31-07
Assets				
Current Assets	\$ 8,939	\$ 9,079	\$ 15,626	\$ 17,409
Capital Assets, Net	65,788	53,050		
Other Noncurrent Assets	1,877	6,466	3,896	4,075
Total Assets	<u>76,604</u>	<u>68,595</u>	<u>19,522</u>	<u>21,484</u>
Liabilities				
Current Liabilities	2,364	1,711	847	84
Noncurrent Liabilities	2,003	1,922		
Total Liabilities	<u>4,367</u>	<u>3,633</u>	<u>847</u>	<u>84</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	65,438	52,675		
Restricted	5,029	11,201	17,664	20,476
Unrestricted	1,770	1,086	1,011	924
Total Net Assets	<u>\$ 72,237</u>	<u>\$ 64,962</u>	<u>\$ 18,675</u>	<u>\$ 21,400</u>
Increase (Decrease) in Net Assets	<u>\$ 7,275</u>	11.2%	<u>\$ (2,725)</u>	-12.7%

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

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the Periods Ended
(In Thousands)**

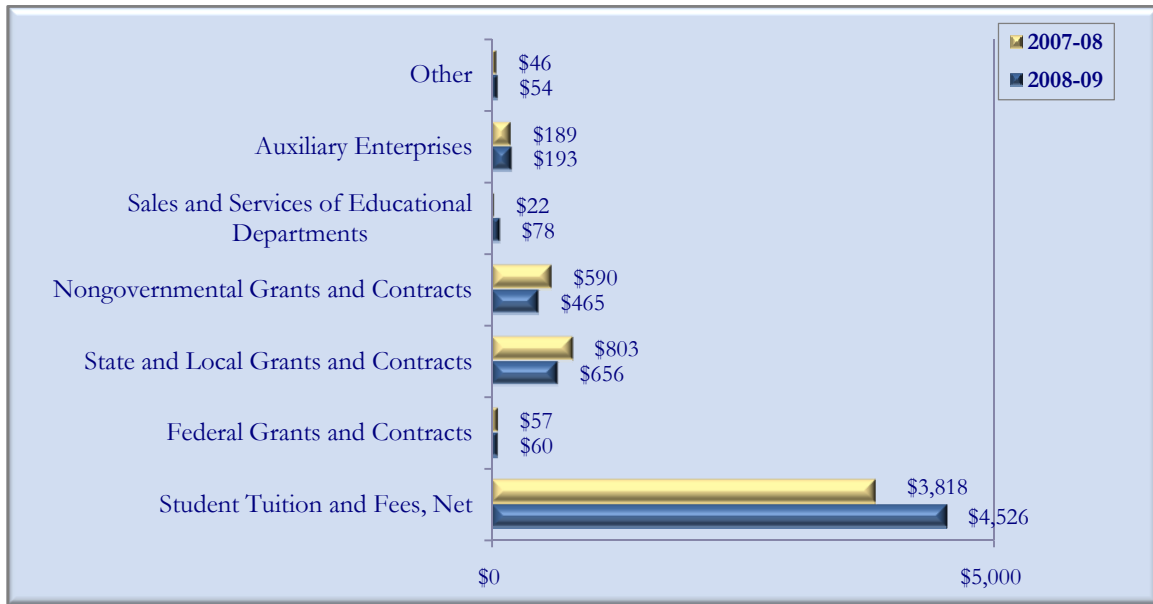
	College		Component Unit	
	6-30-09	6-30-08	12-31-08	12-31-07
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 4,526	\$ 3,818	\$	\$
Federal Grants and Contracts	60	57		
State and Local Grants and Contracts	656	803	578	1,111
Nongovernmental Grants and Contracts	465	590		
Sales and Services of Educational Departments	78	22		
Auxiliary Enterprises	193	189		
Other Operating Revenues	54	46	6,117	4,460
Total Operating Revenues	6,032	5,525	6,695	5,571
Less, Operating Expenses	25,666	25,709	7,524	2,247
Operating Income (Loss)	(19,634)	(20,184)	(829)	3,324
Nonoperating Revenues (Expenses)				
State Appropriations	10,696	11,531		
Gifts and Grants	6,253	5,850		
Investment Income (Loss)	62	483	(1,896)	1,538
Interest on Capital Asset-Related Debt	(30)	(33)		
Net Nonoperating Revenues (Expenses)	16,981	17,831	(1,896)	1,538
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,653)	(2,353)	(2,725)	4,862
Capital Appropriations	1,632	3,737		
Capital Grants, Contracts, Gifts, and Fees	8,296	2,253		
Other Revenues				348
Increase (Decrease) in Net Assets	7,275	3,637	(2,725)	5,210
Net Assets, Beginning of Year	64,962	61,325	21,400	16,190
Net Assets, End of Year	\$ 72,237	\$ 64,962	\$ 18,675	\$ 21,400

