



AUDITOR GENERAL
DAVID W. MARTIN, CPA



BROWARD COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended June 30, 2007

During the audit period, the President of the College was Dr. Larry A. Calderon to November 17, 2006, and the Interim President was Dr. Willis Holcombe from November 18, 2006. Members of the College's Board of Trustees who served during the audit period are listed below:

Board Member

Levi G. Williams Jr., Vice–Chair to 7-25-06,
Chair from 7-26-06

Lourdes L. Garrido, Vice–Chair from 7-26-06

Georgette Sosa Douglass, Chair to 7-25-06

Cheryl W. Krause (1)

Paul C. Tanner (1)

Note: (1) Board member continued to serve
after term ended.

BROWARD COMMUNITY COLLEGE

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EXECUTIVE SUMMARY

The audit of the financial statements of Broward 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 results of our operational audit of the College are included in our report No. 2008-049.

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.
- No significant deficiencies are noted in our report on the College's internal control over financial reporting.
- 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 Clare Waters, CPA, and supervised by Ida Marie Westbrook, 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 Broward 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 15 through 36. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for 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 Broward 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.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of Broward 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 14 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
February 5, 2008



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street
Tallahassee, Florida 32399-1450



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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 Broward 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 in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to College management in our operational audit report No. 2008-049, dated December 2007.

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
February 5, 2008

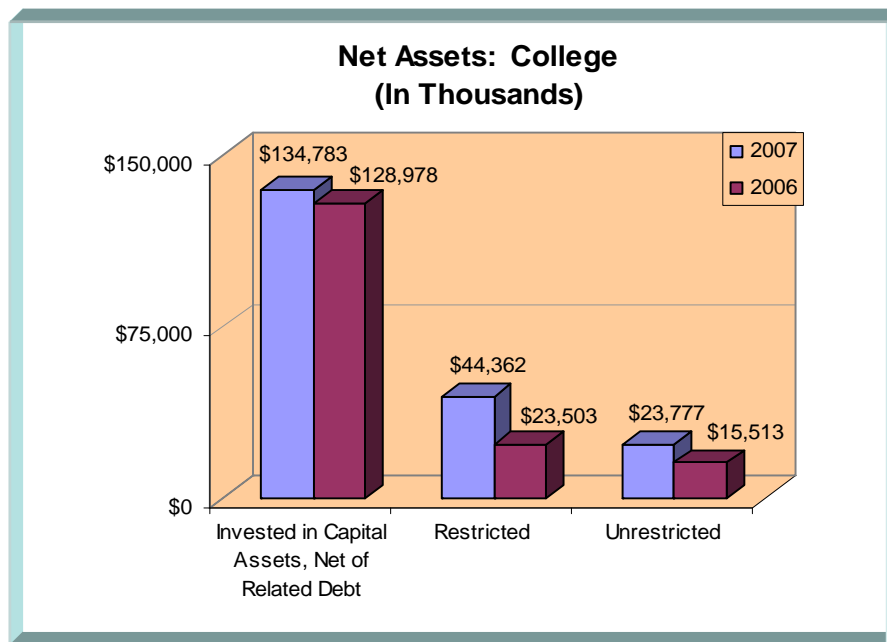
MANAGEMENT’S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

The College’s financial position as a whole improved during the 2006-07 fiscal year as the College and its component unit had revenues and other support that exceeded expenses creating an increase in the College’s net assets of \$34.9 million, or 20.8 percent, from the prior fiscal year.

The College’s net assets by category for the fiscal years ended June 30, 2007, and June 30, 2006, 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 notes thereto, provide information on the College as a whole and, present a long-term view of the College’s finances, and include activities for the following entities:

- Broward 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.

- Broward 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 Broward 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 Broward Community College's operating results.

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

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

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

Assets, Liabilities, and Net Assets at (In Thousands)				
	College		Component Unit	
	<u>6-30-07</u>	<u>6-30-06</u>	<u>12-31-06</u>	<u>12-31-05</u>
Assets				
Current Assets	\$ 75,508	\$ 56,334	\$ 71,211	\$ 62,548
Capital Assets, Net	145,819	141,733		
Other Noncurrent Assets	<u>11,936</u>	<u>2,381</u>	<u>6,800</u>	<u>7,209</u>
Total Assets	<u>233,263</u>	<u>200,448</u>	<u>78,011</u>	<u>69,757</u>
Liabilities				
Current Liabilities	12,970	12,805	1,820	1,928
Noncurrent Liabilities	<u>17,371</u>	<u>19,649</u>		
Total Liabilities	<u>30,341</u>	<u>32,454</u>	<u>1,820</u>	<u>1,928</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	134,783	128,978		
Restricted	44,362	23,503	71,311	64,099
Unrestricted	<u>23,777</u>	<u>15,513</u>	<u>4,880</u>	<u>3,730</u>
Total Net Assets	<u>\$ 202,922</u>	<u>\$ 167,994</u>	<u>\$ 76,191</u>	<u>\$ 67,829</u>
Increase in Net Assets	<u>\$ 34,928</u>	20.8%	<u>\$ 8,362</u>	12.3%

Net assets for the College increased primarily as a result of increases in the State appropriations, Public Education Capital Outlay (PECO) appropriations due from the State, and a building donated from the Broward Community College Foundation, Inc.

