



AUDITOR GENERAL

DAVID W. MARTIN, CPA



GULF COAST COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended June 30, 2007

During the audit period, the President of the College was Dr. Robert L. McSpadden until May 31, 2007, and Dr. Jim Kerley from June 1, 2007. Members of the College's Board of Trustees who served during the audit period are listed below:

<u>Board Member</u>	<u>County</u>
William C. Cramer, Chair	Bay
Karen L. Durden, Vice-Chair	Bay
Denise D. Butler	Franklin
James A. Cox, Jr.	Gulf
Dan A. Estes	Bay
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Dr. Stephen C. Myers	Bay
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William M. Sumner	Gulf

GULF COAST COMMUNITY COLLEGE

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EXECUTIVE SUMMARY

The audit of the financial statements of Gulf Coast 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 financial statements of the College:

- 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 units 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 Juan A. Fernandez, CPA, and supervised by Patricia S. Crutchfield, 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 Gulf Coast Community College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2007, as shown on pages 14 through 32. 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 units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, is based solely upon the reports 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 reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Gulf Coast Community College and of its aggregate discretely presented component units 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 Gulf Coast 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 13 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 28, 2008



DAVID W. MARTIN, CPA
AUDITOR GENERAL

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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 Gulf Coast Community College, a component unit of the State of Florida, and its aggregate discretely presented component units 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 aggregate discretely presented component units. 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*.

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,



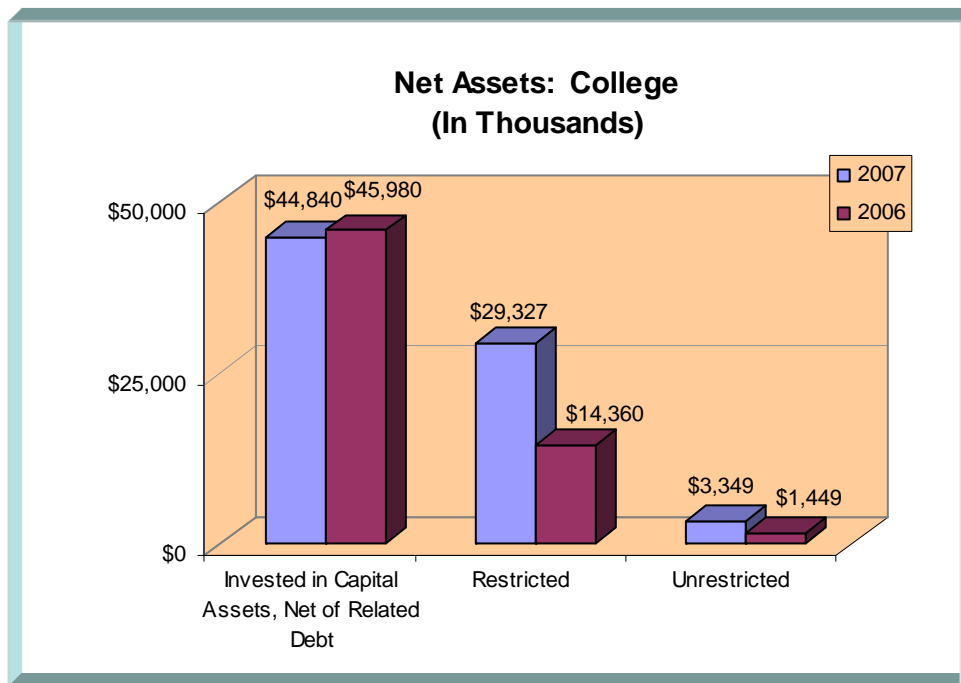
David W. Martin, CPA
February 28, 2008

MANAGEMENT’S DISCUSSION AND ANALYSIS

The management’s discussion and analysis (MD&A) of Gulf Coast Community College’s financial statements provides an overview of the College’s financial activities for the fiscal year ended June 30, 2007. 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. Management has prepared the financial statements and the related note disclosures along with the MD&A. Responsibility for the completeness and fairness of this information rests with the College. The MD&A contains financial activities of the College and its component units, the Gulf Coast Community College Foundation, Inc., and the Gulf Coast Community College Athletic Association, Inc., for the 2005-06 and 2006-07 fiscal years. The MD&A should be read in conjunction with the accompanying financial statements and notes thereto.