Operating Revenues

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

The following chart presents the College's operating revenues for the 2008-09 and 2007-08 fiscal years:

**Operating Revenues: College
(In Thousands)**



College operating revenue changes were the result of the following factors: Student tuition and fee revenue increased from the Board of Trustees raising tuition rates as authorized by Florida law. These increases averaged 6 percent and affected all students (in-state and out-of-state). Student enrollment also increased over the previous year. Based on these two factors, tuition revenues increased \$0.7 million, or 18.5 percent.

Component unit operating revenues increased \$1.1 million primarily due to an increase in contributions.

Operating Expenses

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

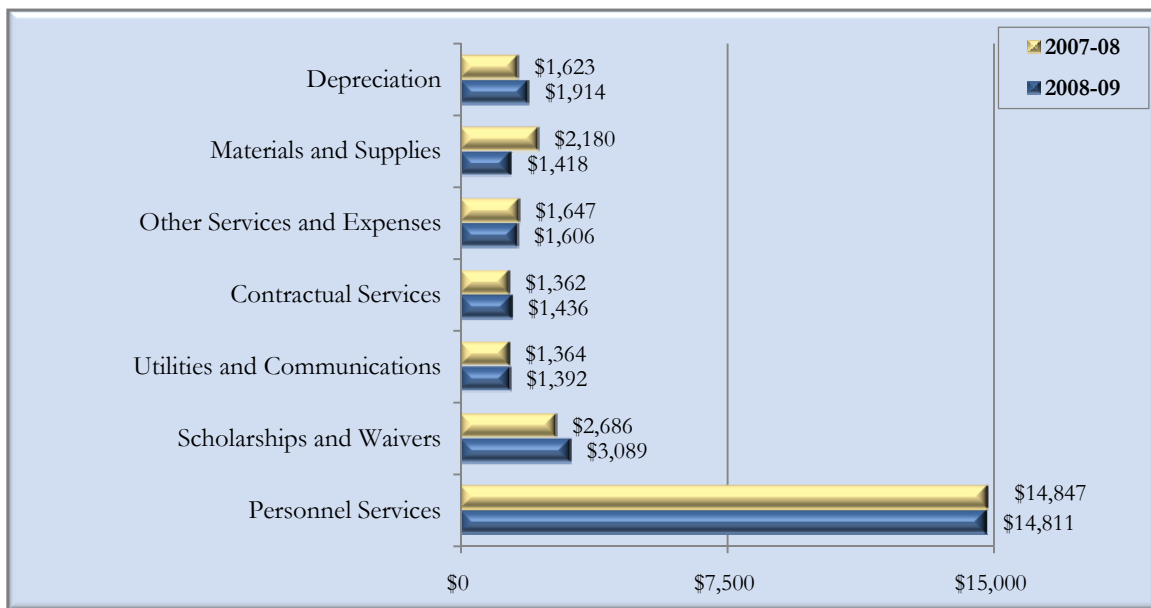
Operating expenses for the College and its component unit for the respective periods ended are presented in the following table:

