



AUDITOR GENERAL
DAVID W. MARTIN, CPA



INDIAN RIVER COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended June 30, 2007

During the audit period, the President of the College was Dr. Edwin R. Massey. Members of the College's Board of Trustees who served during the audit period are listed below:

<u>Board Member</u>	<u>County</u>
Werner Bols, Chair	Martin
Cheryl L. Kirton, Vice Chair	Okeechobee
Bruce R. Abernethy to 5-22-07 (1)	St. Lucie
Edith Bradshaw	Indian River
Leonard J. Hoag	Martin
Samuel L. Patterson	St. Lucie
Tomas Rene Perez	Indian River
J. Hal Roberts, Jr., from 6-26-07 (1)	St. Lucie
Jane E. Rowley	St. Lucie
Linda T. Syfrett	Okeechobee

Note: (1) Position remained vacant from May 23, 2007, through June 25, 2007.

INDIAN RIVER COMMUNITY COLLEGE

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EXECUTIVE SUMMARY

The audit of the financial statements of Indian River Community College for the fiscal year ended June 30, 2007, was conducted pursuant to the provisions of Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The scope of this audit included an examination of the financial statements of the College, a component unit of the State of Florida, and a determination as to whether management complied with applicable laws, rules, regulations, contracts, and grant agreements and other matters that are material to the financial statements. An examination of Federal awards administered by the College is included in our Statewide audit of Federal awards administered by the State of Florida.

The following provides a summary of the findings of our audit of the College's financial statements:

- We found that the College's financial statements presented fairly, in all material respects, the financial positions of the College and its discretely presented component unit as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended.
- We noted no matters involving the College's internal control over financial reporting and its operation that we considered to be significant deficiencies or material weaknesses.
- The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This audit was coordinated by Mark Smith, CPA, and supervised by Tim L. Tucker, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at tedsauerbeck@aud.state.fl.us or by telephone at (850) 487-4468.

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



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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Indian River Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2007, as shown on pages 16 through 37. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which comprises 100 percent of the transactions and account balances of the discretely presented component unit column. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for this entity, is based solely upon the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Indian River Community College and of its discretely presented component unit as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the financial statements, in the prior fiscal year, the College reported certain moneys received from the Indian River Community College Foundation, Inc., as nongovernmental grants and contracts operating revenues. For the 2006-07 fiscal year, the College began reporting a portion of these moneys to be used for capital construction as capital grants, contracts, gifts, and fees and a portion of these moneys to be used for scholarships as nonoperating gifts and grants. This change affects the comparability of amounts reported on the statement of revenues, expenses, and changes in net assets for the 2006-07 fiscal year with amounts reported for the 2005-06 fiscal year.

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 5 through 15 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA
October 25, 2007



DAVID W. MARTIN, CPA
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The President of the Senate, the Speaker of the
House of Representatives, and the
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of Indian River Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2007, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the

College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



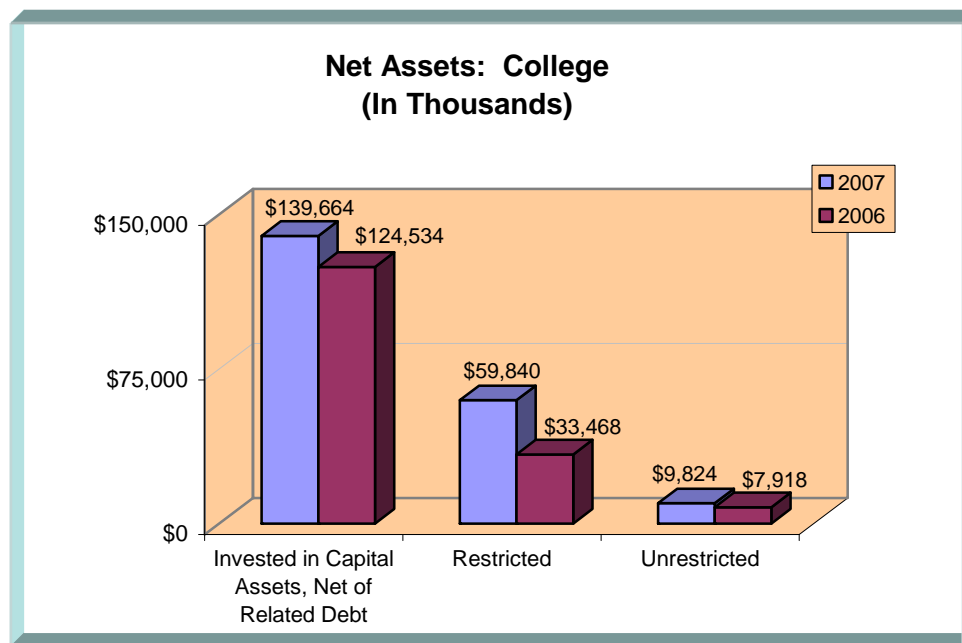
David W. Martin, CPA
October 25, 2007

MANAGEMENT’S DISCUSSION AND ANALYSIS

The management’s discussion and analysis (MD&A) of Indian River Community College’s financial statements provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2007, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. Responsibility for the completeness and fairness of the information rests with the College. The MD&A contains the financial activities of the College for the 2006-07 and 2005-06 fiscal years, and its component unit, the Indian River Community College Foundation, Inc. (Foundation), for the fiscal years ended March 31, 2007, and March 31, 2006.

