



January 26, 2009

M E M O R A N D U M

TO: District Board of Trustees

FROM: William D. Law, Jr., President

SUBJECT: Direct Support Organizations – Audit Reports

Financial audits have been completed for the three Direct Support Organizations affiliated with Tallahassee Community College. The audits were conducted in compliance with section 11.45(8), Florida Statutes. The following audit reports are presented for your review.

Tallahassee Community College Foundation, Inc.

Public Safety Academy Housing, Inc.

Tallahassee Community College Housing, Inc.

STAFF RESOURCE: TERESA SMITH

RECOMMENDED ACTION:
No action required.

**TALLAHASSEE COMMUNITY COLLEGE
FOUNDATION, INC.
Tallahassee, Florida**

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
Years Ended March 31, 2008 and 2007**

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OF COUNSEL
W. FREDERICK THOMSON, C.P.A.

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Tallahassee Community College
Foundation, Inc.
Tallahassee, Florida

We have audited the accompanying statements of financial position of Tallahassee Community College Foundation, Inc. (a non-profit organization) as of March 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tallahassee Community College Foundation, Inc. as of March 31, 2008 and 2007, and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Member Firm



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In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2008 on our consideration of Tallahassee Community College Foundation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the result of our audit.

Thomson Brook Huges + Company

August 21, 2008

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2008 and 2007

	2008	2007
	<u>ASSETS</u>	
Cash and cash equivalents	\$ 28,369	\$ 160,717
Short-term investments	4,872,809	3,505,612
Certificates of deposit	100,000	1,406,125
Contributions receivable	111,977	142,139
Long-term investments	7,259,223	7,211,365
Furniture, fixtures & equipment, net	526	920
Land held for investment	1,700,000	1,700,000
Collectibles	<u>1,360</u>	<u>1,360</u>
	<u>\$ 14,074,264</u>	<u>\$ 14,128,238</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ <u>23,995</u>	\$ <u>22,390</u>
Net Assets		
Unrestricted	442,896	287,647
Temporarily restricted	6,585,149	7,233,752
Permanently restricted	<u>7,022,224</u>	<u>6,584,449</u>
	<u>14,050,269</u>	<u>14,105,848</u>
	<u>\$ 14,074,264</u>	<u>\$ 14,128,238</u>

See accompanying notes.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
Years Ended March 31, 2008 and 2007

	2008			2007		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
REVENUE, GAINS & OTHER SUPPORT						
In-kind contributions	\$ 317,003	\$ —	\$ —	\$ 317,003	\$ 354,851	\$ —
Investment income	167,114	(147,403)	—	19,711	107,130	—
Private contributions	169,658	597,239	64,014	830,911	117,007	922,104
State matching contributions	71,399	288,985	257,557	617,941	118,653	413,466
Miscellaneous	910	849	—	1,759	6,198	—
Special events	21,618	13,735	—	35,353	35,625	780
Net assets released from restrictions:						
Satisfaction of program restrictions	1,281,695	(1,281,695)	—	—	880,787	(880,787)
Satisfaction of time restrictions	14,109	(14,109)	—	—	25,112	(25,112)
Transfers	(10,000)	(106,204)	116,204	—	(45,438)	(16,101)
	<u>2,033,506</u>	<u>(648,603)</u>	<u>437,775</u>	<u>1,822,678</u>	<u>1,599,925</u>	<u>3,516,310</u>
						<u>1,397,109</u>
						<u>6,513,344</u>
EXPENSES						
Educational activities	1,426,313	—	—	1,426,313	975,024	—
General and administrative expenses	243,261	—	—	243,261	307,762	—
Fund raising expenses	208,683	—	—	208,683	230,285	—
	<u>1,878,257</u>	<u>—</u>	<u>—</u>	<u>1,878,257</u>	<u>1,513,071</u>	<u>—</u>
CHANGE IN NET ASSETS	155,249	(648,603)	437,775	(55,579)	86,854	3,516,310
BEGINNING NET ASSETS, as reclassified	<u>287,647</u>	<u>7,233,752</u>	<u>6,584,449</u>	<u>14,105,848</u>	<u>200,793</u>	<u>3,717,442</u>
ENDING NET ASSETS	<u>\$ 442,896</u>	<u>\$ 6,585,149</u>	<u>\$ 7,022,224</u>	<u>\$ 14,050,269</u>	<u>\$ 287,647</u>	<u>\$ 7,233,752</u>
						<u>\$ 6,584,449</u>
						<u>\$ 14,105,848</u>

See accompanying notes.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
OPERATING ACTIVITIES		
Support from private and public	\$ 1,516,126	\$ 5,534,113
Investments	<u>425,488</u>	<u>265,739</u>
	1,941,614	5,799,852
Payments for scholarships and suppliers	(1,559,255)	(1,152,647)
CASH PROVIDED BY OPERATING ACTIVITIES	<u>382,359</u>	<u>4,647,205</u>
INVESTING ACTIVITIES		
Purchase of equipment	-	(757)
Purchases of investments	(1,860,688)	(4,790,593)
Redemption of certificates of deposits	1,306,125	168,862
Proceeds from sale of investments	<u>39,856</u>	<u>45,436</u>
CASH USED IN INVESTING ACTIVITIES	(514,707)	(4,577,052)
(DECREASE) INCREASE IN CASH	(132,348)	70,153
CASH AT BEGINNING OF YEAR	<u>160,717</u>	<u>90,564</u>
CASH AT END OF YEAR	\$ <u>28,369</u>	\$ <u>160,717</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$(55,579)	\$ 5,000,273
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized (gain) loss on investments	710,508	(39,722)
Realized (gain) loss on sale of investments	(304,731)	(292,311)
Noncash contribution	-	(2,628)
Depreciation	394	597
(Increase) decrease in:		
Pledges receivables	30,162	(23,980)
Receivables and advances	-	6,250
Increase (decrease) in:		
Accounts payable	<u>1,605</u>	(<u>1,274</u>)
CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>382,359</u>	\$ <u>4,647,205</u>
NONCASH DISCLOSURES:		
Stock contribution	\$ <u>-</u>	\$ <u>2,628</u>