**Operating Expenses
(In Thousands)**

	College		Component Unit	
	6-30-09	6-30-08	12-31-08	12-31-07
Operating Expenses				
Personnel Services	\$ 14,811	\$ 14,847	\$ 231	\$ 231
Scholarships and Waivers	3,089	2,686	3,966	1,790
Utilities and Communications	1,392	1,364		
Contractual Services	1,436	1,362		
Other Services and Expenses	1,606	1,647	3,327	226
Materials and Supplies	1,418	2,180		
Depreciation	1,914	1,623		
Total Operating Expenses	\$ 25,666	\$ 25,709	\$ 7,524	\$ 2,247

The following chart presents the College’s operating expenses for the 2008-09 and 2007-08 fiscal years:

**Operating Expenses: College
(In Thousands)**



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

- Personnel services expenditures essentially remain unchanged. There were no salary increases, while benefit cost increased. Five positions were added to meet the increase in enrollment demands.
- Scholarships and waivers increased by 15 percent due to the increase in local grant-provided scholarships.
- Materials and supplies expenses decreased by 35 percent due mainly to the decrease in noncapitalized equipment purchases.
- Depreciation expense increased 18 percent due mainly to the completion of new building projects.

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)**

	2008-09	2007-08
State Appropriations	\$ 10,696	\$ 11,531
Gifts and Grants	6,253	5,850
Investment Income	62	483
Interest on Capital Asset-Related Debt	(30)	(33)
Net Nonoperating Revenues	\$ 16,981	\$ 17,831

Nonoperating revenue changes were due to a decrease in State appropriations and an increase in student financial aid.

Other Revenues, Expenses, Gains, or Losses

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

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

	2008-09	2007-08
Capital Appropriations	\$ 1,632	\$ 3,737
Capital Grants, Contracts, Gifts, and Fees	8,296	2,253
Total	\$ 9,928	\$ 5,990

The decrease of \$2.1 million in capital appropriations was mainly due to the College not receiving any Facilities Enhancement Challenge Grants this year and the reduction in Public Education Capital Outlay funding. The College was reimbursed for \$6 million of capital expenditures from construction accounts of its component unit for 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)**

	<u>2008-09</u>	<u>2007-08</u>
Cash Provided (Used) by:		
Operating Activities	\$ (17,302)	\$ (18,644)
Noncapital Financing Activities	16,949	17,380
Capital and Related Financing Activities	(2,277)	(2,094)
Investing Activities	<u>61</u>	<u>483</u>
Net Decrease in Cash and Cash Equivalents	(2,569)	(2,875)
Cash and Cash Equivalents, Beginning of Year	<u>10,453</u>	<u>13,328</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,884</u>	<u>\$ 10,453</u>

Major sources of cash and cash equivalents came from net student tuition and fees (\$4.5 million), State appropriations (\$10.7 million), gifts and grants (\$6.3 million), and capital grants and gifts (\$8.3 million).

Major uses of cash and cash equivalents were for payments to suppliers (\$4.5 million), payments to employees (\$11.5 million), payments for employee benefits (\$3.1 million), and purchases of capital assets (\$14.3 million).

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2009, the College had \$84.1 million in capital assets, less accumulated depreciation of \$18.3 million, for net capital assets of \$65.8 million. Depreciation charges for the current fiscal year totaled \$1.9 million. The following table summarizes the College's capital assets at June 30:

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

<u>Capital Assets</u>	<u>2009</u>	<u>2008</u>
Land	\$ 6,515	\$ 6,515
Buildings	55,198	51,429
Other Structures and Improvements	3,974	3,647
Furniture, Machinery, and Equipment	3,796	3,609
Works of Art	12	12
Construction in Progress	<u>14,599</u>	<u>4,792</u>
Total	<u>84,094</u>	<u>70,004</u>
Less, Accumulated Depreciation:		
Buildings	12,280	11,009
Other Structures and Improvements	3,248	3,124
Furniture, Machinery, and Equipment	<u>2,778</u>	<u>2,821</u>
Total Accumulated Depreciation	<u>18,306</u>	<u>16,954</u>
Capital Assets, Net	<u>\$ 65,788</u>	<u>\$ 53,050</u>