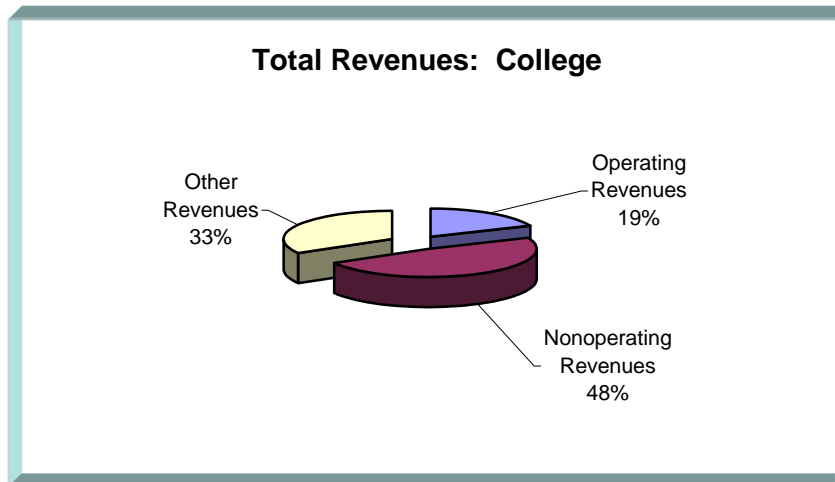
FINANCIAL HIGHLIGHTS

The College’s net assets by category for the fiscal years ended June 30, 2007, and June 30, 2006, are shown in the following graph:



The College’s financial position, as a whole, improved during the 2006-07 fiscal year as the College’s revenues and other support exceeded expenses, creating an increase in the College’s net assets of \$43.4 million, or 26.2 percent, from the prior fiscal year. In the 2005-06 fiscal year, the College’s net assets increased by \$14.8 million.

The College’s revenues by category for the 2006-07 fiscal year are shown in the following chart:



OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

These two statements report Indian River Community College's net assets and changes in them. You can think of the College's net assets, the difference between assets and liabilities, as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indication of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as certain trends, student retention, condition of the buildings, and the safety of the campus, must also be considered to assess the College's overall financial health. These nonfinancial factors are beyond the scope of this document, but may be found in other College reports and documentation.

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

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

Assets, Liabilities, and Net Assets at (In Thousands)				
	College		Component Unit	
	6-30-07	6-30-06	3-31-07	3-31-06
Assets				
Current Assets	\$ 51,259	\$ 29,585	\$ 18,219	\$ 13,893
Capital Assets, Net	144,402	129,966	3,494	3,660
Other Noncurrent Assets	31,613	22,267	42,082	39,873
Total Assets	<u>227,274</u>	<u>181,818</u>	<u>63,795</u>	<u>57,426</u>
Liabilities				
Current Liabilities	7,523	5,323	2,798	2,463
Noncurrent Liabilities	10,423	10,574	2,281	2,375
Total Liabilities	<u>17,946</u>	<u>15,897</u>	<u>5,079</u>	<u>4,838</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	139,664	124,534		
Restricted	59,840	33,469	47,159	43,505
Unrestricted	9,824	7,918	11,557	9,083
Total Net Assets	<u>\$ 209,328</u>	<u>\$ 165,921</u>	<u>\$ 58,716</u>	<u>\$ 52,588</u>
Increase in Net Assets	<u>\$ 43,407</u>	26.2%	<u>\$ 6,128</u>	11.7%

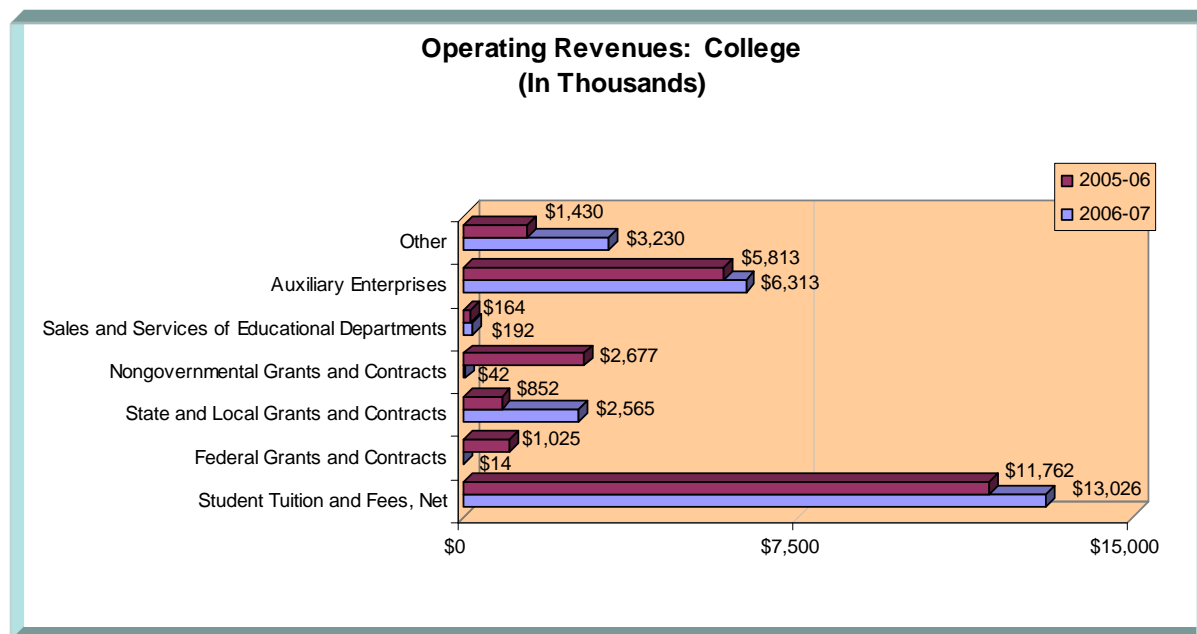
Revenues and expenses of the College and its component unit for the respective periods ended are shown in the following table:

Operating Results for the Periods Ended (In Thousands)				
	College		Component Unit	
	6-30-07	6-30-06	3-31-07	3-31-06
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 13,026	\$ 11,762	\$	\$
Federal Grants and Contracts	14	1,025		
State and Local Grants and Contracts	2,565	852		
Nongovernmental Grants and Contracts	42	2,677	12,983	19,540
Sales and Services of Educational Departments	192	164		
Auxiliary Enterprises, Net of Scholarship Allowances	6,313	5,813		
Other Operating Revenues	3,230	1,430		
Total Operating Revenues	25,382	23,723	12,983	19,540
Less, Operating Expenses	92,637	86,812	12,553	11,196
Operating Income (Loss)	(67,255)	(63,089)	430	8,344
Nonoperating Revenues (Expenses)				
State Appropriations	49,215	46,507		
Other Nonoperating Revenues	16,203	14,243	5,697	5,601
Nonoperating Expenses	(234)	(249)		
Net Nonoperating Revenues	65,184	60,501	5,697	5,601
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,071)	(2,588)	6,127	13,945
Capital Appropriations	34,936	16,762		
Capital Grants, Contracts, Gifts, and Fees	10,542	647		
Increase in Net Assets	43,407	14,821	6,127	13,945
Net Assets, Beginning of Year	165,921	151,100	52,588	38,643
Net Assets, End of Year	\$ 209,328	\$ 165,921	\$ 58,715	\$ 52,588

Operating Revenues

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

The following chart presents the College's operating revenues for the 2006-07 and 2005-06 fiscal years:



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

- Student tuition and fees revenue, net of scholarship allowances, increased by \$1.3 million, or 10.7 percent. This increase was a result of a 5 percent increase in tuition and fees and an increase in student enrollment in credit courses.
- Federal grants and contracts revenues decreased by \$1 million, or 99 percent. In the 2005-06 fiscal year, the College collected \$.9 million in one time Federal reimbursements for hurricane related expenses.
- State and local grants and contracts revenues increased by \$1.7 million, or 201 percent, as a result of increased State funding for SUCCEED – Florida Homeland Security Training, BANNER, Culinary Arts, and Community and Radio Reading Service Grants.
- Nongovernmental grants and contracts revenues decreased by \$2.6 million, or 98 percent, primarily due to the College's change in the reporting of certain moneys received from the Foundation whereby such moneys reported as nongovernmental grants and contracts operating revenues in the prior fiscal year were reported as capital grants, contracts, gifts, and fees in the current fiscal year (see note 2 to the financial statements).
- Other operating revenues increased by \$1.8 million, or 126 percent. The College recognized \$2.1 million in revenue due to lease revenues and initial fees received by the College for excess capacity use of the Educational Broadband Service Stations and Channels as licensed to the College by the Federal Communications Commission for the Fort Pierce, Florida, market area.
- Revenues from auxiliary enterprises, net of scholarship allowances, increased by \$.5 million, or 8.6 percent, from sales and commissions.

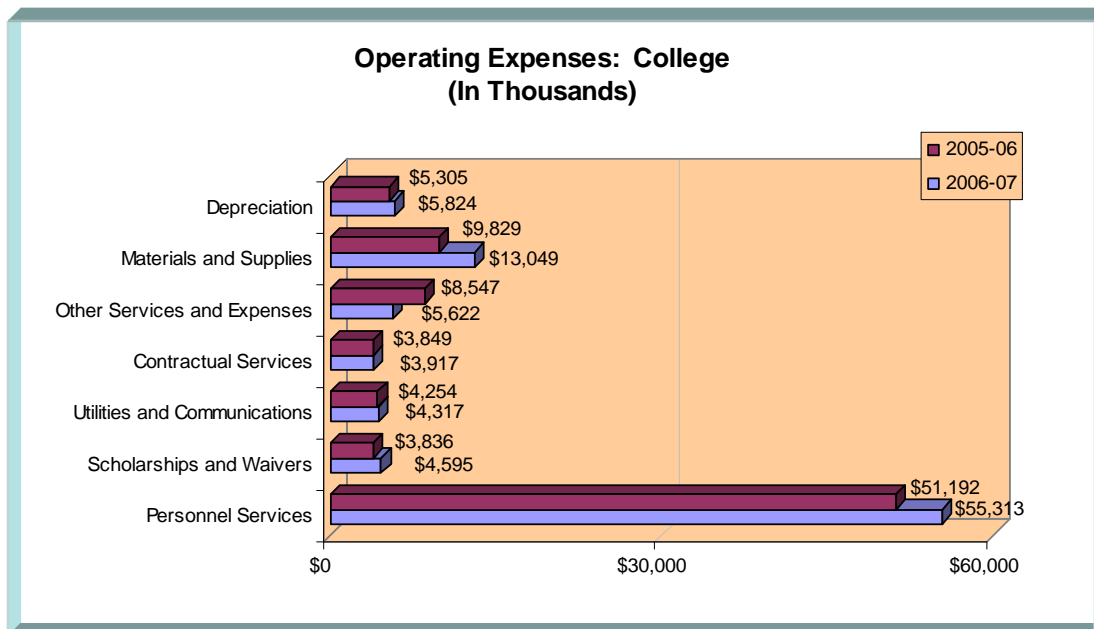
Operating Expenses

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

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

	College		Component Unit	
	6-30-07	6-30-06	3-31-07	3-31-06
Operating Expenses				
Personnel Services	\$ 55,313	\$ 51,192	\$ 175	\$ 153
Scholarships and Waivers	4,595	3,836	2,295	2,259
Utilities and Communications	4,317	4,254		
Contractual Services	3,917	3,849		
Other Services and Expenses	5,622	8,547	9,904	8,623
Materials and Supplies	13,049	9,829		
Depreciation	5,824	5,305	179	161
Total Operating Expenses	\$ 92,637	\$ 86,812	\$ 12,553	\$ 11,196

The following chart presents the College’s operating expenses for the 2006-07 and 2005-06 fiscal years:



Operating expense changes were the result of the following factors:

- There was an increase in personnel services (salary and benefits) expenses of \$4.1 million, or 8 percent. This increase was mainly due to a 3 percent annual salary increase, an incremental increase for existing personnel, and the addition of new full-time positions.
- Materials and supplies expenses increased \$3.2 million, or 33 percent. This increase is primarily due to higher expenses associated with purchases for resale at the Bookstore and by Network Support as well as expenditures for minor renovations and remodeling.

