

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF  
MEDICINE SELF-INSURANCE PROGRAM**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
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JUNE 30, 2013 AND 2012**

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## INDEPENDENT AUDITORS' REPORT

To the Governing Council,  
Florida Atlantic University College of Medicine Self-Insurance Program:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Florida Atlantic University College of Medicine Self-Insurance Program (the "Program", an operating unit of the Florida Board of Governors), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Program's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Program as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

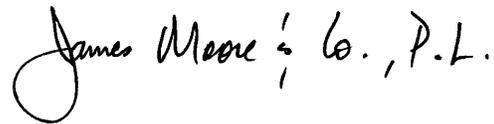
***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2013, on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large loop at the beginning of the word "James".

Gainesville, Florida  
August 23, 2013

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013 AND 2012**

This discussion provides an assessment by management of the current financial position and results of operations for FAU College of Medicine Self-Insurance Program. Management encourages readers to consider the information presented here in conjunction with additional information included in the accompanying financial statements and notes to the financial statements.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Program's basic financial statements, which consists of the statements of net position, statements of revenues, expenses, and changes in net position, and the statements of cash flows. This report also contains other supplementary information in addition to the basic financial statements.

The *statements of net position* present information on all of the Program's assets and liabilities, with the difference between the two reported as the total net position. Increases or decreases in the reported net position may serve as a useful indicator of the Program's financial position.

The *statements of revenues, expenses and changes in net position* present information showing how the Program's revenues and expenses affected the total net position during the current year. All revenue and expenses are recorded as soon as they have been incurred, regardless of the timing of related cash flows.

The *statements of cash flows* present information regarding the cash receipts and payments that occurred throughout the year. The statements show the cash effects of operating and financing transactions during a given period.

**Summary of Net Position**

	<b>2013</b>	<b>2012</b>	<b>2012-2013</b>	
			<b>Increase (decrease)</b>	<b>Percent change</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,630,143	\$ 1,137,316	\$ 492,827	43.33%
<b>Total Assets</b>	<b>1,630,143</b>	<b>1,137,316</b>	<b>492,827</b>	<b>43.33%</b>
<b>Liabilities</b>				
Unpaid losses and loss adjustment expenses	10,200	23,618	(13,418)	(56.81)%
Accounts payable and accrued expenses	-	6,098	(6,098)	(100.00)%
Administration fees payable	-	46,767	(46,767)	(100.00)%
<b>Total Liabilities</b>	<b>10,200</b>	<b>76,483</b>	<b>(66,283)</b>	<b>(86.66)%</b>
<b>Net Position</b>				
Net position - unrestricted	\$ 1,619,943	\$ 1,060,833	\$ 559,110	52.70%

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013 AND 2012  
(Continued)**

**Assets**

Cash and cash equivalents increased approximately \$493,000, or 43%, during the Program's second year in operation. Although the participants contributed \$500,000 to capital and paid their premiums in full during 2013, the program had to reimburse the outstanding management fees and claims bill premium for 2012 and 2013.

**Liabilities**

Unpaid losses and loss adjustment expenses decreased approximately \$13,000, or 57%, during 2013 largely due to the "Average FTE Relativity Adjustment" being performed by the actuary for the first time during the current year's calculation of the Incurred but Not Reported (IBNR) reserves. The "Average FTE Relativity Adjustment" compares the average FAU clinical FTE to the average UF Jacksonville campus' clinical FTE.

Accounts payable decreased roughly \$6,000, which is related to the 2012 reinsurance/claims bill premiums and Vermont premium taxes due to the University of Florida Healthcare Education Insurance Company being reimbursed in June 2013.

Administration fees payable decreased about \$47,000 primarily because the FAU Self-Insurance Program refunded all of the current and outstanding 2011/2012 contractual fees and expenses due by the close of the fiscal year.

**Summary of Revenues, Expenses, and Changes in Net Position**

	<u>2013</u>	<u>2012</u>	<u>2012-2013</u>	
			<u>Increase (decrease)</u>	<u>Percent change</u>
<b>Operating Revenue</b>				
Earned premiums, net	\$ 107,104	\$ 129,429	\$ (22,325)	(17.25)%
Investment income	3,046	1,788	1,258	70.36%
Total operating revenues	<u>110,150</u>	<u>131,217</u>	<u>(21,067)</u>	<u>(16.06)%</u>
<b>Operating Expenses</b>				
Losses and loss adjustment expenses	(13,418)	23,618	(37,036)	(156.81)%
General and administrative expenses	64,458	46,766	17,692	37.83%
Total operating expenses	<u>51,040</u>	<u>70,384</u>	<u>(19,344)</u>	<u>(27.48)%</u>
<b>Increase in net position</b>	59,110	60,833	(1,723)	(2.83)%
<b>Net position, beginning of year</b>	1,060,833	-	1,060,833	100.00%
<b>Capital contribution</b>	500,000	1,000,000	(500,000)	(50.00)%
<b>Net position, end of year</b>	<u>\$ 1,619,943</u>	<u>\$ 1,060,833</u>	<u>\$ 559,110</u>	<u>52.70%</u>