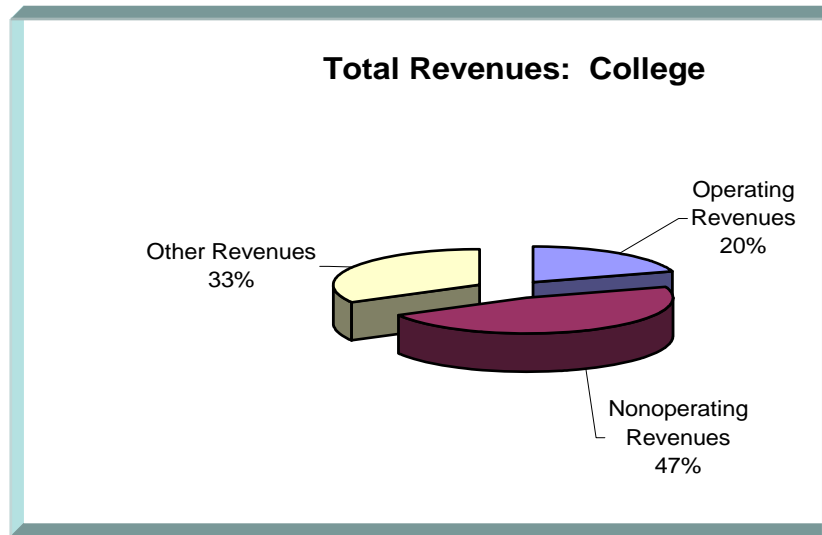
FINANCIAL HIGHLIGHTS

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



The College’s combined net assets were \$77.5 million at June 30, 2007, as compared to \$61.8 million at June 30, 2006. This change was caused, in part, by an increase in current assets, partially offset by decreases in capital assets and current liabilities.

The following chart provides a graphical presentation of revenues by category for the 2006-07 fiscal year:



A current year loss from operations of \$30.1 million, and other revenues of \$45.9 million resulted in an increase in net assets of \$15.7 million for the 2006-07 fiscal year. Other revenues for the 2006-07 fiscal year included State appropriations of \$20.7 million for operations, \$18.3 million for capital projects, \$5.9 million for gifts and grants, and \$1.1 million from investment income and student capital improvement and technology fees. For the 2005-06 fiscal year, the College reported a loss from operations of \$28.2 million and other revenues of \$29.5 million.

OVERVIEW OF FINANCIAL STATEMENTS

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

- Gulf Coast 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.
- Gulf Coast Community College Foundation, Inc., and the Gulf Coast Community College Athletic Association, Inc. (Component Units) - Although legally separate, these component units are important because the College is financially accountable for them and reports their 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 Gulf Coast 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 Gulf Coast Community College's operating results.

These two statements report Gulf Coast 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 indicator 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 units for the fiscal years ended June 30, 2007, and June 30, 2006, is shown in the following table:

Assets, Liabilities, and Net Assets at June 30				
(In Thousands)				
	College		Component Units	
	2007	2006	2007	2006
Assets				
Current Assets	\$ 14,681	\$ 7,574	\$ 12,252	\$ 9,886
Capital Assets, Net	45,905	47,115	15	5
Other Noncurrent Assets	21,029	11,454	14,811	12,772
Total Assets	81,615	66,143	27,078	22,663
Liabilities				
Current Liabilities	525	708	96	171
Noncurrent Liabilities	3,574	3,646		
Total Liabilities	4,099	4,354	96	171
Net Assets				
Invested in Capital Assets, Net of Related Debt	44,840	45,980		
Restricted	29,327	14,360	26,764	22,142
Unrestricted	3,349	1,449	218	350
Total Net Assets	\$ 77,516	\$ 61,789	\$ 26,982	\$ 22,492
Increase in Net Assets	\$ 15,727	25.5%	\$ 4,490	20.0%