- Other services and expenses decreased by \$2.9 million, or 34 percent. In the prior fiscal year, other services and expenses included \$3.4 million in noncapitalized repairs and remodeling associated with the hurricanes.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2006-07 and 2005-06 fiscal years:

Nonoperating Revenues (Expenses): College (In Thousands)		
	2006-07	2005-06
State Appropriations	\$ 49,215	\$ 46,507
Gifts and Grants	13,423	12,544
Investment Income	2,752	1,592
Other Nonoperating Revenues	28	107
Interest on Capital Asset-Related Debt	(222)	(212)
Other Nonoperating Expenses	(12)	(37)
Net Nonoperating Revenues	\$ 65,184	\$ 60,501

Nonoperating changes were the result of the following factors:

- State appropriations increased by \$2.7 million, or 6 percent, primarily due to increases to the Community College Program Fund and Lottery Program Fund.
- Investment income increased by \$1.2 million, or 73 percent. This increase is a result of market fluctuations, higher interest rates, and an increase of excess funds to invest.

Other Revenues, Expenses, Gains, or Losses

This category is composed of capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2006-07 and 2005-06 fiscal years:

Other Revenues, Expenses, Gains, or Losses: College (In Thousands)		
	2006-07	2005-06
Capital Appropriations	\$ 34,936	\$ 16,762
Capital Grants, Contracts, Gifts, and Fees	10,542	647
Total	\$ 45,478	\$ 17,409

Other revenues, expenses, gains, or losses changes were the result of the following factors:

- Capital appropriations increased by \$18.2 million, or 108 percent, due to increased PECO funding and a Facilities Enhancement Challenge Grant to support capital projects including the Treasure Coast Public Safety Training Complex, the Williamson Conference Center at Dixon-Hendry Campus, the Human Development Resource Center, completion of the Schumann Center at the Mueller Campus, and general renovations and remodeling projects such as the “A”, “KSU”, and “F” Buildings. Capital variances from year to year are expected based on the methods the State Legislature uses to allocate capital appropriations. Project expenses related to this revenue will continue into the 2007-08 fiscal year.
- Capital grants, contracts, gifts, and fees increased \$9.9 million, or 1,529 percent, due to a \$475,000 increase in capital improvement fees revenue, \$1 million from Florida State University for the Florida State University College of Medicine Regional Fort Pierce Campus, and \$8.4 million of matched Foundation contributions to capital projects. Included in the \$8.4 million is \$2 million of moneys received from the Foundation reported as nongovernmental grants and contracts operating revenues in the prior fiscal year that were reported as capital grants, contracts, gifts, and fees in the current fiscal year (see note 2 to the financial statements).

THE STATEMENT OF CASH FLOWS

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

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

A summary of the College’s cash flows for the 2006-07 and 2005-06 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
Cash Provided (Used) by:		
Operating Activities	\$(61,073)	\$(58,187)
Noncapital Financing Activities	62,666	59,158
Capital and Related Financing Activities	6,919	8,237
Investing Activities	<u>2,759</u>	<u>1,558</u>
Net Increase in Cash and Cash Equivalents	11,271	10,766
Cash and Cash Equivalents, Beginning of Year	<u>40,463</u>	<u>29,697</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 51,734</u></u>	<u><u>\$ 40,463</u></u>

The College’s overall cash and cash equivalents increased by \$11.3 million, or 28 percent, compared to the prior fiscal year. This increase in cash and cash equivalents is mainly attributable to noncapital financing activities, State appropriations, and grants and contracts received during the fiscal year. The following describes the reasons for the increase in cash flows:

- The net cash used for operating activities increased \$2.9 million. The major outflows of cash from operating activities were increases in payments to employees for salaries and benefits in the amount of \$2.5 million and \$.9 million, respectively. Other receipts increased \$4.2 million compared to the prior fiscal year. The primary reasons for the increase were as follows: the College recognized \$2.1 million in revenue due to lease revenues and initial fees received by the College for excess capacity use of the Educational Broadband Service Stations and Channels as licensed to the College by the Federal Communications Commission for the Fort Pierce, Florida, market area, and a \$1.2 million recognition of insurance proceeds for insurance claims submitted to the College's insurance provider for damages caused by hurricanes Frances, Jeanne, and Wilma.
- The net cash provided by noncapital financing activities increased by \$3.5 million. This primarily represents a \$2.6 million increase in State appropriations and a \$.8 million increase in gifts and grants received for other than capital purposes. The increase in State appropriations is primarily due to approved legislative increases in the Community College Program Fund and Lottery Program Fund of \$3.2 million. The College also received additional funds for a number of grants including SUCCEED Florida Homeland Security Training, BANNER, Culinary Arts, and Community and Radio Reading Services Grants.
- The net cash used for capital and related financing activities decreased \$1.3 million. Included in this total are the following primary outflows and inflows of capital and related financing activities: cash received from capital appropriations, which decreased \$309,000; capital grants and gifts, which increased \$9.9 million; and cash used for purchases of capital assets, which increased \$10.9 million. The change in cash receipts from capital appropriations was due to the increase in capital related financing activities for land acquisition and various capital construction and renovation projects. The change in cash receipts from capital grants and gifts received was due to the receipt of \$8.4 million of matched Foundation contributions for various capital projects and \$1 million received for the Florida State University College of Medicine Regional Fort Pierce Campus. The change in cash used for purchases of capital assets was mainly due to the increase in capital related financing activities for various capital construction and renovation projects including the Schumann Center (\$5.4 million), the Treasure Coast Public Safety Training Complex (\$1 million), the Maintenance Complex (\$2.6 million), and the Morgade Building (\$1.3 million).
- The cash inflow from investing activities increased \$1.2 million. This increase is a result of market fluctuations, higher interest rates, and an increase of excess funds to invest.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2007, the College had \$206.8 million in capital assets, less accumulated depreciation of \$62.4 million, for net capital assets of \$144.4 million. Depreciation charges for the current fiscal year totaled \$5.8 million. The following table summarizes the College's and its component unit's capital assets for the respective periods ended:

Capital Assets at (In Thousands)				
Capital Assets	College		Component Unit	
	6-30-07	6-30-06	3-31-07	3-31-06
Land	\$ 17,517	\$ 16,659	\$	\$
Buildings	99,493	92,432		
Other Structures and Improvements	1,250	1,561		
Furniture, Machinery, and Equipment	6,910	6,031		
Capital Leases and Improvements	1,906	2,448		
Construction in Progress	17,326	10,835		
Component Unit Property and Equipment			3,494	3,661
Capital Assets, Net	\$144,402	\$129,966	\$3,494	\$3,661

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

- Land additions consisted of capitalized expenses of \$858,000 for land acquisition, appraisal, and environmental assessment fees paid in connection with the acquisition of property near Five Mile Creek.
- Building additions consisted of multiple projects completed this year and were primarily funded by PECO funds. These building additions consisted of renovations at the Crew’s Hall (“W”) Building at the main campus (\$2.7 million), the Clark Advanced Learning Center (\$6.75 million) at the Chastain Campus, the Morgade Building (\$1.45 million) also at the Chastain Campus, and miscellaneous renovations.
- Furniture, machinery, and equipment additions consisted of technology equipment, mainly consisting of computers, audio and video equipment, copiers, and the purchase of new vehicles.
- Construction in progress additions included the Maintenance Building (\$3.1 million), the Morgade Building (\$.75 million), the Schumann Center (\$6.2 million), the Brackett Library (\$.5 million), the Treasure Coast Public Safety Training Complex (\$2.4 million), the Williamson Conference Center (\$.2 million), the Human Resource Development Center (\$.3 million), and the Florida State University College of Medicine (\$.25 million).

The College has construction contract commitments totaling \$46.3 million to be satisfied in the coming years. Large projects primarily include the following: remodel of the “A”, “KSU”, and “F” Buildings, the Human Resource Development Center, the Florida State University College of Medicine Regional Fort Pierce Campus, the Treasure Coast Public Safety Training Complex, and the Williamson Conference Center. More information about the College’s capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$4.7 million in long-term debt outstanding. The following table summarizes the College’s and its component unit’s outstanding long-term debt by type for the respective periods ended:

Long-Term Debt at (In Thousands)				
	College		Component Unit	
	6-30-07	6-30-06	3-31-07	3-31-06
SBE Capital Outlay Bonds	\$ 3,910	\$ 4,140	\$	\$
Capital Leases	827	1,292		
Student Housing Revenue Bonds			2,376	2,465
Total	\$ 4,737	\$ 5,432	\$ 2,376	\$ 2,465

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2006-07 fiscal year, there were no new bonds issued and no new capital lease agreements. Debt repayments and reductions totaled approximately \$230,000 for the SBE bonds and \$465,000 for the capital leases. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Indian River Community College's economic condition is closely tied to that of the State of Florida. The combination of the economic and population growth, surging energy prices, higher interest rates, and a general slowdown in the real estate and construction industry during the reporting year have affected the State's economy. Although significant State appropriation decreases are not expected for the 2007-08 fiscal year, the College Board of Trustees is prepared to take action by decreasing the College's operating budget. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition fees and rates and increases in enrollment will enable the College to maintain its present level of success.

FINANCIAL SECTION

**INDIAN RIVER COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
As of June 30, 2007**

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 17,103,625	\$ 1,484,789
Restricted Cash and Cash Equivalents	3,145,253	
Investments		11,146,932
Accounts Receivable	1,466,092	
Due from Other Governmental Agencies	27,425,392	
Due from Component Unit	866,262	
Inventories	1,095,948	
Prepaid Expenses	143,735	
Deposits-Others	12,681	5,261,206
Other Assets		325,939
Total Current Assets	51,258,988	18,218,866
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	31,484,809	
Investments		2,280,393
Endowed Investments		16,559,792
Other Restricted Investments	128,363	23,241,480
Depreciable Capital Assets, Net	109,558,008	3,494,058
Nondepreciable Capital Assets	34,843,589	
Total Noncurrent Assets	176,014,769	45,575,723
TOTAL ASSETS	\$ 227,273,757	\$ 63,794,589
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,040,969	\$ 443,054
Salary and Payroll Taxes Payable	2,086,895	
Retainage Payable	792,350	
Due to Other Governmental Agencies	557,889	
Due to College		143,858
Deferred Revenue	1,071,899	
Deposits Held for Others	950,288	2,115,818
Long-Term Liabilities - Current Portion:		
Bonds Payable	245,000	95,250
Capital Leases Payable	481,615	
Compensated Absences Payable	296,099	
Total Current Liabilities	7,523,004	2,797,980
Noncurrent Liabilities:		
Bonds Payable	3,665,000	2,280,987
Capital Leases Payable	345,667	
Compensated Absences Payable	6,411,918	
Total Noncurrent Liabilities	10,422,585	2,280,987
TOTAL LIABILITIES	17,945,589	5,078,967