See accompanying notes.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - Tallahassee Community College Foundation, Inc. was incorporated on February 23, 1981 as a Florida non-profit corporation under the provisions of 240.331 Florida Statutes - Community College Direct Support Organizations. The Foundation was organized to aid the advancement of Tallahassee Community College and to support attending students by means of academic scholarships and student loans. The Foundation receives revenue primarily from private contributions, state matching contributions, donated services from the college, and fund raising events.

A summary of the Foundation's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting - The financial statements for the Foundation have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Furniture, Fixtures and Equipment - Furniture, fixtures and equipment is recorded at cost or its fair market value at date donated to the Foundation. Depreciation is provided for over the assets estimated useful lives of seven to ten years on a straight-line basis.

Collectibles - Inexhaustible collectibles consist of silver trays and paintings, and are valued at their fair market value at the date of the gifts. Collectibles that are exhaustible are capitalized and included with property and equipment in the financial statements.

Income Taxes - The Foundation is a tax exempt organization as defined by the Internal Revenue Code under Section 501(c)(3) and is taxed only on unrelated business income. Accordingly, no provision has been made for income taxes.

Advertising Costs - The Foundation expenses advertising costs as incurred.

Cash Equivalents - For purposes of the statement of cash flows, the Foundation considers all highly liquid instruments with a maturity of three months or less to be cash equivalents.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2008 and 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment Income - Unless stipulated by donor agreement, investment income earned on temporarily restricted assets is recognized as unrestricted investment income.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification - Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

NOTE 2 - RELATED PARTY TRANSACTIONS

Personnel and certain facility costs are provided to the Foundation by the College. For years ended March 31, 2008 and 2007, the Foundation has recorded these donated services at \$288,173 and \$311,740 for personnel services and \$28,830 and \$43,111 for facility costs, respectively.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of unconditional promises to give for the Foundation's Major Gifts Campaign and College Employee Giving Program. The present value of estimated future cash flows has been calculated using a discount rate of 6%, after providing for collection losses. A summary of contributions to be collected follows:

	<u>2008</u>	<u>2007</u>
2008	\$ -	\$ 60,829
2009	68,854	39,576
2010	39,690	27,819
2011	26,977	21,640
2012	15,995	11,646
2013	<u>14,055</u>	<u>20,000</u>
	165,571	181,510
Less:		
Allowance for collection losses	(44,172)	(24,406)
Discounts for time-value money	<u>(9,422)</u>	<u>(14,965)</u>
	\$ <u>111,977</u>	\$ <u>142,139</u>

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2008 and 2007

NOTE 4 - INVESTMENTS

Investments are carried at market or appraised value, realized and unrealized gains and losses are reported in the statements of activities. Investment activity for the years ended March 31, 2008 and 2007 are summarized in the tables below:

	<u>Unrestricted</u>	Temporarily Restricted <u>Net Assets</u>	Permanently Restricted <u>Net Assets</u>	<u>Total</u>
Investments, March 31, 2006	\$ 316,826	\$ 1,775,965	\$ 5,119,355	\$ 7,212,146
Purchases, net	75,352	2,887,904	1,454,640	4,417,896
Dividends and interest	173	160,854	-	161,027
Realized gains/(losses)	522	291,789	-	292,311
Unrealized gains/(losses)	<u>1,723</u>	<u>37,999</u>	<u>-</u>	<u>39,722</u>
Investments, March 31, 2007	394,596	5,154,511	6,573,995	12,123,102
Purchases, net	44,880	(357,185)	436,613	124,308
Dividends and interest	181,612	208,787	-	390,399
Realized gains/(losses)	-	304,731	-	304,731
Unrealized gains/(losses)	<u>(48,587)</u>	<u>(661,921)</u>	<u>-</u>	<u>(710,508)</u>
Investments, March 31, 2008	<u>\$ 572,501</u>	<u>\$ 4,648,923</u>	<u>\$ 7,010,608</u>	<u>\$ 12,232,032</u>

As of March 31, 2008 and 2007, investments are held in the following financial instruments:

<u>March 31, 2008</u>	<u>Adjusted Basis</u>	<u>Market Value</u>	<u>Unrealized Losses</u>
Smith Barney investment pool	\$ 7,921,143	\$ 7,259,222	\$(661,921)
SuperNow Money Market account	4,237,092	4,237,092	-
SBA - LGIP Fund A	13,231	13,231	-
SBA - LGIP Fund B	413,023	364,436	(48,587)
Money market account	258,051	258,051	-
Certificates of deposit	<u>100,000</u>	<u>100,000</u>	<u>-</u>
	<u>\$ 12,942,540</u>	<u>\$ 12,232,032</u>	<u>\$(710,508)</u>

Smith Barney investment pool consists of fifty-one percent (51%) of certificates of deposit, thirty-two percent (32%) of marketable equity securities, ten percent (10%) of corporate and government bonds and seven percent (7%) of demand deposits as of March 31, 2008.

SBA - LGIP Fund A consists of forty-nine percent (49%) of corporate variable rate notes, thirty-three percent (33%) of repurchase agreements, ten percent (10%) of various variable rate notes, and eight percent (8%) of commercial paper as of March 31, 2008.