The College had \$2.2 million in construction contract commitments at June 30, 2009. The contract commitments were for projects that include South Lake Library and Math Science Building. State appropriations together with local

funds are expected to finance the construction, renovation, and purchase of land and facilities. More information about the College’s capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$0.6 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2009, and June 30, 2008:

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

	<u>2009</u>	<u>2008</u>
SBE Capital Outlay Bonds	\$ 350	\$ 375
Loan Payable	<u>223</u>	<u>274</u>
Total	<u><u>\$ 573</u></u>	<u><u>\$ 649</u></u>

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2008-09 fiscal year, there were no bond sales and debt repayments totaled \$76,456. 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-Sumter 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, only a modest increase in State funding is anticipated in the coming year. In response to a decrease in State appropriations, the Board of Trustees increased the tuition rate 7.7 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.

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 Affairs, Lake-Sumter Community College, 9501 U.S Highway 441, Leesburg, Florida 34788-8751.

BASIC FINANCIAL STATEMENTS

**LAKE-SUMTER COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2009**

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 4,013,930	\$ 3,882,404
Restricted Cash and Cash Equivalents	1,993,172	
Investments		11,702,640
Accounts Receivable, Net	90,200	40,705
Notes Receivable	1,842	
Due from Other Governmental Agencies	1,277,265	
Due from Component Unit	1,537,021	
Prepaid Expenses	25,166	
Total Current Assets	<u>8,938,596</u>	<u>15,625,749</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,877,121	
Investments		3,874,008
Other Receivables		22,356
Depreciable Capital Assets, Net	44,662,428	
Nondepreciable Capital Assets	21,125,578	
Total Noncurrent Assets	<u>67,665,127</u>	<u>3,896,364</u>
TOTAL ASSETS	<u>\$ 76,603,723</u>	<u>\$ 19,522,113</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 277,768	\$ 2,476
Salary and Payroll Taxes Payable	566,942	
Retainage Payable	864,957	
Due to Other Governmental Agencies	399,171	
Due to College		844,943
Deposits Held for Others	85,692	
Long-Term Liabilities - Current Portion:		
Bonds Payable	25,000	
Loan Payable	51,456	
Compensated Absences Payable	92,844	
Total Current Liabilities	<u>2,363,830</u>	<u>847,419</u>
Noncurrent Liabilities:		
Bonds Payable	325,000	
Loan Payable	171,113	
Compensated Absences Payable	1,473,011	
Postemployment Healthcare Benefits Payable	33,606	
Total Noncurrent Liabilities	<u>2,002,730</u>	
TOTAL LIABILITIES	<u>4,366,560</u>	<u>847,419</u>

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

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 65,438,006	\$
Restricted:		
Nonexpendable:		
Endowment		3,874,008
Expendable:		
Grants and Loans	428,603	
Scholarships	212,183	3,240,017
Capital Projects	4,387,822	10,550,169
Debt Service	733	
Unrestricted	1,769,816	1,010,500
Total Net Assets	72,237,163	18,674,694
TOTAL LIABILITIES AND NET ASSETS	\$ 76,603,723	\$ 19,522,113

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

LAKE-SUMTER 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

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$2,253,652	\$ 4,525,565	\$
Federal Grants and Contracts	60,508	
State and Local Grants and Contracts	656,500	578,129
Nongovernmental Grants and Contracts	465,068	
Sales and Services of Educational Departments	77,980	
Auxiliary Enterprises	192,768	
Other Operating Revenues	53,554	6,116,865
	6,031,943	6,694,994
Total Operating Revenues		
EXPENSES		
Operating Expenses:		
Personnel Services	14,810,626	230,982
Scholarships and Waivers	3,089,036	3,966,626
Utilities and Communications	1,392,496	
Contractual Services	1,435,810	
Other Services and Expenses	1,605,652	3,326,745
Materials and Supplies	1,417,582	
Depreciation	1,914,304	
	25,665,506	7,524,353
Total Operating Expenses		
Operating Loss	(19,633,563)	(829,359)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	10,696,050	
Gifts and Grants	6,253,346	
Investment Income (Loss)	61,899	(1,895,909)
Interest on Capital Asset-Related Debt	(30,227)	
	16,981,068	(1,895,909)
Net Nonoperating Revenues (Expenses)		
Loss Before Other Revenues, Expenses, Gains, or Losses	(2,652,495)	(2,725,268)
Capital Appropriations	1,631,925	
Capital Grants, Contracts, Gifts, and Fees	8,295,855	
	9,927,780	
Total Other Revenues		
Increase (Decrease) in Net Assets	7,275,285	(2,725,268)
Net Assets, Beginning of Year	64,961,878	21,399,962
	\$ 72,237,163	\$ 18,674,694
Net Assets, End of Year		