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

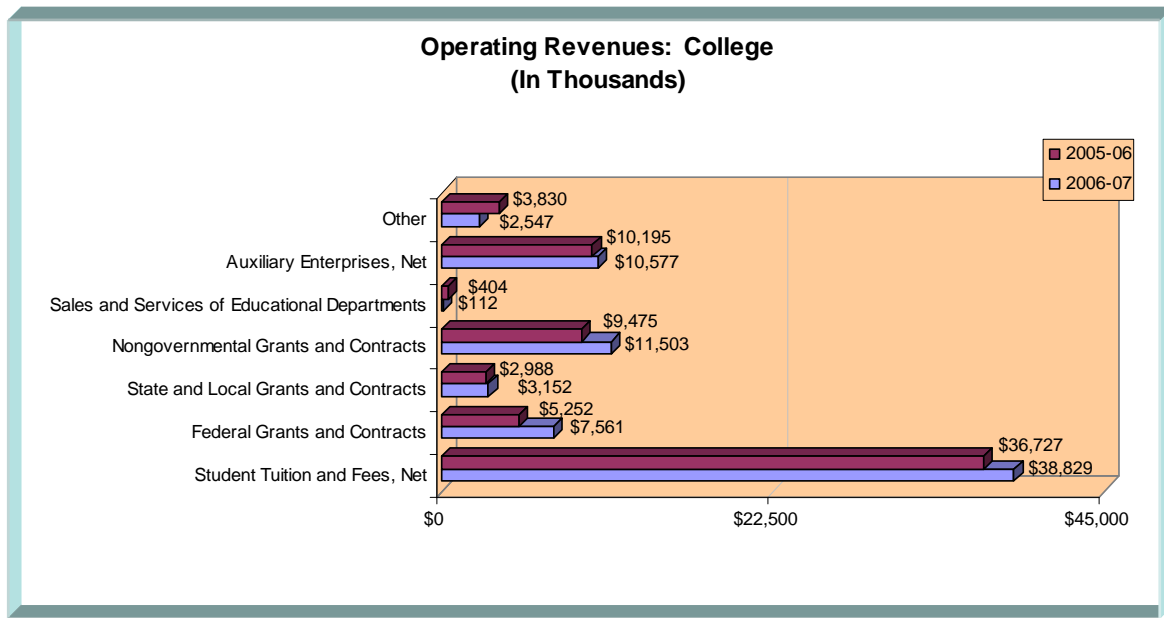
Operating Results for the Fiscal Years Ended (In Thousands)				
	College		Component Unit	
	6-30-07	6-30-06	12-31-06	12-31-05
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 38,829	\$ 36,727	\$	\$
Federal Grants and Contracts	7,561	5,252		
State and Local Grants and Contracts	3,152	2,988		
Nongovernmental Grants and Contracts	11,503	9,475		
Sales and Services of Educational Departments	112	404		
Auxiliary Enterprises, Net of Scholarship Allowances	10,577	10,195		
Other Operating Revenues	2,547	3,830	3,901	4,507
Total Operating Revenues	74,281	68,871	3,901	4,507
Less, Operating Expenses	187,985	177,193	6,589	5,887
Operating Loss	(113,704)	(108,322)	(2,688)	(1,380)
Nonoperating Revenues (Expenses)				
State Appropriations (1)	80,581	69,941	2,861	3,802
Other Nonoperating Revenues (1)	32,272	29,171	8,189	3,461
Nonoperating Expenses	(520)	(565)		
Net Nonoperating Revenues	112,333	98,547	11,050	7,263
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
Capital Appropriations	19,785	14,137		
Capital Grants, Contracts, Gifts, and Fees	16,460	1,895		
Additions to Permanent Endowments	54	1,036		
Increase in Net Assets	34,928	7,293	8,362	5,883
Net Assets, Beginning of Year	167,994	161,563	67,829	61,946
Adjustments to Net Assets, Beginning of Year		(862)		
Net Assets, Beginning of Year, as Restated	167,994	160,701	67,829	61,946
Net Assets, End of Year	\$ 202,922	\$ 167,994	\$ 76,191	\$ 67,829

Note: (1) Prior fiscal year amounts for the College have been restated for a change in reporting of State grants to make the prior fiscal year amounts comparable to the current fiscal year amounts.