SBA - LGIP Fund B consists of forty-nine percent (49%) of money market variable rate liquidity notes, twenty-one percent (21%) of corporate variable rate notes, seventeen percent (17%) of money market variable rate certificates, and thirteen percent (13%) of commercial paper as of March 31, 2008.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2008 and 2007

NOTE 4 – INVESTMENTS (Continued)

<u>March 31, 2007</u>	<u>Adjusted Basis</u>	<u>Market Value</u>	<u>Unrealized Gains</u>
SBA investment pool	\$ 3,505,612	\$ 3,505,612	\$ -
Certificates of deposit	1,406,125	1,406,125	-
Smith Barney investment pool	<u>7,171,593</u>	<u>7,211,365</u>	<u>39,772</u>
	<u>\$ 12,083,330</u>	<u>\$ 12,123,102</u>	<u>\$ 39,772</u>

Smith Barney investment pool consists of sixty-three percent (63%) of marketable equity securities, twenty percent (20%) of corporate and government bonds and seventeen percent (17%) of demand deposits as of March 31, 2007.

State Board of Administration (SBA) investment pool consists of fifty percent (50%) of commercial paper and fifty percent (50%) of fixed income securities as of March 31, 2007.

Investment income consists of the following:

	<u>2008</u>	<u>2007</u>
Certificate of deposit interest	\$ 35,089	\$ 104,712
Dividends and interest	390,399	161,027
Realized gains/(losses)	304,731	292,311
Unrealized gains/(losses)	<u>(710,508)</u>	<u>39,722</u>
	<u>\$ 19,711</u>	<u>\$ 597,772</u>

NOTE 5 - FURNITURE, FIXTURES AND EQUIPMENT

The amount of furniture, fixtures and equipment at March 31, 2008 and 2007 consists of the following:

	<u>2008</u>	<u>2007</u>
Furniture, fixtures and equipment	\$ 5,380	\$ 5,380
Less accumulated depreciation	<u>(4,854)</u>	<u>(4,460)</u>
	<u>\$ 526</u>	<u>\$ 920</u>

Depreciation expense for the years ended March 31, 2008 and 2007 amounted to \$394 and \$597, respectively.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2008 and 2007

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of March 31, 2008 and 2007 consists of the following:

Time Restricted:	<u>2008</u>	<u>2007</u>
Contributions receivable	\$ 111,977	\$ 134,084
Land contribution	1,700,000	1,700,000
Restricted Contributions for Scholarships and Academic Support	4,524,559	4,762,519
Restricted Endowment Earnings for Scholarships and Academic Support	<u>248,615</u>	<u>637,149</u>
	<u>\$ 6,585,149</u>	<u>\$ 7,233,752</u>

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of March 31, 2008 and 2007 are restricted to investments in perpetuity, the income from which is expendable to support academic scholarships and support to the Tallahassee Community College:

	<u>2008</u>	<u>2007</u>
Restricted Contributions for Endowed Scholarships and Academic Support	<u>\$ 7,022,224</u>	<u>\$ 6,584,449</u>

NOTE 8 - RECLASSIFICATION

As of July 1, 2006, beginning temporarily restricted and permanently restricted net assets have been reclassified to properly reflect the unexpended earnings from the endowment as temporarily restricted and available to expend for scholarships and academic support. Details of the reclassification are as follows:

	Temporarily Restricted	Permanently Restricted
	<u>Net Assets</u>	<u>Net Assets</u>
As previously reported, July 1, 2006	\$ 3,318,361	\$ 5,586,421
Unexpended endowment earnings reclassified	<u>399,081</u>	<u>(399,081)</u>
As reclassified	<u>\$ 3,717,442</u>	<u>\$ 5,187,340</u>

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2008 and 2007

NOTE 9 - CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash balances at several financial institutions located in Leon County, Florida. Accounts are either insured by the Federal Deposit Insurance Corporation up to \$100,000 or the Security Investor Protection Corporation up to \$500,000. At March 31, 2008 and 2007, the Foundation's uninsured cash balances amounted to \$4,580,596 and \$397,218, respectively.

The Foundation also maintains a concentration of credit risk of excess cash held in short-term investments with the State Board of Administration's Local Government Investment Pool. These funds are invested in uninsured short-term money market funds, commercial paper, repurchase agreements and corporate variable rate notes. As of March 31, 2008 and 2007, the Foundation maintains uninsured balances with the SBA in the amount of \$426,252 and \$3,505,612, respectively.

SUPPLEMENTARY INFORMATION

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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors
Tallahassee Community College
Foundation, Inc.
Tallahassee, Florida

Our report on the audit of the basic financial statements of Tallahassee Community College Foundation, Inc. (a non-profit organization) for the years ended March 31, 2008 and 2007 appears on page 1. These audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on page 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Thomson Brock Luger & Company

August 21, 2008



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TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
Year Ended March 31, 2008 (With Comparative Totals For 2007)