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2013 AND 2012  
(Continued)**

Total operating revenues decreased approximately \$21,000 during 2013. Although the investment income increased due to having more cash in the Bank of America and it generating more of a return, this is a result of the premiums decreasing in 2013. The FAU Council reviewed the clinical exposures for 2012 billing, and removed those faculty and clinical staff that did not have a true clinical component in 2013.

Total operating expenses decreased approximately \$19,000 in 2013. The losses and loss adjustment expenses decreased due to the IBNR reserve decrease during 2013 due to the "Average FTE Relativity Adjustment" being performed by the actuary for the first time during the current year's calculation of the Incurred but Not Reported (IBNR) reserves. The general and administrative expenses increased almost \$18,000 during the current year, which related to the minimum management fees and the required audit expenses incurred in the current year.

**Next Year**

It is expected that an additional \$500,000 will be contributed to capitalization during the year, which in turn will increase the cash balance and net position at the end of 2014. Management is currently in progress of researching different investment options that will maximize the return on their current cash balance, any suggestions would need to be approved at the next council meeting.

If premiums increase, they will increase consistently with the projected growth for the FAU College of Medicine. Operating expenses should remain closely related to the Program's size, volume of activity, and other adjustments consistent with the rate of future growth.

**Contacting Management**

This financial narrative is designed to provide the reader with a general overview of the Florida Atlantic University College of Medicine Self-Insurance Program's finances. If you have questions about this report or need additional information, please contact:

FAU College of Medicine Self-Insurance Program  
c/o UF Self-Insurance Program  
P.O. Box 112735  
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**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
STATEMENTS OF NET POSITION  
JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,630,143	\$ 1,137,316
Total Assets	1,630,143	1,137,316
<b>Liabilities</b>		
Unpaid losses and loss adjustment expenses	10,200	23,618
Accounts payable and accrued expenses	-	6,098
Administration fees payable	-	46,767
Total liabilities	10,200	76,483
<b>Net Position</b>		
Net position - unrestricted	\$ 1,619,943	\$ 1,060,833

The accompanying notes to the financial statements  
are an integral part of these statements.

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
<b>Operating Revenues</b>		
Earned premiums, net	\$ 107,104	\$ 129,429
Investment income	3,046	1,788
Total operating revenues	<u>110,150</u>	<u>131,217</u>
<b>Operating Expenses</b>		
Losses and loss adjustment expenses	(13,418)	23,618
General and administrative	64,458	46,766
Total operating expenses	<u>51,040</u>	<u>70,384</u>
<b>Increase in net position</b>	<u>59,110</u>	<u>60,833</u>
<b>Net position</b> , beginning of year	1,060,833	-
<b>Capital contribution</b>	500,000	1,000,000
<b>Net position</b> , end of year	<u><u>\$ 1,619,943</u></u>	<u><u>\$ 1,060,833</u></u>

The accompanying notes to the financial statements  
are an integral part of these statements.

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>		
Revenue collected:		
Earned premiums	\$ 107,104	\$ 135,528
Investment income	3,046	1,788
Payments for expenses:		
General and administrative expenses	(117,323)	-
Net cash (used in ) provided by operating activities	(7,173)	137,316
<b>Cash flows from financing activities</b>		
Capital contribution	500,000	1,000,000
<b>Net increase in cash and cash equivalents</b>	492,827	1,137,316
<b>Cash and cash equivalents, beginning of year</b>	1,137,316	-
<b>Cash and cash equivalents, end of year</b>	\$ 1,630,143	\$ 1,137,316
<b>Cash flows from operating activities</b>		
Increase in net position	\$ 59,110	\$ 60,833
Adjustments to reconcile increase in net position to net cash provided by operating activities:		
Changes in assets and liabilities:		
Accounts payable and accrued expenses	(6,098)	6,098
Unpaid losses and loss adjustment expenses	(13,418)	23,618
Administrative fees payable	(46,767)	46,767
Total adjustments	(66,283)	76,483
Net cash (used in ) provided by operating activities	\$ (7,173)	\$ 137,316

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

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

(1) **Organization and Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of Florida Atlantic University Self-Insurance Program (the “Program”) which affect significant elements of the accompanying financial statements:

(a) **Organization**—The Florida Board of Governors (the “Board”), pursuant to Section 1004.24, created the Florida Atlantic University (“FAU” or the “University”) College of Medicine Self-Insurance Program (the “Program”). The Program’s purpose is to provide comprehensive general liability and professional liability (malpractice) coverage for the educational, research and service programs of the FAU College of Medicine and College of Nursing, and FAU Student Health Services, FAU Counseling and Psychological Services, FAU College of Education and FAU Clinical Practice Organization, Inc.