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:

- Compared to the 2005-06 fiscal year, enrollment for the College was relatively flat. Student Tuition and Fees increased by \$2.1 million, or 5.7 percent, from the prior fiscal year. This amount consisted primarily of \$1.4 million in additional Student Tuition and Out of State fees realized from a 3 percent fee increase.
- Federal Grants and Contracts increased by \$2.3 million, or 44 percent, from the prior fiscal year. The increase consisted of an additional \$1.2 million in Title V moneys and two new grants, the Florida Technical Alliance grant and the Bioterrorism grant totaling \$.4 million and \$.3 million, respectively.
- Nongovernmental Grants and Contracts increased by \$2 million, or 21.4 percent, from the prior fiscal year. This amount consists primarily of payments to the Florida Community Colleges Software Consortium for which the College is the fiscal agent, as discussed in note 19 to the financial statements.

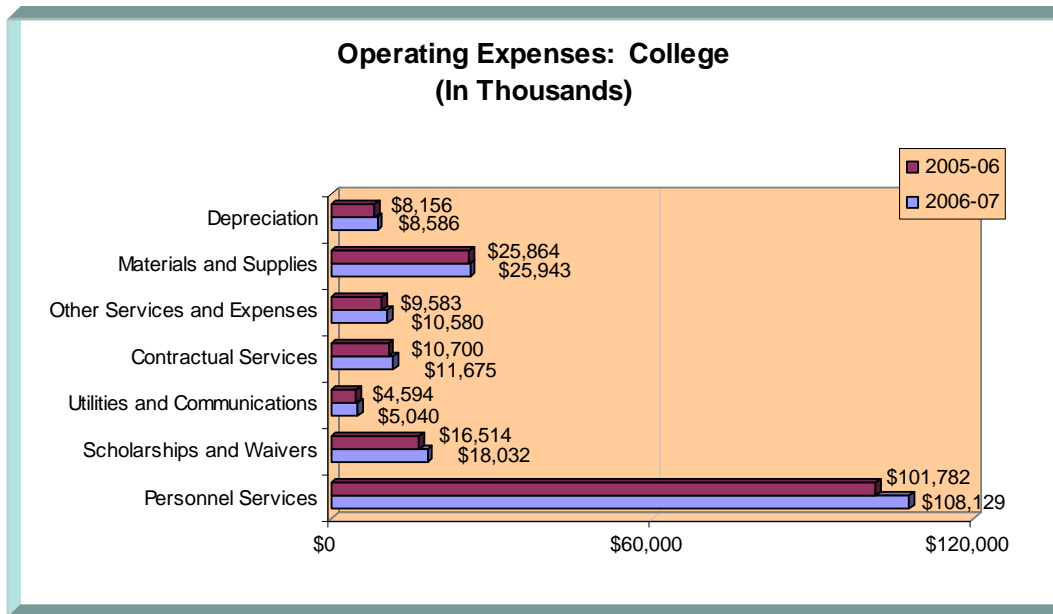
Operating Expenses

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 fiscal years ended are presented in the following table:

	College		Component Unit	
	6-30-07	6-30-06	12-31-06	12-31-05
	Operating Expenses			
Personnel Services	\$ 108,129	\$ 101,782	\$	\$
Scholarships and Waivers	18,032	16,514		
Utilities and Communications	5,040	4,594		
Contractual Services	11,675	10,700		
Other Services and Expenses	10,580	9,583	6,589	5,887
Materials and Supplies	25,943	25,864		
Depreciation	8,586	8,156		
Total Operating Expenses	\$187,985	\$177,193	\$ 6,589	\$ 5,887

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:

- Personnel Services increased by \$6.3 million, or 6.2 percent, from the prior fiscal year. This was due to a Board approved salary increase of 4 percent, the hiring of 30 additional personnel and an additional \$1.55 million in retirement contributions.
- Other services and expenses increased by \$1 million, or 10.4 percent, from the prior fiscal year mainly due to an increase in bad debt allowance.

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)		
	<u>2006-07</u>	<u>2005-06</u>
State Appropriations (1)	\$ 80,581	\$ 69,941
Gifts and Grants (1)	29,773	27,840
Investment Income	2,421	1,149
Other Nonoperating Revenue	78	182
Interest on Capital Asset-Related Debt	<u>(520)</u>	<u>(565)</u>
Net Nonoperating Revenues	<u>\$ 112,333</u>	<u>\$ 98,547</u>

Note: (1) Prior fiscal year amounts have been restated for a change in reporting of State grants to make the prior fiscal year amounts comparable to the current fiscal year amounts.