	2008			2007	
	Educational Activities	General and Administrative	Fund Raising Activities	Total	Total
Academic and athletic support	\$ 654,494	\$ -	\$ -	\$ 654,494	\$ 345,892
Scholarships	651,061	-	-	651,061	509,248
Personnel services	73,217	124,701	122,622	320,540	389,777
Bank and investment fees	-	40,301	-	40,301	43,051
Fund raising expenses	-	-	34,271	34,271	48,771
Consulting	-	-	35,458	35,458	32,130
Facility costs	-	28,830	-	28,830	43,111
Printing	5,305	-	12,620	17,925	11,347
Materials and supplies	13,165	3,891	-	17,056	3,511
Advertising	14,839	-	-	14,839	20,096
Legal and accounting	-	11,863	-	11,863	8,678
Travel	11,028	-	-	11,028	11,401
Honoraria and awards	2,238	7,636	-	9,874	13,909
Membership dues	-	7,588	-	7,588	5,534
Business meeting expense	966	3,637	-	4,603	6,606
Insurance	-	4,375	-	4,375	3,819
Telephone	-	4,066	-	4,066	2,967
Training expense	-	-	3,712	3,712	9,090
License and permits	-	2,656	-	2,656	-
Rent expense	-	2,300	-	2,300	-
Miscellaneous expenses	-	1,023	-	1,023	3,536
Depreciation expense	-	394	-	394	597
	<u>\$ 1,426,313</u>	<u>\$ 243,261</u>	<u>\$ 208,683</u>	<u>\$ 1,878,257</u>	<u>\$ 1,513,071</u>

See independent auditors' report on supplementary information.

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

Board of Directors
Tallahassee Community College
Foundation, Inc.
Tallahassee, Florida

We have audited the financial statements of Tallahassee Community College Foundation, Inc. (a nonprofit organization) as of and for the years ended March 31, 2008 and 2007, and have issued our report thereon dated August 21, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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



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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 organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiency described in the accompanying schedule of findings and responses, Finding 2008-01 and 2008-02, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization'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 the internal control that might be significant deficiencies or material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Tallahassee Community College Foundation in a separate letter dated August 21, 2008.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Thomas Block Hughes Humphrey

August 21, 2008

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2008

Finding 2008-01 Transfers between Net Asset Classes

Criteria: Transfers made between classifications of net assets are allowed based on a condition being met as required by the donor. A common example that occurs for the Foundation is the request by the donor to endow their gift upon a time when state matching funds are granted or additional contributions are raised to achieve the required amount imposed by the Foundation to establish an endowed fund.

Condition: During the audit, we noted that allowed transfers to the endowment in the amount of \$66,952 was incorrectly recorded. As a result, permanently restricted contributions were overstated by \$66,952 and temporarily restricted expenses were overstated by the same amount.

Cause: The improper recording of the transferred amounts resulted from management's lack of understanding of how to record the transfers in accordance with generally accepted accounting principles.

Recommendation: We recommend management train its designated staff person how to properly record transfer of funds between net asset classes so not to overstate revenue and expense.

View of responsible officials and corrective actions: The Foundation agrees with the finding and the new Chief Financial Officer (CFO) has been recording accounting transfers in a manner that does not overstate contributions and expenses. In essence, entries to cash and transfers are offset by mirror entries to cash and transfers in a separate fund so that transfers zero across accounts and only cash is reclassified. The auditors are aware of the current transfer methodology and agree that it is acceptable.

TALLAHASSEE COMMUNITY COLLEGE FOUNDATION, INC.
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended March 31, 2008

Finding 2008-02 Classification of Expenses

Criteria: SFAS No. 117 - Financial Statements of Not-for-Profit Organizations require organizations to properly provide information about expenses reported by their functional classification, together with information about expenses by their natural classifications, in a matrix format in a separate financial statement.

Condition: During the audit, we noted incorrect classification postings of expenses resulting in a reclassification of scholarship expenses in the amount of \$123,503 to academic support to the college for same amount.

Cause: During the audit period, the Foundation was in the process of a job search to replace its retired chief financial officer. As a result, the Foundation lacked the day-to-day supervision of its accounting assistant who incorrectly posted the academic support expenses to the wrong account.

Recommendation: We recommend management train its designated staff person where to code and post expenses related to its natural classification and management monitor by regular financial statement review what has been posted in relation to the supporting documentation of the expenditure.

View of responsible officials and corrective actions: The Foundation agrees with the finding and the new Chief Financial Officer (CFO) is working to train accounting staff on proper coding of transactions into the accounting records. In addition, the CFO now reviews transactions for accuracy, adequate documentation, and proper coding before they are posted to the general ledger. Finally, the CFO is working to simplify the chart of account to promote easier identification and more consistency across all transactions.

PUBLIC SAFETY ACADEMY HOUSING, INC.
Tallahassee, Florida

FINANCIAL STATEMENTS
Years Ended March 31, 2008 and 2007

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OF COUNSEL
W. FREDERICK THOMSON, C.P.A.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Public Safety Academy Housing, Inc.
Tallahassee, Florida

We have audited the accompanying statements of financial position of Public Safety Academy Housing, Inc. as of March 31, 2008 and 2007, and the related statements of activities and change in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Public Safety Academy Housing, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Safety Academy Housing, Inc. as of March 31, 2008 and 2007 and the change in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 28, 2008 on our consideration of Public Safety Academy Housing, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and

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the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the result of our audit.

The management's discussion and analysis on page 3 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.

Thomson Brock Rugee + Company

August 28, 2008

PUBLIC SAFETY ACADEMY HOUSING, INC.
Management's Discussion and Analysis

The discussion and analysis of Public Safety Academy Housing Inc.'s (PSAH) financial statements provides an overview of the financial activities for the year ended March 31, 2008. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers. The discussion and analysis contains activities of the PSAH for fiscal years 2007 and 2008.

PSAH was incorporated on February 26, 2003, as a direct support organization of Tallahassee Community College for the purpose of financing and construction a housing facility at the College's Pat Thomas Law Enforcement Academy. The housing facility was financed by a \$9 million mortgage note and was completed on January 4, 2007. Upon completion, PSAH executed an agreement with the College whereby the College leases the housing facility from PSAH and is responsible for operating and maintaining the facility. All revenues generated by the facility are retained by the College. In exchange, PSAH receives a monthly lease payment in the amount of its mortgage payment (\$61,659).