INDIAN RIVER COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2007

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 139,664,315	\$
Restricted:		
Nonexpendable:		
Endowment		17,287,296
Expendable:		
Grants and Loans	2,397,214	
Scholarships	554,532	29,871,725
Capital Projects	56,759,983	
Debt Service	128,363	
Unrestricted	9,823,761	11,556,601
Total Net Assets	209,328,168	58,715,622
TOTAL LIABILITIES AND NET ASSETS	\$ 227,273,757	\$ 63,794,589

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

INDIAN RIVER COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2007

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$4,172,307	\$ 13,026,263	\$
Federal Grants and Contracts	14,208	
State and Local Grants and Contracts	2,564,794	
Nongovernmental Grants and Contracts	42,000	12,982,884
Sales and Services of Educational Departments	191,718	
Auxiliary Enterprises, Net of Scholarship Allowances of \$1,102,886	6,313,312	
Other Operating Revenues	3,229,823	
Total Operating Revenues	25,382,118	12,982,884
EXPENSES		
Operating Expenses:		
Personnel Services	55,313,333	174,959
Scholarships and Waivers	4,595,090	2,295,151
Utilities and Communications	4,317,072	
Contractual Services	3,916,765	
Other Services and Expenses	5,621,926	9,904,260
Materials and Supplies	13,048,442	
Depreciation	5,823,834	178,648
Total Operating Expenses	92,636,462	12,553,018
Operating Income (Loss)	(67,254,344)	429,866
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	49,214,506	
Gifts and Grants	13,423,016	
Investment Income	2,752,165	1,953,370
Net Increase in Investments		2,869,521
Other Nonoperating Revenues	28,168	874,230
Interest on Capital Asset-Related Debt	(221,959)	
Other Nonoperating Expenses	(12,426)	
Net Nonoperating Revenues	65,183,470	5,697,121
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,070,874)	6,126,987
Capital Appropriations	34,936,491	
Capital Grants, Contracts, Gifts, and Fees	10,542,046	
Total Other Revenues	45,478,537	
Increase in Net Assets	43,407,663	6,126,987
Net Assets, Beginning of Year	165,920,505	52,588,635
Net Assets, End of Year	\$ 209,328,168	\$ 58,715,622

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

**INDIAN RIVER COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2007**

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 12,583,351
Grants and Contracts	1,676,590
Payments to Suppliers	(22,712,815)
Payments for Utilities and Communications	(4,317,072)
Payments to Employees	(44,754,262)
Payments for Employee Benefits	(9,742,903)
Payments for Scholarships	(4,595,090)
Auxiliary Enterprises	6,351,095
Sales and Service of Educational Departments	191,718
Other Receipts	4,246,430
	(61,072,958)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	46,274,705
Gifts and Grants Received for Other Than Capital or Endowment Purposes	16,390,985
	62,665,690
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	17,054,435
Capital Grants and Gifts	10,542,045
Purchases of Capital Assets	(19,760,438)
Principal Paid on Capital Debt and Leases	(694,961)
Interest Paid on Capital Debt and Leases	(221,959)
	6,919,122
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	2,752,164
Sale of Investments	6,825
	2,758,989
Net Increase in Cash and Cash Equivalents	11,270,843
Cash and Cash Equivalents, Beginning of Year	40,462,844
	\$ 51,733,687

**INDIAN RIVER COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2007**

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (67,254,344)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,823,834
Changes in Assets and Liabilities:	
Receivables	(1,718,268)
Inventories	(125,682)
Other Assets	(30,211)
Accounts Payable	1,057,125
Deferred Revenue	368,728
Deposits Held for Others	183,017
Compensated Absences Payable	622,843
NET CASH USED BY OPERATING ACTIVITIES	\$ (61,072,958)

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

INDIAN RIVER COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Indian River Community College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Community Colleges, and is governed by law and State Board of Education rules. However, the District Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Martin, St. Lucie, Indian River, and Okeechobee Counties.

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2007.

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

INDIAN RIVER COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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

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

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

The College's component unit uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

The College follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

Interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

INDIAN RIVER COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition, fee, and auxiliary revenue.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows for Proprietary and Non-Expendable Trust Funds*.

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

At June 30, 2007, the College reported as cash equivalents at fair value \$51,642,706 of moneys held in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The College's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are

INDIAN RIVER COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

similar to money market funds in which shares are owned in the fund rather than the underlying investments. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign credit risk. The investment pool was not rated by a nationally recognized statistical rating agency as of June 30, 2007.

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

- Buildings – 40 years
- Other Structures and Improvements, Portables – 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, Educational Equipment – 5, 7, and 10 years
 - Furniture – 7 or 10 years
- Assets Under Capital Leases and Leasehold Improvements – 10 years or life of asset, whichever is less.

Component unit land, buildings, and equipment are stated at cost except for donated property with is stated at fair market value at the date of the donation, and is net of accumulated depreciation of \$2,657,323. The College's component unit depreciates buildings and equipment using the straight-line method over estimated lives ranging from 3 to 40 years.

2. REPORTING CHANGE

In the prior fiscal year, the College reported certain moneys received from the Indian River Community College, Foundation, Inc., as nongovernmental grants and contracts operating revenues. For the 2006-07 fiscal year, the College began reporting a portion of these moneys to be used for capital construction as

**INDIAN RIVER COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

capital grants, contracts, gifts, and fees and a portion of these moneys to be used for scholarships as nonoperating gifts and grants.