Nonoperating revenue changes were the result of the following factors:

- State appropriations increased by \$10.6 million, or 15.2 percent, from the prior fiscal year. The majority of the increase was realized from additional Community College Program Funds received over the prior fiscal year.
- Gifts and grants increased by \$1.9 million, or 6.9 percent, from the prior fiscal year. This included \$1.5 million in additional Bright Futures Scholarships and Florida Student Assistance Grants.
- Higher interest rates and retention of moneys invested resulted in nearly a \$1.3 million increase in investment income from the prior fiscal year.

Other Revenues, Expenses, Gains, or Losses

This category is mainly 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)		
	<u>2006-07</u>	<u>2005-06</u>
Capital Appropriations	\$ 19,785	\$ 14,137
Capital Grants, Contracts, Gifts, and Fees	16,460	1,895
Additions to Permanent Endowments	<u>54</u>	<u>1,036</u>
Total	<u>\$ 36,299</u>	<u>\$ 17,068</u>

The College received \$19.1 million in Public Education Capital Outlay appropriations to fund capital projects compared to \$12.6 million in the 2005-06 fiscal year, a 51.6 percent increase.

In March 2007, the College’s Foundation transferred ownership of the Maroone Automotive Training Center, which is developed property located in Miramar, Florida, to the College. The appraised value of the property upon transfer was \$11.2 million.

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)		
	2006-07	2005-06
Cash Provided (Used) by:		
Operating Activities	\$ (105,261)	\$ (98,775)
Noncapital Financing Activities	109,793	97,430
Capital and Related Financing Activities	11,423	(1,608)
Investing Activities	2,413	1,148
Net Increase (Decrease) in Cash and Cash Equivalents	18,368	(1,805)
Cash and Cash Equivalents, Beginning of Year	32,073	33,878
Cash and Cash Equivalents, End of Year	\$ 50,441	\$ 32,073

The College’s overall cash and cash equivalents increased by \$18.4 million, or 57.3 percent, as compared to the prior fiscal year. The following briefly describes the factors for the increase in cash flows:

- Operating activities used \$6.5 million more in cash as compared to the prior fiscal year. The increase in cash and cash equivalents used for operating purposes was the result of increases in personnel services payments totaling \$7.1 million along with increases in payments to suppliers and other operating expenses offset by increases in tuition and grants and contracts.
- Capital and related financing activities compared to the prior fiscal year resulted in an increase in the College’s cash position of \$13 million. In the prior fiscal year, the College used significant cash to complete several major construction projects. During the 2006-07 fiscal year, construction on several new projects was approved, with funding received; however, significant construction activities have not been initiated.
- Noncapital financing activities netted \$12.4 million more in cash as compared to the prior fiscal year. The increase was due to an additional \$7.6 million cash recognized in gifts and grants and \$4.8 million cash recognized in State appropriations over the previous fiscal year.

- The cash flows from investing activities are the result of interest income. The cash inflow from investing activities increased \$1.3 million as compared to the prior fiscal year primarily due to an increase in interest rates and the increase in availability of funds to invest.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2007, the College had \$258 million in capital assets, less accumulated depreciation of \$112.2 million, for net capital assets of \$145.8 million. Depreciation charges for the current fiscal year totaled \$8.6 million. The following table summarizes the College's capital assets for the 2006-07 fiscal year:

Capital Assets: College (In Thousands)				
Capital Assets	Beginning Balance	Additions/ Adjustments	Reductions	Ending Balance
Land	\$ 3,692	\$	\$	\$ 3,692
Buildings	185,122	24,774		209,896
Other Structures and Improvements	12,982			12,982
Furniture, Machinery, and Equipment	17,413	972	425	17,960
Assets Under Capital Leases	12,976			12,976
Construction in Progress	13,574	525	13,574	525
Total	245,759	26,271	13,999	258,031
Less, Accumulated Depreciation:				
Buildings	71,012	5,316		76,328
Other Structures and Improvements	12,702	140		12,842
Furniture, Machinery, and Equipment	13,155	1,850	417	14,588
Assets Under Capital Leases	7,157	1,297		8,454
Total Accumulated Depreciation	104,026	8,603	417	112,212
Capital Assets, Net	\$141,733	\$ 17,668	\$ 13,582	\$145,819

College capital asset additions completed or acquired during the 2006-07 fiscal year include the following:

- Completion of the new Institute of Public Safety building at a capitalized cost of \$13.6 million.
- Transfer of the Maroone Automotive Training Center to the College from the Broward Community College Foundation, Inc., at an appraised value of \$11.2 million.