The Program’s Council administers the Program as authorized by Florida Statutes on behalf of the Board. The Program is an operating unit of the Board. The Program is a component unit (for accounting purposes only) of FAU. The net position of the program can only be used to pay claims and administrative expenses of the Program, based upon Florida Statute 1004.24(3).

Prior to October 1, 2011, the Program provided the Board and the Trustees with protection of \$100,000 per claim and \$200,000 for all claims arising from a single occurrence; \$100,000 per claim and \$200,000 for all claims arising from the acts and omissions of students of the colleges protected by the Program engaged in assigned activities at affiliated hospitals or other healthcare affiliates, and this student professional liability coverage may be increased subject to a \$1,000,000 limit per occurrence if higher limits of liability are required by an affiliated hospital or healthcare affiliate; \$250,000 per occurrence in the event that the personal immunity to tort claims as described in Section 768.28(9), Florida Statutes, is inapplicable as to an employee or agent of Trustees while such employee or agent functions within the course and scope of his or her employment or agency; and \$250,000 for employees who act as a Good Samaritan or are engaged in approved Community Service. In response to the Florida Legislature increasing the limits of liability contained in s. 768.28, Florida Statutes, effective October 1, 2011, the limits of protection for sovereign immune entities rose to \$200,000 per claim and \$300,000 for all claims arising from a single occurrence. Under this claims-incurred policy written directly with the Program participants, protection is provided against claims that arise from incidents occurring during the term of the policies irrespective of the time the claim is asserted.

In 1994, the then Board of Regents promulgated Rule 6C-10.001(4) of the Florida Administrative Code (now Board of Governors Regulation 10.001(2)), which authorized the formation of the University of Florida Healthcare Education Insurance Company (“HEIC”). HEIC is wholly owned by the Board and is domiciled in Vermont. HEIC writes coverage for the participants in the Program for loss exposure above the Program’s retention. HEIC obtains excess loss reinsurance coverage (claims-made basis) from commercial insurance carriers for certain layers of exposure.

(b) **Basis of reporting**—The financial statements of the Program have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under these methods, revenues are recorded when earned and expenses are recognized when they are incurred.

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE**  
**SELF-INSURANCE PROGRAM**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013 AND 2012**

(1) **Organization and Significant Accounting Policies:** (Continued)

The Program distinguishes operating revenues and expenses from non-operating items. Operating revenues are those revenues that are generated from the primary operations of the Program, including investment income. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the Program. All other expenses are reported as non-operating expenses. For the years ended June 30, 2013 and 2012, all revenues and expenses of the Program were considered to be operating revenues and operating expenses.

The Program follows GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, which establishes financial reporting standards for state and local governments, including states, cities, towns, villages, and special-purpose governments such as school districts and public utilities and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, an amendment of GASB Statement No. 34 for public colleges and universities to allow the use of the guidance for special-purpose governments engaged only in business-type activities, engaged only in government activities, or engaged in both governmental and business-type activities in their separately issued reports.

The Program is not regulated by the Florida Office of Financial Regulation and, accordingly, does not report on the basis of statutory accounting principles.

(c) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include cash, money market funds, and demand deposits with original maturity dates of 90 days or less when purchased.

The Program has demand deposits held at financial institutions that are secured up to FDIC limits. Amounts over FDIC limits are secured by collateral held by the financial institution which is pledged to the State of Florida Public Deposits Trust Fund. These deposits amounted to \$1,630,143 and \$1,137,316 as of June 30, 2013 and 2012, respectively.

(d) **Premiums**—Premiums written directly are earned ratably over the terms of the underlying policies. All renewal policies are written for a one-year term and expire on June 30 of each year.