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

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

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 4,555,845
Grants and Contracts	1,348,870
Payments to Suppliers	(4,459,043)
Payments for Utilities and Communications	(1,392,496)
Payments to Employees	(11,489,654)
Payments for Employee Benefits	(3,143,507)
Payments for Scholarships	(3,089,036)
Auxiliary Enterprises	192,768
Sales and Service of Educational Departments	77,980
Other Receipts	96,009
	(17,302,264)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	10,696,050
Gifts and Grants Received for Other Than Capital or Endowment Purposes	6,253,346
	16,949,396
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	3,795,013
Capital Grants and Gifts	8,295,855
Purchases of Capital Assets	(14,261,570)
Principal Paid on Capital Debt and Leases	(76,456)
Interest Paid on Capital Debt and Leases	(30,227)
	(2,277,385)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	61,899
	61,899
Net Decrease in Cash and Cash Equivalents	(2,568,354)
Cash and Cash Equivalents, Beginning of Year	10,452,577
Cash and Cash Equivalents, End of Year	\$ 7,884,223

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

	College
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$(19,633,563)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	1,914,304
Changes in Assets and Liabilities:	
Notes Receivable	4,123
Due From Other Governmental Agencies	227,298
Other Receivables, Net	(466,624)
Prepaid Expenses	229,009
Accounts Payable	247,396
Deposits Held for Others	4,859
Compensated Absences Payable	149,303
Postemployment Healthcare Benefits Payable	21,631
	<u>21,631</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$(17,302,264)</u></u>

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

**LAKE-SUMTER 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-Sumter 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 Lake and Sumter 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-Sumter 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 December 31, 2008.

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-SUMTER 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 economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

The College follows 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-SUMTER 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 calculated its scholarship allowance by identifying within its student accounts receivable system amounts paid by student aid for tuition and books. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against student tuition and fees.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash with the State Board of Administration (SBA). 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 SBA Local Government Surplus Funds Trust Fund Investment Pool (LGIP) 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-SUMTER 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 \$41,078 of moneys held in the LGIP administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the LGIP, which the SBA indicates is a Securities and Exchange Commission Rule 2a-7-like external investment pool, as of June 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The LGIP carried a credit rating of AAAM by Standard and Poor's and had a weighted-average days to maturity (WAM) of 46 days as of June 30, 2009. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the LGIP to interest rate changes. The investments in the LGIP are reported at fair value, which is amortized cost.

Capital Assets. College capital assets consist of land; construction in progress; works of art; 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 bonds payable, loan payable, compensated absences payable and postemployment healthcare benefits payable that are not scheduled to be paid within the next fiscal year.

2. INVESTMENTS – COMPONENT UNIT

Investments held by the College's Foundation at December 31, 2008, were reported at fair value as follows:

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

Investment Type	Fair Value	Maturities in Years		
		1 - 5	6 - 10	More Than 10
Investment in Debt Obligations:				
United States Government Obligations	\$ 900,625	\$ 547,585	\$ 353,040	\$
Federal Agency Obligations	1,640,962	50,015	1,371,344	219,603
Certificates of Deposit	9,031,468	8,881,468	150,000	
Corporate Bonds	1,284,879	247,456	1,037,423	
Total Investment in Debt Obligations	12,857,934	\$9,726,524	\$2,911,807	\$219,603
Equities	2,718,714			
Total Component Unit Investments	\$15,576,648			