The College has construction commitments totaling \$1.8 million to be satisfied in the coming years. Projects include:

- Central Campus – Institute of Public Safety Building 22 renovation and remodel.
- North Campus – Buildings 50 and 51 renovation and remodel.
- South Campus – Building 72 renovation and remodel.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$11.1 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2007, and June 30, 2006:

Long-Term Debt, at June 30: College (In Thousands)		
	<u>2007</u>	<u>2006</u>
SBE Capital Outlay Bonds	\$ 5,185	\$ 5,520
Installment Purchases	180	357
Capital Leases	<u>5,714</u>	<u>7,200</u>
Total	<u>\$ 11,079</u>	<u>\$ 13,077</u>

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2006-07 fiscal year, there were no bond sales, and debt repayments totaled \$2 million. Additional information about the College’s long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Broward Community College’s economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the coming year. The College plans to mitigate and offset financial challenges by instituting a conservative budget for the 2007-08 fiscal year.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Broward Community College, 111 East Las Olas Boulevard, Fort Lauderdale, Florida, 33301.

FINANCIAL SECTION

**BROWARD 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	\$ 38,504,505	\$ 1,254,602
Investments		69,665,491
Accounts Receivable, Net	2,132,263	288,978
Notes Receivable, Net	237,616	
Due from Other Governmental Agencies	31,971,677	
Due from Component Unit	288,903	
Inventories	1,817,680	
Prepaid Expenses	199,126	2,027
Deposits - Other	355,820	
Total Current Assets	75,507,590	71,211,098
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	11,936,187	
Investments		6,800,000
Depreciable Capital Assets, Net	141,601,791	
Nondepreciable Capital Assets	4,217,468	
Total Noncurrent Assets	157,755,446	6,800,000
TOTAL ASSETS	\$ 233,263,036	\$ 78,011,098
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 980,952	\$ 1,819,664
Salary and Payroll Taxes Payable	452,234	
Retainage Payable	325,583	
Deferred Revenue	1,519,230	
Estimated Claims Payable	6,315,527	
Deposits Held for Others	1,118,140	
Long-Term Liabilities - Current Portion:		
Bonds Payable	350,000	
Installment Purchases Payable	180,153	
Capital Leases Payable	1,200,580	
Compensated Absences Payable	527,252	
Total Current Liabilities	12,969,651	1,819,664
Noncurrent Liabilities:		
Bonds Payable	4,835,000	
Capital Leases Payable	4,513,631	
Compensated Absences Payable	8,022,544	
Total Noncurrent Liabilities	17,371,175	
TOTAL LIABILITIES	30,340,826	1,819,664

BROWARD 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	\$ 134,782,741	\$
Restricted:		
Nonexpendable:		
Endowment	1,093,568	30,213,568
Expendable:		
Grants and Loans	5,171,969	13,746,090
Scholarships	517,499	19,923,451
Capital Projects	37,492,993	7,428,163
Debt Service	86,071	
Unrestricted	23,777,369	4,880,162
Total Net Assets	202,922,210	76,191,434
TOTAL LIABILITIES AND NET ASSETS	\$ 233,263,036	\$ 78,011,098

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

BROWARD 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 \$14,586,365	\$ 38,829,498	\$
Federal Grants and Contracts	7,561,403	
State and Local Grants and Contracts	3,151,532	
Nongovernmental Grants and Contracts	11,502,779	
Sales and Services of Educational Departments	111,677	
Auxiliary Enterprises, Net of Scholarship		
Allowances of \$2,788,848	10,577,129	
Other Operating Revenues	2,546,971	3,900,796
Total Operating Revenues	74,280,989	3,900,796
EXPENSES		
Operating Expenses:		
Personnel Services	108,129,462	
Scholarships and Waivers	18,031,521	
Utilities and Communications	5,039,921	
Contractual Services	11,674,687	
Other Services and Expenses	10,580,087	6,588,504
Materials and Supplies	25,943,431	
Depreciation	8,585,601	
Total Operating Expenses	187,984,710	6,588,504
Operating Loss	(113,703,721)	(2,687,708)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	80,580,798	2,861,098
Gifts and Grants	29,772,695	
Investment Income	2,421,136	8,188,269
Other Nonoperating Revenues	78,526	
Interest on Capital Asset-Related Debt	(520,603)	
Net Nonoperating Revenues	112,332,552	11,049,367
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,371,169)	8,361,659
Capital Appropriations	19,784,682	
Capital Grants, Contracts, Gifts, and Fees	16,460,603	
Additions to Permanent Endowments	54,050	
Total Other Revenues	36,299,335	
Increase in Net Assets	34,928,166	8,361,659
Net Assets, Beginning of Year	167,994,044	67,829,775
Net Assets, End of Year	\$ 202,922,210	\$ 76,191,434