By design, PSAH was limited in its establishment to obtaining the financing and constructing the housing facility, with all post completion activities to be the responsibility of the College. Accordingly, 2008 financial activities consist of monthly lease receipts, mortgage payments and the recognition of certain costs (depreciation, amortization) incurred during prior years but recognized as current year expenses. The nature of PSAH's future activities can be expected to remain consistent with those of the 2008 fiscal year.

PUBLIC SAFETY ACADEMY HOUSING, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2008 and 2007

<u>ASSETS</u>		
	<u>2008</u>	<u>2007</u>
CURRENT ASSETS		
Cash	\$ 79,222	\$ 90,695
Due from TCC Housing, Inc.	<u>5,868</u>	<u>-</u>
TOTAL CURRENT ASSETS	85,090	90,695
PROPERTY, PLANT AND EQUIPMENT, Net	7,939,720	8,262,970
OTHER ASSETS		
Organizational costs, net	225	337
Deferred loan cost, net	<u>160,660</u>	<u>170,110</u>
	<u>\$ 8,185,695</u>	<u>\$ 8,524,112</u>
 <u>LIABILITIES AND NET DEFICIT</u>		
CURRENT LIABILITIES		
Accrued interest payable	\$ 38,874	\$ 40,153
Current portion of mortgage notes payable	<u>289,344</u>	<u>272,634</u>
TOTAL CURRENT LIABILITIES	328,218	312,787
LONG-TERM LIABILITIES		
Mortgage note payable	<u>7,993,938</u>	<u>8,283,282</u>
TOTAL LIABILITIES	8,322,156	8,596,069
NET DEFICIT		
Invested in capital assets, net of related debt	(182,902)	(122,836)
Unrestricted	<u>46,441</u>	<u>50,879</u>
	<u>(136,461)</u>	<u>(71,957)</u>
	<u>\$ 8,185,695</u>	<u>\$ 8,524,112</u>

See accompanying notes.

PUBLIC SAFETY ACADEMY HOUSING, INC.
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)
Years Ended March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUE		
Lease income	\$ 739,928	\$ 739,958
OPERATING EXPENSES		
Depreciation and amortization expense	332,812	328,023
Materials and supplies	-	10,951
Contractual services	5,497	6,299
Bank fees	<u>124</u>	<u>-</u>
	<u>338,433</u>	<u>345,273</u>
OPERATING INCOME	401,495	394,685
NONOPERATING INCOME (EXPENSE)		
Interest income	-	2
Interest expense	<u>(465,999)</u>	<u>(479,540)</u>
	<u>(465,999)</u>	<u>(479,538)</u>
CHANGE IN NET ASSETS	(64,504)	(84,853)
BEGINNING NET ASSETS (DEFICIT)	<u>(71,957)</u>	<u>12,896</u>
ENDING NET DEFICIT	\$ <u>(136,461)</u>	\$ <u>(71,957)</u>

See accompanying notes.

PUBLIC SAFETY ACADEMY HOUSING, INC.
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Rents and fees collected	\$ 739,928	\$ 924,936
Interest income	-	2
Payments to vendors	(11,489)	(65,445)
Payments for interest expense	(467,278)	(480,810)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>261,161</u>	 <u>378,683</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Equipment purchases	-	(95,792)
Principal payments on long-term debt	(272,634)	(259,104)
 NET CASH USED IN FINANCING ACTIVITIES	 <u>(272,634)</u>	 <u>(354,896)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from special investment purpose account	-	90
 NET CASH PROVIDED BY INVESTING ACTIVITIES	 <u>-</u>	 <u>90</u>
 NET (DECREASE) INCREASE IN CASH	 (11,473)	 23,877
CASH AT BEGINNING OF YEAR	<u>90,695</u>	<u>66,818</u>
 CASH AT END OF YEAR	 <u>\$ 79,222</u>	 <u>\$ 90,695</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in net assets	\$(64,504)	\$(84,853)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	332,812	328,023
(Increase) decrease in:		
Due from TCC Housing, Inc,	(5,868)	184,978
(Decrease) increase in:		
Accounts payable	-	(48,195)
Accrued interest payable	(1,279)	(1,270)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 261,161</u>	 <u>\$ 378,683</u>

See accompanying notes.

PUBLIC SAFETY ACADEMY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2008 and 2007

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Formation and Nature of Business

Public Safety Academy Housing, Inc. (the "Organization") was incorporated on February 26, 2003 as a direct support organization of Tallahassee Community College (College), within the meaning of Section 240.331, Florida Statutes, or any successor provision. The Organization was formed, among other purposes, to make available housing to participants in programs affiliated with the Pat Thomas Law Enforcement Academy. At the direction of the Board of Trustees of Tallahassee Community College, income derived by the Organization, subject to the assignment of revenue and other amounts derived from the operation of the facility, may be transferred to the Tallahassee Community College.

A summary of significant accounting policies follows:

Basis of Accounting - The Organization follows financial reporting requirements for enterprise funds, which use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

Building Facility - Cost directly associated with the construction of the housing complex including interest incurred from financing during the construction period are capitalized to the basis of the building account. Upon completion of the housing complex, depreciation is provided over the estimated present life of the 39 years on a straight line basis.

Income Taxes - The Public Safety Academy Housing, Inc. has been granted tax exempt status under a four year advance ruling period by the Internal Revenue Service as a 501(c)(3) entity. Accordingly, no provision has been made for income taxes.

Cash Equivalents - For purposes of the statement of cash flows all highly liquid instruments with a maturity of three months or less are considered to be cash equivalents.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Election to Apply FASB Statements - The Organization has elected to apply all FASB Statements and interpretations issued after November 30, 1989, except for those that conflict with GASB pronouncements, as permitted by GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting."