3. INVESTMENTS

Section 218.415(16), Florida Statutes, authorizes the College to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

State Board of Administration Debt Service Accounts

The College reported investments at fair value totaling \$128,363 at June 30, 2007, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of more than three months, and are reported at fair value. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

Component Units Investments

Investments held by the College's component unit at June 30, 2007, are reported at fair value as follows:

**INDIAN RIVER COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

Investment Type	Component Unit
Bonds and Notes	\$ 7,543,387
Stocks and Other Equity Securities	41,599,114
Money Market and Mutual Funds	1,831,558
Other Investments	2,254,538
Total Component Unit Investments	\$ 53,228,597

4. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are deemed fully collectible and therefore no allowance for uncollectible accounts has been recognized.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$26,092,016 of Public Education Capital Outlay allocations due from the State to the College for construction of College facilities.

6. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The \$866,262 reported as due from component unit consists of amounts that will be reimbursed by the Indian River Community College Foundation, Inc. (Foundation), pursuant to agreements between the College and the Foundation to support College grants providing faculty with financial support to strengthen academic programs. The College's financial statements are reported for the fiscal year ended June 30, 2007. The Foundation has a fiscal year other than June 30. Accordingly, the amount reported by the College as due from component unit on the statement of net assets does not agree with the amount reported by the component unit as due to the College.

7. INVENTORIES

Inventories consist of items for resale by the campus bookstore, computer parts sold to various departments by the network support department, and supplies utilized by the cosmetology department, and are valued using the last invoice cost, which approximates the first-in, first-out method of inventory valuation.

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2007, is shown below:

INDIAN RIVER COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 16,658,936	\$ 858,296	\$	\$ 17,517,232
Construction in Progress	10,835,218	17,399,852	10,908,713	17,326,357
Total Nondepreciable Capital Assets	\$ 27,494,154	\$ 18,258,148	\$ 10,908,713	\$ 34,843,589
Depreciable Capital Assets:				
Buildings	\$ 133,606,418	\$ 10,876,351	\$	\$ 144,482,769
Other Structures and Improvements	8,813,972	32,363		8,846,335
Furniture, Machinery, and Equipment	13,073,143	2,013,654	243,378	14,843,419
Capital Leases and Leasehold Improvements	3,740,034			3,740,034
Total Depreciable Capital Assets	159,233,567	12,922,368	243,378	171,912,557
Less, Accumulated Depreciation:				
Buildings	41,174,784	3,814,877		44,989,661
Other Structures and Improvements	7,252,550	344,095		7,596,645
Furniture, Machinery, and Equipment	7,042,243	1,122,573	230,928	7,933,888
Capital Leases and Leasehold Improvements	1,292,066	542,289		1,834,355
Total Accumulated Depreciation	56,761,643	5,823,834	230,928	62,354,549
Total Depreciable Capital Assets, Net	\$ 102,471,924	\$ 7,098,534	\$ 12,450	\$ 109,558,008

9. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2007, include bonds, capital leases, and compensated absences. Long-term liabilities activity for the fiscal year ended June 30, 2007, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 4,140,000	\$	\$ 230,000	\$ 3,910,000	\$ 245,000
Capital Leases Payable	1,292,243		464,961	827,282	481,615
Compensated Absences Payable	6,085,174	1,107,857	485,014	6,708,017	296,099
Total Long-Term Liabilities	\$11,517,417	\$1,107,857	\$1,179,975	\$11,445,299	\$1,022,714

Bonds Payable. The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable outstanding at June 30, 2007:

**INDIAN RIVER COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds:			
Series 2003-A	\$ 1,845,000	5.0 - 5.5	2023
Series 2005-A	<u>2,065,000</u>	5.0	2017
Total	<u>\$ 3,910,000</u>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2007, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2008	\$ 245,000	\$ 204,725	\$ 449,725
2009	255,000	192,050	447,050
2010	265,000	178,850	443,850
2011	280,000	165,175	445,175
2012	295,000	150,725	445,725
2013-2017	1,680,000	511,325	2,191,325
2018-2022	710,000	172,975	882,975
2023	<u>180,000</u>	<u>9,900</u>	<u>189,900</u>
Total	<u>\$ 3,910,000</u>	<u>\$ 1,585,725</u>	<u>\$ 5,495,725</u>

Bonds Payable – Component Unit. A summary of the long-term obligations of the component unit as of March 31, 2007, is as follows:

	<u>Amount</u>
Student Housing Revenue Bonds, Series 1993, Secured by Property With a Cost of \$3,574,000 and Leases, Due \$19,696 Principal Monthly Plus Interest at 5.94 Percent Per Annum, With Final Balloon Payment Due August 1, 2012.	<u>\$ 2,376,237</u>

Capital Leases Payable. Equipment being acquired under capital leases include a telephone system totaling \$1,918,258 with a stated interest rate of 3.43 percent and a mainframe totaling \$636,706 with a stated interest rate of 3.79 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2007, are as follows:

**INDIAN RIVER COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2008	\$ 502,916
2009	200,476
2010	139,989
2011	23,331
Total Minimum Payments	866,712
Less, Amount Representing Interest	39,430
Present Value of Minimum Payments	\$ 827,282

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2007, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$6,708,017. Of this amount, \$296,099 is considered a current liability as this is the amount expected to be paid in the coming fiscal year, and represents payments on behalf of employees to a deferred compensation annuity program reducing their individual sick leave balances.

10. RETIREMENT PROGRAMS

Florida Retirement System. Most employees working in regularly established positions of the College are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

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June 30, 2007**

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2006-07 fiscal year were as follows:

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

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

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

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions for the fiscal years ended June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$2,178,036, \$2,380,702, and \$3,129,982, respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. College employees already participating in the State Community College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 120 College participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$458,934.

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June 30, 2007

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

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

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

There were 18 College participants during the 2006-07 fiscal year. Required employer contributions made to the Program totaled \$133,280.

11. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2007, are as follows:

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Project Description	Total Commitment	Completed to Date	Balance Committed
Fort Pierce Main Campus:			
McAlpin "T" Building - Brick Pavers	\$ 129,223	\$ 116,301	\$ 12,922
Remodel "A", "KSU", and "F" Buildings	6,950,000		6,950,000
Human Resource Development Center	4,423,557	145,972	4,277,585
Florida State University College of Medicine	3,535,000	150,753	3,384,247
"O" Building	794,485	272,085	522,400
Maintenance Building	3,014,569	2,626,149	388,420
Treasure Coast Public Safety Training Complex	26,309,153	897,075	25,412,078
Okeechobee Campus:			
Williamson Conference Center	4,264,149		4,264,149
Vero Beach Campus:			
Schumann Center	6,116,852	5,474,308	642,544
Other:			
Okeechobee and Fort Pierce Main Campus "N" and "Y", HVAC	492,708	65,245	427,463
Total	\$ 56,029,696	\$ 9,747,888	\$ 46,281,808

12. OPERATING LEASE COMMITMENTS

The College leased building space and five copiers under operating leases, which expire between 2008 and 2012. These leased assets and the related commitments are not reported on the College's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases with remaining terms in excess of one year as of June 30, 2007, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2008	\$ 213,083
2009	65,572
2010	51,736
2011	48,969
2012	32,640
Total Minimum Payments Required	\$ 412,000

INDIAN RIVER COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

13. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida Community Colleges Risk Management Consortium, which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public community colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide community college risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$115 million. Insurance coverage obtained through the Consortium included health, dental, fire, and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

14. SCHEDULE OF STATE REVENUE SOURCES

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

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

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

INDIAN RIVER COMMUNITY COLLEGE
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<u>Source</u>	<u>Amount</u>
Community College Program Fund	\$ 41,162,445
Gross Receipts Tax (Public Education Capital Outlay)	25,907,445
Facilities Enhancement Challenge Grant Program	8,385,000
Education Enhancement Trust Fund (Lottery)	5,178,588
Restricted Contracts and Grants	3,298,227
Bright Futures Scholarship Program	1,505,097
Florida Student Assistance Grants	1,368,403
Special Appropriation - Critical Jobs	705,016
Performance Based Incentives	658,059
Motor Vehicle License Tax (Capital Outlay and Debt Service)	533,887
Special Appropriation - Other:	
Workforce Development (Disabled)	135,858
Baccalaureate Funding	110,909
Total	\$ 88,948,934

15. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 38,176,720
Public Services	871,207
Academic Support	6,630,775
Student Services	7,740,986
Institutional Support	7,618,765
Operation and Maintenance of Plant	14,242,652
Scholarships and Fellowships	4,353,326
Depreciation	5,823,834
Auxiliary Enterprises	7,178,197
Total Operating Expenses	\$ 92,636,462

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June 30, 2007

16. RELATED PARTY TRANSACTIONS

As permitted by Section 1004.70, Florida Statutes, the College receives direct and indirect support from its direct-support organization, the Indian River Community College Foundation, Inc. (Foundation). The foundation is included within the College's reporting entity as a discretely presented component unit.

In April 1993, the College entered into an agreement with the Foundation to lease 2.5 acres of land to the Foundation for the establishment of student housing. The agreement provided for a lease term of 99 years in consideration of a one-time payment of \$99 for the life of the lease.

The College approved lease agreements with the Foundation for the use of classroom and office space at the Schreiber Building in Port St. Lucie and the Indian River Academy in Fort Pierce at total annual rents of \$169,359 during the 2006-07 fiscal year.

17. CURRENT UNRESTRICTED FUNDS

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

INDIAN RIVER COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2007

Statement of Current Unrestricted Funds Net Assets

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 15,953,409
Accounts Receivable	1,043,743
Due from Component Unit	403,317
Inventories	1,095,948
Prepaid Expenses	112,739

TOTAL ASSETS	<u>18,609,156</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	453,683
Salary and Payroll Taxes Payable	1,874,411
Deferred Revenue	9,579
Compensated Absences Payable	296,099

Total Current Liabilities	<u>2,633,772</u>
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Noncurrent Liabilities:

Compensated Absences Payable	6,151,623
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TOTAL LIABILITIES	<u>8,785,395</u>
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TOTAL NET ASSETS	<u>9,823,761</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,609,156</u>
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INDIAN RIVER COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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

REVENUES

Operating Revenues:

Student Tuition and Fees, Net of Scholarship Allowances of \$4,172,307	\$ 11,409,618
Sales and Services of Educational Departments	191,718
Auxiliary Enterprises, Net of Scholarship Allowances of \$1,102,886	6,313,312
Other Operating Revenue	<u>2,713,600</u>
Total Operating Revenues	<u>20,628,248</u>

EXPENSES

Operating Expenses:

Personnel Services	49,102,494
Scholarships and Waivers	129,956
Utilities and Communications	4,222,216
Contractual Services	3,059,519
Other Services and Expenses	4,718,863
Materials and Supplies	<u>8,954,490</u>
Total Operating Expenses	<u>70,187,538</u>

Operating Loss (49,559,290)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	46,890,752
Gifts and Grants	345,189
Investment Income	1,126,810
Other Nonoperating Expenses	<u>(14,911)</u>
Net Nonoperating Revenues	<u>48,347,840</u>

**Income (Loss) Before Other Revenues,
Expenses, Gains, or Losses**

Capital Appropriations	8,008
Transfers to/from Other Funds, Net	<u>3,104,170</u>

Increase in Net Assets 1,900,728
Net Assets, Beginning of Year 7,923,033

Net Assets, End of Year \$ 9,823,761