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

BROWARD 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	\$ 37,580,842
Grants and Contracts	21,716,886
Payments to Suppliers	(49,337,690)
Payments for Utilities and Communications	(5,039,921)
Payments to Employees	(83,681,218)
Payments for Employee Benefits	(22,978,707)
Payments for Scholarships	(18,031,521)
Net Loans Issued to Students	(2,088,220)
Collection of Loans to Students	3,067,583
Auxiliary Enterprises, Net	10,871,904
Sales and Service of Educational Departments	111,677
Other Receipts	2,546,971
	(105,261,414)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	80,580,798
Gifts and Grants Received for Other Than Capital or Endowment Purposes	29,642,665
Private Gifts for Endowment Purposes	54,050
Student Organization Agency Transactions	(484,472)
	109,793,041
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	10,022,560
Capital Grants and Gifts	5,260,603
Proceeds from Sale of Capital Assets	41,867
Purchases of Capital Assets	(1,384,327)
Principal Paid on Capital Debt and Leases	(1,997,468)
Interest Paid on Capital Debt and Leases	(520,603)
	11,422,632
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	2,413,100
	2,413,100
Net Increase in Cash and Cash Equivalents	18,367,359
Cash and Cash Equivalents, Beginning of Year	32,073,333
	\$ 50,440,692
Cash and Cash Equivalents, End of Year	\$ 50,440,692

BROWARD 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	\$ (113,703,721)
Adjustments to Reconcile Net Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	8,585,601
Changes in Assets and Liabilities:	
Accounts Receivables, Net	140,439
Inventories	(188,054)
Other Assets	(219,612)
Accounts Payable	2,015,617
Deferred Revenue	(1,451,347)
Deposits Held for Others	17,704
Compensated Absences Payable	(458,041)
NET CASH USED BY OPERATING ACTIVITIES	\$ (105,261,414)

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

BROWARD 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 Broward 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 five 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 Broward County.

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 is 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 Broward Community College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2006.

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.

BROWARD 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 entitywide reporting including the following components:

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

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

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

BROWARD 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 (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is considered a nonoperating expense.

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College calculated its tuition scholarship allowance by determining the amount of "coverage" applied from financial aid and other funds determined to be subject to tuition scholarship allowances as described in NACUBO Advisory Report No. 2000-05. Under this method, the College determined amounts by identifying those student transactions where the student's schedule or bookstore charge was paid by an applicable financial aid source. The College maintains a detailed record of this activity in its Credit and Collection activity file at the financial aid and student level.

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 with the State Treasury and 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 Treasury Special Purpose Investment Account (SPIA) and 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

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

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 \$3,078,978 of moneys held in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The State Treasury has taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.21 years at June 30, 2007. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2007, the College reported as cash equivalents at fair value \$38,418,438 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 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; 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. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture and Equipment:
 - Computer Equipment – 3 years

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

- Vehicles, Office Machines, Educational Equipment – 5 years
- Furniture – 7 years
- Assets Under Capital Leases – 10 years

2. 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.

The College reported no investments at June 30, 2007, as surplus funds were invested in the State Treasury Special Purpose Investment Account and the State Board of Administration Local Government Surplus Funds Trust Funds investment pools, which are reported as cash and cash equivalents.

Component Units Investments

Investments held by the College's component unit at December 31, 2006, are reported at fair value as follows:

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

Investment Type	Amount
Marketable Securities:	
Equities:	
Foreign	\$18,334,769
Domestic	17,943,187
Fixed Income:	
Alternative Investments	17,436,004
Mutual Funds	11,423,297
Money Market Funds	4,125,851
Unsettled Sales or Purchases	198,626
Closed End Funds	203,757
Other Investments:	
Land and Building	6,752,374
Building Improvements	47,626
Total Component Unit Investments	\$76,465,491

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, salary overpayments, returned checks, unused credit memos, and returns in transit. These receivables are reported net of a \$130,312 allowance for uncollectible accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the short-term loan program of \$2,046,872. Notes receivable are reported net of a \$1,809,256 allowance for uncollectible notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$27,315,752 of Public Education Capital Outlay allocations due from the State to the College for construction of College facilities.

6. DUE FROM COMPONENT UNIT

The College recorded a due from component unit of \$288,903 which represents expenditures made by the College that will be reimbursed by the component unit. The College's financial statements are reported for the fiscal year ended June 30, 2007. The College's component unit's financial statements are reported for the fiscal year ended December 31, 2006. Accordingly, although the College reported an amount due from the component unit on the statement of net assets, no amount is reported for the component unit as a payable to the College.