PUBLIC SAFETY ACADEMY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2008 and 2007

NOTE 2 - RELATED PARTY TRANSACTIONS

On May 21, 2004, Tallahassee Community College entered into a long term lease to rent ten acres of land to Public Safety Academy Housing, Inc. in order to build the housing complex. Terms of the lease grants Public Safety Academy Housing, Inc. the use of the land for a 99 year term at less than fair market value rates of \$1 each year, paid in advance.

In November 2005, Public Safety Academy Housing, Inc. executed an agreement with Tallahassee Community College to operate the housing complex. Terms of the agreement include monthly lease revenue amounting to \$61,659 through June 30, 2008; with automatic annual lease renewals unless thirty day prior notice of cancellation is given by either party. Total lease income earned amounted to \$739,928 for each of the years ended March 31, 2008 and 2007, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2008 and 2007, is summarized as follows:

	<u>2008</u>	<u>2007</u>
Building	\$ 8,098,760	\$ 8,098,760
Furniture and equipment	<u>577,950</u>	<u>577,950</u>
	8,676,710	8,676,710
Accumulated depreciation	<u>(736,990)</u>	<u>(413,740)</u>
	<u>\$ 7,939,720</u>	<u>\$ 8,262,970</u>

Depreciation expense for the years ended March 31, 2008 and 2007 amounted to \$325,250 and \$318,461, respectively.

PUBLIC SAFETY ACADEMY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended March 31, 2008 and 2007

NOTE 4 - MORTGAGE NOTE PAYABLE

Mortgage note payable as of March 31, 2008 and 2007 was as follows:

	2008	2007
<p>\$9,000,000 mortgage note payable executed May 21, 2004 with Gadsden County, Florida and assigned to a commercial lender; bearing interest at 5.45%; payable interest only for initial twelve months then monthly installments of principal and interest in the amount of \$61,659; maturing May 21, 2025. Note is collateralized by a leasehold mortgage in real estate and first priority security interest in all personal property located at the facility being developed. Note is also collateralized by assignment of rents and leases related to housing facility.</p>	\$ 8,283,282	\$ 8,555,916
<p>Less current portion</p>	(289,344)	(272,634)
	<u>\$ 7,993,938</u>	<u>\$ 8,283,282</u>

As of March 31, 2008, the scheduled maturities of the mortgage note payable was as follows:

March 31, 2009	\$ 289,344
2010	305,644
2011	323,073
2012	340,316
2013	360,672
Thereafter	<u>6,664,233</u>
	<u>\$ 8,283,282</u>

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OF COUNSEL
W. FREDERICK THOMSON, C.P.A.

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

Board of Directors
Public Safety Academy Housing, Inc.
Tallahassee, Florida

We have audited the financial statements of Public Safety Academy Housing, Inc. as of and for the years ended March 31, 2008 and 2007, and have issued our report thereon dated August 28, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Public Safety Academy Housing, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Public Safety Academy Housing, Inc.'s internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Public Safety Academy Housing, Inc.'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 a combination of control deficiencies, that adversely affects the entity'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 an a remote likelihood that a misstatement of the entity's financial statements is more than inconsequential will not be prevented or detected by the entity's internal control.



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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 presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies 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

As part of obtaining reasonable assurance about whether the financial statements of Public Safety Academy Housing, Inc. are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 on noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, others within the organization and state regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties.

Thomson Beale Kugee + Company

August 28, 2008

**TALLAHASSEE COMMUNITY COLLEGE
HOUSING, INC.
Tallahassee, Florida**

**FINANCIAL STATEMENTS
Years Ended June 30, 2008 and 2007**

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OF COUNSEL
W. FREDERICK THOMSON, C.P.A.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Tallahassee Community College Housing, Inc.
Tallahassee, Florida

We have audited the accompanying statements of financial position of Tallahassee Community College Housing, Inc. (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Tallahassee Community College Housing, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tallahassee Community College Housing, Inc. as of June 30, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 20, 2008 on our consideration of Tallahassee Community College Housing, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the result of our audit.

Thomson Brock Luger & Company

August 20, 2008



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TALLAHASSEE COMMUNITY COLLEGE HOUSING, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 49,780	\$ 52,017
Current portion of escrow deposit investments	378,400	387,466
Accrued interest on escrow deposit investments	166,210	181,332
Repair and replacement escrow	<u>-</u>	<u>219,619</u>
TOTAL CURRENT ASSETS	594,390	840,434
OTHER ASSETS		
Long-term escrow deposit investments	6,677,458	7,055,858
Bond issue costs (less accumulated amortization of \$198,016 and \$185,430, respectively)	<u>176,201</u>	<u>188,786</u>
	<u>\$ 7,448,049</u>	<u>\$ 8,085,078</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 5,868	\$ -
Bond interest payable	220,943	230,384
Current portion of bonds payable	270,000	285,000
Deferred maintenance escrow	<u>-</u>	<u>219,619</u>
TOTAL CURRENT LIABILITIES	496,811	735,003
LONG-TERM LIABILITIES		
Bonds payable	<u>6,400,000</u>	<u>6,670,000</u>
TOTAL LIABILITIES	6,896,811	7,405,003
NET ASSETS		
Unrestricted	<u>551,238</u>	<u>680,075</u>
	<u>\$ 7,448,049</u>	<u>\$ 8,085,078</u>

See accompanying notes.