(e) **Reserves for losses and loss adjustment expenses**—The reserves for unpaid losses and loss adjustment expenses ("LAE") include case basis estimates of reported losses, plus supplemental amounts for incurred but not reported losses ("IBNR") calculated based upon loss projections utilizing certain actuarial assumptions and studies of the Program's historical loss experience and industry statistics. Management believes that its aggregate liability for unpaid losses and LAE at year-end represents its best estimate of the amount necessary to cover the ultimate cost of claims based upon an actuarial analysis prepared by a consulting actuary. Considerable uncertainty and variability are inherent in such estimates, and accordingly, the subsequent development of these reserves may not conform to the assumptions inherent in the determination. In addition, both general and medical professional liability are long-tail lines of insurance subject to considerable loss variability attributable to social, economic and legal considerations that are not directly quantifiable. Accordingly, the ultimate liability could be significantly in excess of or less than the amount indicated in the financial statements. As adjustments to these estimates become necessary, such adjustments are reflected in current operations.

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
SELF-INSURANCE PROGRAM  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012**

(1) **Organization and Significant Accounting Policies:** (Continued)

(f) **Income taxes**—The Program is an operating unit of the Board of Governors, the State University System of Florida. Accordingly, the Program is exempt from Federal income taxes. Any taxable income is aggregated at the University level and taxes paid, if any, are paid by the University.

(g) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, accordingly, results could differ from those estimates.

(2) **Insurance Activity:**

Premium activity for the years ended June 30, 2013 and 2012 is summarized as follows:

	<u>Direct</u>	<u>Ceded</u>	<u>Net</u>
<b>June 30, 2013</b>			
Premiums written	\$ 111,074	\$ 3,970	\$ 107,104
Premiums earned	<u>\$ 111,074</u>	<u>\$ 3,970</u>	<u>\$ 107,104</u>
<b>June 30, 2012</b>			
Premiums written	\$ 135,504	\$ 6,075	\$ 129,429
Premiums earned	<u>\$ 135,504</u>	<u>\$ 6,075</u>	<u>\$ 129,429</u>

The following table provides a reconciliation of the beginning and ending reserve balances for losses and LAE:

	<u>2013</u>	<u>2012</u>
<b>Balances at July 1</b>	\$ 23,618	\$ -
Incurred related to:		
Current year	(37,036)	23,618
Prior years	23,618	-
Total incurred losses and LAE	<u>(13,418)</u>	<u>23,618</u>
Paid related to:		
Current year	-	-
Prior years	-	-
Total paid losses and LAE	<u>-</u>	<u>-</u>
<b>Balances at June 30</b>	<u>\$ 10,200</u>	<u>\$ 23,618</u>

**FLORIDA ATLANTIC UNIVERSITY COLLEGE OF MEDICINE  
 SELF-INSURANCE PROGRAM  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2013 AND 2012**

(2) **Insurance Activity:** (Continued)

The estimate of the liability for losses and loss adjustment expenses by loss year is subject to change until all claims for each loss year are closed. As a result of changes in estimates and insured events in prior years, the net loss and loss adjustment expenses incurred decreased due to refinements to prior years' ultimate loss projections.

The components of the liability for gross losses and LAE are as follows:

	<b>2013</b>	<b>2012</b>
Case-basis reserves	\$ -	\$ -
Supplemental reserves	10,200	23,618
Total	\$ 10,200	\$ 23,618

(3) **Related Party Transactions:**

The Program maintains an agreement with the University of Florida Self-Insurance Program (“UFSIP”), whereby UFSIP provides administrative services to the Program. The total fees charged to the Program were \$50,000 and \$46,701 in 2013 and 2012, respectively.

The Program provides liability protection to the Trustees acting on behalf of the FAU College of Medicine, College of Nursing, and the FAU Health Services. Total net earned premiums for the year ended June 30, 2013 and 2012 of \$107,104 and \$129,429, respectively, are all associated with these related entities.

The Program has access to reinsurance coverage provided by the University of Florida Healthcare Education Insurance Company (“HEIC”) for medical professional liability, patient general liability, managed care errors and omissions liability in excess of the retained \$1,000,000 per occurrence for the period from July 1, 2012 to June 30, 2013 on a claims-made basis as follows: \$5,000,000 each loss in the aggregate and \$10,000,000 combined. Total ceded premium of \$3,970 and \$6,075 for the years ended June 30, 2013 and 2012, respectively was paid.

**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***

To the Governing Council,  
Florida Atlantic University College of Medicine Self-Insurance Program:

We have audited in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Florida Atlantic University College of Medicine Self-Insurance Program (the “Program”, an operating unit of the Florida Board of Governors) which comprise the statement of financial position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated August 23, 2013.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Program’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Program’s internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

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

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J".

Gainesville, Florida  
August 23, 2013