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

7. INVENTORIES

Inventories consist of items for resale by the campus bookstore and office and educational supplies maintained in the central stores warehouse. The bookstore inventories are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation. The central stores inventory is valued using the weighted average cost method. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

8. CAPITAL ASSETS

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

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 3,692,517	\$	\$	\$	\$ 3,692,517
Construction in Progress	13,573,710		524,951	13,573,710	524,951
Total Nondepreciable Capital Assets	\$ 17,266,227	\$	\$ 524,951	\$ 13,573,710	\$ 4,217,468
Depreciable Capital Assets:					
Buildings	\$ 185,121,953	\$	\$ 24,773,710	\$	\$ 209,895,663
Other Structures and Improvements	12,981,928				12,981,928
Furniture, Machinery, and Equipment	17,413,181	62,143	910,338	424,996	17,960,666
Assets Under Capital Lease	12,975,539				12,975,539
Total Depreciable Capital Assets	228,492,601	62,143	25,684,048	424,996	253,813,796
Less, Accumulated Depreciation:					
Buildings	71,012,350		5,315,799		76,328,149
Other Structures and Improvements	12,702,065		139,505		12,841,570
Furniture, Machinery, and Equipment	13,155,122	17,519	1,832,743	417,031	14,588,353
Assets Under Capital Lease	7,156,379		1,297,554		8,453,933
Total Accumulated Depreciation	104,025,916	17,519	8,585,601	417,031	112,212,005
Total Depreciable Capital Assets, Net	\$ 124,466,685	\$ 44,624	\$ 17,098,447	\$ 7,965	\$ 141,601,791

Note: (1) Amounts are related to items previously written off that were found during the 2006-07 fiscal year.

9. GRAVES MUSEUM ARTIFACTS

On March 28, 2005, the United States Bankruptcy Court named Broward Community College recipient of the Graves Museum of Archaeology and Natural History Collection. Out of 20 major collections in the donated assets, approximately 3 have been fully cataloged. College staff indicated it will take several years to fully catalog the entire collections. While the collection is undoubtedly quite valuable and irreplaceable, the College has not placed a dollar valuation on these items and, accordingly, the financial statements do not include these assets.

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

10. DEFERRED REVENUE

Deferred revenue consists of student tuition and fees received prior to fiscal year-end related to subsequent accounting periods.

11. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2007, include bonds, installment purchases, 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	\$ 5,520,000	\$	\$ 335,000	\$ 5,185,000	\$ 350,000
Installment Purchases Payable	357,014		176,861	180,153	180,153
Capital Leases Payable	7,199,818		1,485,607	5,714,211	1,200,580
Compensated Absences Payable	9,007,837	3,978,824	4,436,865	8,549,796	527,252
Total Long-Term Liabilities	\$22,084,669	\$3,978,824	\$6,434,333	\$19,629,160	\$2,257,985

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:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds:			
Series 1998-A	\$ 255,000	4.5	2008
Series 2000-A	285,000	5.0 - 5.125	2010
Series 2005-B	4,645,000	5.0	2020
Total Bonds Payable	\$ 5,185,000		

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

**BROWARD 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>State Board of Education Capital Outlay Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 350,000	\$ 258,094	\$ 608,094
2009	365,000	241,869	606,869
2010	380,000	223,619	603,619
2011	400,000	204,500	604,500
2012	420,000	184,500	604,500
2013-2017	2,435,000	586,500	3,021,500
2018-2020	835,000	61,750	896,750
Total	<u>\$5,185,000</u>	<u>\$1,760,832</u>	<u>\$6,945,832</u>

In prior years, portions of the State Board of Education, Capital Outlay Bonds, Series 1998-A and 2000-A were refunded and considered defeased in substance by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the College’s statement of net assets. As of June 30, 2007, \$3,615,000 of State Board of Education, Capital Outlay Bonds, Series 1998-A, and \$1,190,000 of State Board of Education, Capital Outlay Bonds, Series 2000-A, are considered defeased in-substance.

Installment Purchases Payable. The College has entered into several installment purchase agreements for the purchase of data processing equipment reported at \$655,406. The stated interest rates ranged from 2 percent to 6.39 percent. Future minimum payments remaining under installment purchase agreements and the present value of the minimum payments as of June 30, 2007, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2008	\$ 186,751
Less, Amount Representing Interest	<u>6,598</u>
Present Value of Minimum Payments	<u>\$ 180,153</u>

Capital Leases Payable. In April 1997, energy management equipment in the amount of \$12,975,539 was acquired under several capital lease agreements. The stated interest rates ranged from 2.6 percent to 3.61 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:

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

Fiscal Year Ending June 30	Amount
2008	\$ 1,360,847
2009	1,202,919
2010	1,202,919
2011	1,202,919
2012	857,916
2013-2014	383,664
Total Minimum Payments	6,211,184
Less, Amount Representing Interest	496,973
Present Value of Minimum Payments	\$ 5,714,211

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 \$8,549,796. The current portion of the compensated absences liability is estimated based upon the average of the projected terminal leave payouts calculated from the first projection year from the calculation of the compensated absences liability.

12. 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

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

his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

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:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Teacher's Retirement System, Plan E	6.25	11.35
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 \$3,705,045, \$3,912,456, and \$5,091,908, 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

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individual members allocate contributions and account balances among various approved investment choices. There were 169 College participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$643,330.