The following risks apply to the Foundation's investments in debt securities:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not limit investment maturities except with respect to cash equivalents, which must have a maximum average maturity of less than one year. The Foundation manages its exposure to fair value losses from increasing interest rates through the segmented-time distribution method.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will fulfill its obligations. The Foundation's investment policy limits its fixed income investments to an overall weighted average credit rating of "A" or better by Moody's or Standard and Poor's. No more than 15 percent of the fixed income portion of the portfolio shall be rated below investment grade (below Baa/BBB). All commercial paper investments must have a minimum rating of A1/P1 by Standard and Poor's and Moody's, respectively. Obligations of the United States government and obligations explicitly guaranteed by the United States government are not considered to have credit risk. At December 31, 2008, the Foundation's investments in bonds and notes had credit quality ratings by nationally recognized rating agencies ranging from Aa2 to Aaa by Moody's and from AA to AAA by Standard and Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of a counterparty to a transaction, the Foundation will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Lending of the Foundation's portfolio of securities is expressly prohibited by the Foundation's investment policy. While the brokerage and trust accounts are in the name of the Foundation, the securities are actually held in the trust department or agent's name.

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investment in a single issuer. The Foundation's investment policy limits investments in any one company to no more than 7 percent of the equity portion of its portfolio and no more than 10 percent of the fixed income portion of its portfolio, and the equity portion of the portfolio must maintain a minimum of 20 positions, with no position of any one issuer exceeding 8 percent of the manager's total portfolio. Securities issued by the United States government or its agencies are not subject to these limitations. The policy also provides that no more than 5 percent of the portfolio may be invested in commercial paper of any one issuer, and no more than \$100,000 in Bank Certificates of Deposit of any single issuer, unless the investments are fully collateralized by United States Treasury or agency securities. The policy further limits investments in any one economic sector to no more than 25 percent for the fixed income portion of the portfolio. Additionally, no more than 10 percent of the equity portion of the portfolio may be in American Depository Receipts, and no more than 60 percent of the fixed income portion of the portfolio may be invested in either corporate or mortgage-backed securities.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, Federal grant overawards, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$33,301 allowance for uncollectible accounts.

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$1,139,138 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

5. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The \$1,537,021 reported as due from component unit consists of amounts owed to the College by the Foundation for scholarships, student aid, program support, and construction funds. The College's financial statements are reported for the fiscal year ended June 30, 2009. The College's component unit's financial statements are reported for the fiscal year ended December 31, 2008. Accordingly, amounts reported by the College as due from component unit on the statement of net assets do not agree with amounts reported by the component unit as due to the College.

6. CAPITAL ASSETS

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

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 6,514,755	\$	\$	\$ 6,514,755
Construction in Progress	4,791,981	14,493,032	4,686,378	14,598,635
Works of Art	12,188			12,188
Total Nondepreciable Capital Assets	\$ 11,318,924	\$ 14,493,032	\$ 4,686,378	\$ 21,125,578
Depreciable Capital Assets:				
Buildings	\$ 51,429,149	\$ 3,768,685	\$	\$ 55,197,834
Other Structures and Improvements	3,646,965	327,242		3,974,207
Furniture, Machinery, and Equipment	3,609,355	770,143	583,311	3,796,187
Total Depreciable Capital Assets	58,685,469	4,866,070	583,311	62,968,228
Less, Accumulated Depreciation:				
Buildings	11,009,025	1,270,720		12,279,745
Other Structures and Improvements	3,123,648	123,855		3,247,503
Furniture, Machinery, and Equipment	2,821,355	519,729	562,532	2,778,552
Total Accumulated Depreciation	16,954,028	1,914,304	562,532	18,305,800
Total Depreciable Capital Assets, Net	\$ 41,731,441	\$ 2,951,766	\$ 20,779	\$ 44,662,428

7. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2009, include bonds, loan, compensated absences, and postemployment healthcare 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
Bonds Payable	\$ 375,000	\$	\$ 25,000	\$ 350,000	\$ 25,000
Loan Payable	274,025		51,456	222,569	51,456
Compensated Absences Payable	1,416,552	245,212	95,909	1,565,855	92,844
Postemployment Healthcare Benefits Payable	11,975	21,631		33,606	
Total Long-Term Liabilities	\$ 2,077,552	\$ 266,843	\$ 172,365	\$ 2,172,030	\$ 169,300

Bonds Payable. The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2009:

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds:			
Series 2000-A	\$ 10,000	5.00	2010
Series 2005-B	340,000	5.00	2020
Total	\$ 350,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2010	\$ 25,000	\$ 17,512	\$ 42,512
2011	30,000	16,250	46,250
2012	30,000	14,750	44,750
2013	30,000	13,250	43,250
2014	35,000	11,750	46,750
2015-2019	180,000	29,750	209,750
2020	20,000	1,000	21,000
Total	\$ 350,000	\$ 104,262	\$ 454,262

In a prior fiscal year, a portion of the State Board of Education Capital Outlay Bonds, Series 2000-A, was refunded and considered defeased in-substance by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. The defeased bonds are not reported as outstanding debt on the College’s statement of net assets. Debt considered defeased at June 30, 2009, totaled \$140,000.

Loan Payable. The College borrowed \$514,561 from the City of Leesburg on July 15, 2003, to finance an Energy Savings Program. The interest rate is variable and adjustable monthly on the first day of each calendar month, equal to the rate set by the Florida State Board of Administration. The loan matures on July 15, 2013. The College is to repay the loan in monthly installments of \$4,288 principal plus interest. Interest payments commenced August 1, 2003, and principal payments commenced November 1, 2003.

Annual requirements to amortize the outstanding loan as of June 30, 2009, are as follows:

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 51,456	\$ 5,970	\$ 57,426
2011	51,456	6,196	57,652
2012	51,456	5,188	56,644
2013	51,456	2,677	54,133
2014	16,745	146	16,891
Total	\$ 222,569	\$ 20,177	\$ 242,746

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 \$1,565,855. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program.

Postemployment Healthcare 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 Consortium for 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 the Plan is not included in the annual report of a public employee retirement system or another entity.

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

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 a pay-as-you-go basis. For the 2008-09 fiscal year, 38 retirees received postemployment healthcare benefits, and 28 retirees received postemployment life insurance benefits. The College provided required contributions of \$10,056 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 \$141,362.

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

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 18,792
Amortization of Unfunded Actuarial Accrued Liability	12,935
Annual Required Contribution	31,727
Interest on Net OPEB Obligation	359
Adjustment to Annual Required Contribution	(399)
Annual OPEB Cost (Expense)	31,687
Contribution Toward the OPEB Cost	(10,056)
Increase in Net OPEB Obligation	21,631
Net OPEB Obligation, Beginning of Year	11,975
Net OPEB Obligation, End of Year	\$ 33,606

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 year, were as follows:

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

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	31,727	62.3%	11,975
2008-09	31,687	31.7%	21,631
Net OPEB Balance	<u>\$ 63,414</u>		<u>\$ 33,606</u>

Funded Status and Funding Progress. As of June 30, 2009, the actuarial accrued liability for benefits was \$256,083, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$256,083 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$8,697,532 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.9 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 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 used the projected unit credit actuarial method to estimate the unfunded actuarial accrued liability (UAAL) as of June 30, 2008, and an updated UAAL estimate at June 30, 2009, to estimate the 2008-09 fiscal year ARC. This method was selected because it is the same method used in the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent for the 2008-09 fiscal year, reduced by 1 percent per year for one more year, then

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

0.5 percent per year thereafter, to an ultimate rate of 5 percent after five years. The UAAL is being amortized using the level dollar method over 30 years. The remaining amortization period at June 30, 2009, was 28 years.

8. RETIREMENT PROGRAMS

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

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability and death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in 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:

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

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

Notes: (A) Employer rates include 1.11 percent for the 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 or plan in which reemployed.

The College’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College’s contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$662,202, \$699,216, and \$651,519, 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 50 College participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$177,898.