TALLAHASSEE COMMUNITY COLLEGE HOUSING, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
OPERATING INCOME		
Student rents and fees	\$ -	\$ 315,199
Miscellaneous	-	7,933
Recovery of bad debts	-	3,339
Investment income	<u>1,063</u>	<u>63,434</u>
	<u>1,063</u>	<u>389,905</u>
EXPENSES		
Contributions to TCC Foundation	-	3,266,947
Maintenance and repairs	-	92,225
Bond interest	-	79,325
Depreciation and amortization	-	33,834
Salaries and payroll taxes	-	43,827
Insurance	2,202	21,278
Professional fees	5,689	15,883
Utilities	-	15,270
Security services	-	14,899
Bad debt expense	-	14,788
Management fees	1,000	11,443
Administrative expenses	61	10,655
Advertising	-	2,820
Operating lease expense	-	957
Postage and supplies	216	754
Telephone	<u>-</u>	<u>458</u>
	<u>9,168</u>	<u>3,625,363</u>
CHANGE IN OPERATING INCOME	(8,105)	(3,235,458)
NON-OPERATING INCOME (EXPENSE)		
Gain on sale of apartment complex	-	6,214,974
Investment income on escrow deposit investments	333,741	299,101
Interest expense on defeased bonds	(441,888)	(383,974)
Bond cost amortization	<u>(12,585)</u>	<u>(12,586)</u>
	<u>(120,732)</u>	<u>6,117,515</u>
CHANGE IN UNRESTRICTED NET ASSETS	(128,837)	2,882,057
NET ASSETS (DEFICIT) BEGINNING OF YEAR	<u>680,075</u>	<u>(2,201,982)</u>
NET ASSETS END OF YEAR	<u>\$ 551,238</u>	<u>\$ 680,075</u>

See accompanying notes.

TALLAHASSEE COMMUNITY COLLEGE HOUSING, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Collections from residents	\$ -	\$ 340,978
Investment earnings	349,926	181,203
Cash paid to suppliers, employees and TCC Foundation	(3,300)	(3,565,970)
Interest paid	(451,329)	(472,409)
NET CASH USED IN OPERATING ACTIVITIES	<u>(104,703)</u>	<u>(3,516,198)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Escrow deposit investment proceeds	387,466	112,615
Escrow deposit investment purchases	-	(7,555,939)
Net cash used from repair and replacement account	-	350,000
Net proceeds from sale of apartment complex	<u>-</u>	<u>10,406,748</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>387,466</u>	<u>3,313,424</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond redemption payments	(285,000)	(275,000)
NET CASH USED IN FINANCING ACTIVITIES	<u>(285,000)</u>	<u>(275,000)</u>
NET DECREASE IN CASH	(2,237)	(477,774)
CASH AT BEGINNING OF YEAR	<u>52,017</u>	<u>529,791</u>
CASH AT END OF YEAR	<u>\$ 49,780</u>	<u>\$ 52,017</u>
RECONCILIATION OF CHANGE IN UNRESTRICTED NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Changes in Unrestricted Net Assets	\$(128,837)	\$ 2,882,057
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	12,585	46,420
Gain on sale of apartment complex	-	(6,214,974)
(Increase) decrease in:		
Deposits	-	5,800
Receivables and advances	-	14,507
Prepaid expenses	-	67,427
Accrued investment receivable	15,122	(181,332)
Increase (decrease) in:		
Accounts payable and accrued expenses	5,868	(92,678)
Bond interest payable	(9,441)	(9,110)
Deposits	<u>-</u>	<u>(34,315)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$(104,703)</u>	<u>\$(3,516,198)</u>

See accompanying notes.

TALLAHASSEE COMMUNITY COLLEGE HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2008 and 2007

NOTE 1 -NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Formation and Nature of Business - Tallahassee Community College Housing, Inc. (Housing) was incorporated on May 20, 2000 as a direct support organization of Tallahassee Community College (College), within the meaning of Section 240.331, Florida Statutes, or any successor provision. The Corporation was formed, among other purposes, to make available housing to students at Tallahassee Community College and other institutions of higher education. Effective November 1, 2001, Housing entered into a contribution and assumption agreement with Tallahassee Community College Foundation, Inc. (Foundation) whereby the student housing project (The Orchards of Appleyard) owned by the Foundation was transferred to Housing. The terms of the agreement included the transfer of the Foundation's right, title and interest in the property, subject to the mortgage, the apartment leases, the management agreement and loan and promissory note agreements. Housing operated and managed the student housing project through a management contract with a property management company until the apartment complex was sold on August 31, 2006. See Note 2 for further discussion on the sale of the apartment complex. At the direction of the Board of Trustees of Tallahassee Community College, income derived by the Corporation, subject to the assignment of revenue and other amounts derived from the operation of the facility, may be transferred to the Tallahassee Community College or to the Foundation.

A summary of significant accounting policies follows:

Basis of Accounting - The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Property and Equipment - Property is recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Expenditures for maintenance, repairs and replacements which are not considered to extend the useful life of the apartment complex beyond the original life are charged to operations in the period incurred.

Bad Debt Expense - The direct write-off method is used to account for bad debts. Upon eviction, the remaining tenant receivable balance is written off as bad debt expense and any amounts recovered are recorded as income and classified as Recovery of Bad Debts in the period received. Management believes the direct write-off method does not materially differ from the allowance method to account for bad debt expense.