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 172 College participants during the 2006-07 fiscal year. Required employer contributions made to the Program totaled \$1,241,809.

13. 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
Institute of Public Safety:			
Contractor	\$ 324,345	\$	\$ 324,345
Buildings 50 and 51 Renovation:			
Architect	654,873	318,567	336,306
Communication Center Relocation:			
Contractor	196,250		196,250
Building 72 Renovation:			
Architect	930,500	43,500	887,000
Student Parking:			
Architect	258,680	206,143	52,537
Total	\$ 2,364,648	\$ 568,210	\$ 1,796,438

14. 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 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.

Life, dental, and long-term disability coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

Self-Insured Program. The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College's liability was limited by excess reinsurance to \$150,000 per insured person for the 2006-07 fiscal year. The plan is provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributes employee premiums as a fringe benefit. Employee

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dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported, and an amount for claims administration expense. Because actual claims liabilities depend upon such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. The College reevaluates claims liabilities periodically and the claims liabilities totaled \$6,315,527 as of June 30, 2007.

The following schedule represents the changes in claims liability for the past two fiscal years for the College's self-insured program:

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
2005-06	\$2,471,409	\$10,937,378	\$(9,107,549)	\$4,301,238
2006-07	\$4,301,238	\$11,707,952	\$(9,693,663)	\$6,315,527

Commercially Purchased Insurance. In support of its aviation program, the College has purchased Airport Premises and Aircraft Hull and Liability coverage through a commercial carrier with a minimum deductible. Settled claims resulting from these risks have not exceeded coverage in any of the past four fiscal years.

15. LITIGATION

The College is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the College's legal counsel and management, should not materially affect the College's financial position.

16. 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

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workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which are determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates are deducted from the sum of these components to determine the net annual State apportionment to each college.

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

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

<u>Source</u>	<u>Amount</u>
Community College Program Fund	\$ 68,944,883
Gross Receipts Tax (Public Education Capital Outlay)	19,116,099
Education Enhancement Trust Fund (Lottery)	9,985,872
Florida Student Assistance Grants	5,215,537
Restricted Contracts and Grants	3,156,581
Bright Futures Scholarship Program	2,050,435
Performance Based Incentives	1,481,944
Motor Vehicle License Tax (Capital Outlay and Debt Service)	836,683
Total	\$ 110,788,034

17. 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:

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Functional Classification	Amount
Instruction	\$ 61,517,271
Public Services	1,346,755
Academic Support	14,964,905
Student Services	17,431,486
Institutional Support	25,604,890
Operation and Maintenance of Plant	26,899,422
Scholarships and Fellowships	18,031,521
Depreciation	8,585,601
Loan Operating Expenses	1,101,414
Auxiliary Enterprises	12,501,445
Total Operating Expenses	\$ 187,984,710

18. RELATED PARTY TRANSACTIONS

As permitted by Section 1004.70, Florida Statutes, the College receives direct and indirect support from its direct-support organization, the Broward Community College Foundation, Inc. (Foundation). The Foundation’s transactions are reported in the College’s financial statements as a discretely presented component unit.

In October 2001, the College entered into a ten-year agreement with the Foundation for use of certain facilities in the City of Miramar in connection with College’s automotive training certificate programs. The College was responsible for all costs and expenses associated with the ownership, occupancy, and operation of the facility. During the 2006–07 fiscal year, ownership of the facility was transferred to the College and accepted by the Board of Trustees on March 28, 2007. The facility is reported as a donated capital asset on the College’s financial statements at the appraised value of \$11,200,000.

19. FISCAL AGENT FOR THE FLORIDA COMMUNITY COLLEGE SOFTWARE CONSORTIUM TRANSACTIONS

Effective July 1, 2002, the College was elected fiscal agent for the Florida Community College Software Consortium (FCCSC). As fiscal agent, the College is responsible for receiving, disbursing, and administering all moneys due to or payable from the Consortium and for certain personnel functions. For the 2006–07 fiscal year, FCCSC revenues and expenditures totaled \$5,334,010 and \$3,191,414, respectively, and are reported as operating nongovernmental grants and contracts and operating expenditures, respectively, on the statement of revenues, expenses, and changes in net assets. At June 30, 2007, net assets of the Consortium totaling \$3,536,761 are held in the College’s Current Restricted Fund.

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20. SUBSEQUENT EVENTS

As discussed in note 1, at June 30, 2007, the College had \$38,418,438 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On December 4, 2007, the State Board of Administration restructured the Pool and implemented temporary restrictions on the withdrawal of moneys that were on deposit including the requirement that a redemption fee be paid for withdrawals in excess of amounts to be periodically set by the State Board of Administration. Information regarding the restructuring and withdrawal restrictions is available from the College and the State Board of Administration. The College had \$21,140,861 invested in the Pool as of February 5, 2008.