Financial statements and other supplementary information of the FRS are included in the State’s Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

State College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible college instructors and administrators. The Program is

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

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 32 College participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$163,979.

9. CONSTRUCTION COMMITMENTS

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Math Science Building Renovation	\$ 1,850,000	\$ 1,692,722	\$ 157,278
South Lake Library	14,330,222	12,299,215	2,031,007
Total	\$ 16,180,222	\$ 13,991,937	\$ 2,188,285

10. OPERATING LEASE COMMITMENTS

The College leased 33 Toshiba Multi-Function Printers under operating leases, which expire in 2012. These leased assets and the related commitments are not reported on the College's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

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

Fiscal Year Ending June 30	Amount
2010	\$ 80,369
2011	77,107
2012	21,796
2013	560
Total Minimum Payments Required	\$ 179,832

11. 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 of up to \$175 million effective March 1, 2009. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers’ compensation, health, life, dental and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

12. 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.

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

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	\$ 9,491,294
Gross Receipts Tax (Public Education Capital Outlay)	1,523,616
Bright Futures Scholarship Program	1,278,721
Education Enhancement Trust Fund (Lottery)	1,204,756
Florida Student Assistance Grants	394,868
Restricted Contracts and Grants	300,461
Motor Vehicle License Tax (Capital Outlay and Debt Service)	108,309
Other State Sources	150,406
Total	\$ 14,452,431

13. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 7,388,849
Public Services	93,024
Academic Support	2,190,896
Student Services	2,796,488
Institutional Support	4,112,971
Operation and Maintenance of Plant	3,943,677
Scholarships and Fellowships	3,166,926
Depreciation	1,914,304
Auxiliary Enterprises	58,371
Total Operating Expenses	\$ 25,665,506

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

14. CURRENT UNRESTRICTED FUNDS

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

Statement of Current Unrestricted Funds Net Assets

ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 4,013,196
Accounts Receivable, Net	76,767
Due from Other Governmental Agencies	27,544
Due from Component Unit	4,678
Prepaid Expenses	<u>25,166</u>
TOTAL ASSETS	<u>4,147,351</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	211,132
Salary and Payroll Taxes Payable	566,942
Compensated Absences Payable	<u>92,844</u>
Total Current Liabilities	<u>870,918</u>
Noncurrent Liabilities:	
Compensated Absences Payable	1,473,011
Postemployment Healthcare Benefits Payable	<u>33,606</u>
TOTAL LIABILITIES	<u>2,377,535</u>
TOTAL NET ASSETS	<u>1,769,816</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,147,351</u></u>

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

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

REVENUES

Operating Revenues:

Student Tuition and Fees, Net of Scholarship	
Allowances of \$2,253,652	\$ 3,712,301
Sales and Services of Educational Departments	77,980
Auxiliary Enterprises	192,768
Other Operating Revenue	45,642

Total Operating Revenues	<u>4,028,691</u>
---------------------------------	------------------

EXPENSES

Operating Expenses:

Personnel Services	13,405,947
Utilities and Communications	1,387,735
Contractual Services	1,146,773
Other Services and Expenses	745,362
Materials and Supplies	578,897

Total Operating Expenses	<u>17,264,714</u>
---------------------------------	-------------------

Operating Loss	<u>(13,236,023)</u>
-----------------------	---------------------

NONOPERATING REVENUES

State Appropriations	10,696,050
Gifts and Grants	698,405
Investment Income	22,104

Net Nonoperating Revenues	<u>11,416,559</u>
----------------------------------	-------------------

Loss Before Other Revenues, Expenses, Gains, or Losses	(1,819,464)
Transfers to/from Other Funds	2,503,652

Increase in Net Assets	684,188
Net Assets, Beginning of Year	<u>1,085,628</u>

Net Assets, End of Year	<u><u>\$ 1,769,816</u></u>
--------------------------------	----------------------------



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



PHONE: 850-488-5534
FAX: 850-488-6975

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-Sumter 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*.

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
December 15, 2009