Cash Equivalents - For purposes of the statement of cash flows all highly liquid instruments with a maturity of three months or less are considered to be cash equivalents.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TALLAHASSEE COMMUNITY COLLEGE HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2008 and 2007

NOTE 2 – SALE OF APARTMENT COMPLEX

On August 31, 2006, Tallahassee Community College Housing, Inc. closed on the sale of its apartment complex including land, equipment and furnishings to the highest bidder. Contract sale price of the complex amounted to \$11,100,000 whereby \$7,555,939 was deposited in escrow with the trustee to “in-substance” defease the outstanding Series 1990A Student Housing Revenue Bonds issued May 1, 1990, not redeemable in full until July 1, 2011. See Note 3 for further discussion regarding the escrow deposit agreement with the trustee. \$468,000 was withheld by the settlement agent as a contingent reserve to the buyer for future identified repair and replacement of air conditioning handlers and condensers and for repair and replacement of improvements to the complex. Closing costs including fees for recording, brokers, attorneys, bond counsel, trustee, accountants and prorations of rents and security deposits amounted to \$279,292. The remainder from the closing in the amount of \$2,796,768 and the liquidation of remaining balances in the trustee sub accounts and prepaid insurance in the amount of \$457,497 were deposited into Housing’s operating account.

NOTE 3 – ESCROW DEPOSIT AGREEMENT

On September 1, 2006, Housing entered into an agreement with City of Tallahassee and its trustee to provide for payment of the total debt service of the outstanding Series 1990A Student Housing Revenue Bonds, issued May 1990, by depositing with the trustee in escrow an amount which together with investment earning thereon is at least equal to such debt services and where as full performances of the provisions of the agreement will economically defease the obligations of Housing with respect to the bonds and redeem in full the outstanding bonds on July 1, 2011. Investments held in escrow as of June 30, 2008 and 2007 consist of the following:

<u>State and Local Government Series</u>	<u>Interest Rate</u>	<u>Maturity</u>	2008 Fair Value	2007 Fair Value
U.S. Certificate of Indebtedness	5.06%	7/1/2007	\$ -	\$ 334,053
U.S. Treasury Notes	4.95%	1/1/2008	-	53,413
U.S. Treasury Notes	4.85%	7/1/2008	324,734	324,734
U.S. Treasury Notes	4.76%	1/1/2009	53,666	53,666
U.S. Treasury Notes	4.72%	7/1/2009	374,942	374,942
U.S. Treasury Notes	4.72%	1/1/2010	53,192	53,192
U.S. Treasury Notes	4.71%	7/1/2010	424,447	424,447
U.S. Treasury Notes	4.71%	1/1/2011	52,186	52,186
U.S. Treasury Notes	4.71%	7/1/2011	5,763,415	5,763,415
Demand Deposit Account	N/A	N/A	<u>9,276</u>	<u>9,276</u>
			7,055,858	7,443,324
Less current portion			<u>(378,400)</u>	<u>(387,466)</u>
			\$ <u>6,677,458</u>	\$ <u>7,055,858</u>

TALLAHASSEE COMMUNITY COLLEGE HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2008 and 2007

NOTE 4 - BONDS PAYABLE

Bonds payable consist of Series 1990A Student Housing Revenue Bonds issued May 1, 1990. The original proceeds were placed with SunBank, National Association, as Trustee (SunTrust Bank, a Georgia banking corporation, successor Trustee). The bond issue is governed by the Third Supplement to Indenture of Trust dated November 1, 2001. The bonds are not general obligations of the Tallahassee Community College Housing, Inc. but are limited obligations payable solely and only from revenue and other amounts derived from the operation of the facility (The Orchards of Appleyard). The outstanding bonds were secured by second amendment to mortgage and security agreement and assignment of rents, leases and contracts dated November 1, 2001. As further discussed in Note 2, the mortgage and lease assignment was satisfied upon the sale of the apartment complex and the deposit of adequate funds were escrowed for the in-substance defeasance of the existing bonds.

Bonds payable at June 30, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Series 1990A, Student Housing Revenue Bonds mature on July 1, 2022 and bear interest at the rate of 6.625% payable semi annually on January 1, 2002 for the period commencing with November 1, 2001 and continuing until maturity or the earlier redemption thereof. These bonds are subject to redemption beginning in 2002 until final maturity.	\$ 6,670,000	\$ 6,955,000
Less current portion	(270,000)	(285,000)
	<u>\$ 6,400,000</u>	<u>\$ 6,670,000</u>

As of June 30, 2008, the scheduled maturities of bonds payable were as follows:

July 1, 2008	\$ 270,000
2009	320,000
2010	370,000
2011	<u>5,710,000</u>
	<u>\$ 6,670,000</u>

Optional Tender of Bonds - Under the Third Supplement to Indenture of Trust, the Series 1990A Bonds shall not be subject to optional redemption until July 1, 2011. Thereafter, the Series 1990A Bonds shall be subject to optional redemption in whole and in part at a redemption price of par, plus accrued interest to the redemption date upon not less than thirty (30) days prior notice.

NOTE 5 - INCOME TAXES

The Tallahassee Community College Housing, Inc. has been granted tax exempt status under 501(c)(3) of the Internal Revenue Code. Accordingly, no provision has been made for income taxes.

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TBL

THOMSON BROCK
LUGER & COMPANY

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FRED C. LUGER, C.P.A.

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LINDA V. SIMPSON, C.P.A.

OF COUNSEL
W. FREDERICK THOMSON, C.P.A.

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

Board of Directors
Tallahassee Community College Housing, Inc.
Tallahassee, Florida

We have audited the financial statements of Tallahassee Community College Housing, Inc. (a nonprofit organization) as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated August 20, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Tallahassee Community College Housing, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Tallahassee Community College Housing, Inc.'s internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Tallahassee Community College Housing, Inc.'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 a combination of control deficiencies, that adversely affects the entity'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 an a remote likelihood that a misstatement of the entity's financial statements is more than inconsequential will not be prevented or detected by the entity's internal control.



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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 presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies 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 financial statements of Tallahassee Community College Housing, Inc. are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Thomson Blackledge + Company

August 20, 2008