Revenues and expenses of the College and its component units for the 2006-07 and 2005-06 fiscal years are shown in the following table:

Operating Results for the Fiscal Years (In Thousands)				
	College		Component Units	
	2006-07	2005-06	2006-07	2005-06
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 5,811	\$ 5,749	\$	\$
Federal Grants and Contracts	2,590	2,303		
State and Local Grants and Contracts	174	11	1,789	922
Nongovernmental Grants and Contracts	15	410	797	1,984
Sales and Services of Educational Departments	120	100		
Auxiliary Enterprises, Net of Scholarship Allowances	2,095	2,033		
Other Operating Revenues	423	521	70	62
Total Operating Revenues	11,228	11,127	2,656	2,968
Less, Operating Expenses	41,373	39,335	1,526	1,399
Operating Income (Loss)	(30,145)	(28,208)	1,130	1,569
Nonoperating Revenues (Expenses)				
State Appropriations	20,653	19,000		
Gifts and Grants	5,923	5,796		
Other Nonoperating Revenues	479	308	3,360	1,461
Nonoperating Expenses	(57)	(44)		
Net Nonoperating Revenues	26,998	25,060	3,360	1,461
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(3,147)	(3,148)	4,490	3,030
Capital Appropriations	18,253	4,024		
Capital Grants, Contracts, Gifts, and Fees	621	427		
Increase in Net Assets	15,727	1,303	4,490	3,030
Net Assets, Beginning of Year	61,789	60,486	22,492	19,462
Net Assets, End of Year	\$ 77,516	\$ 61,789	\$ 26,982	\$ 22,492

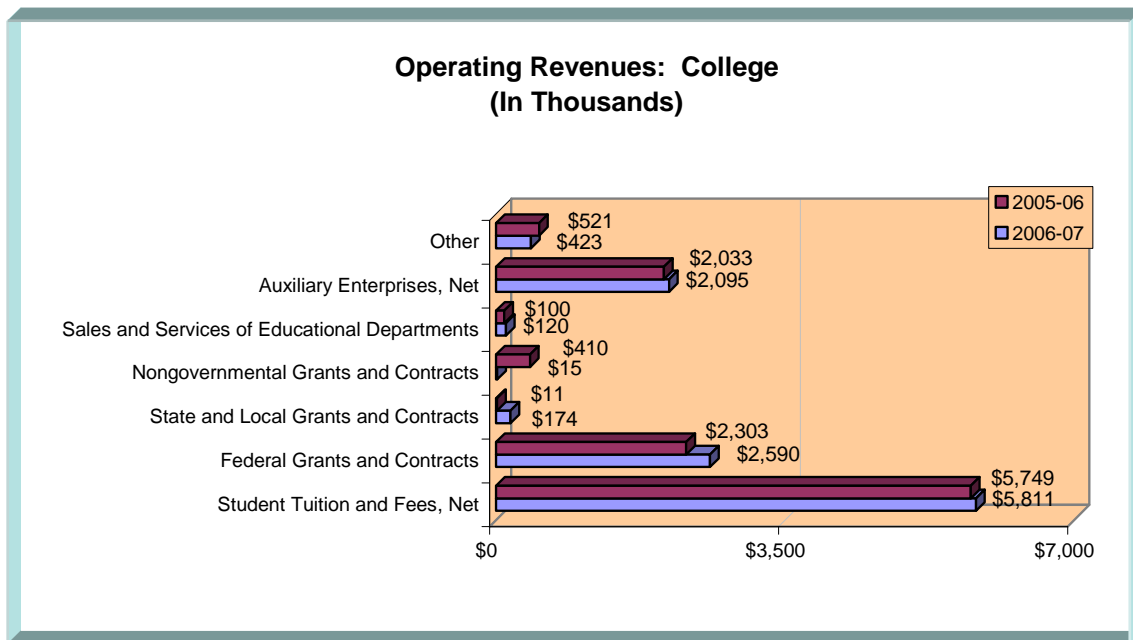
Operating Revenues

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.

College operating revenues for the fiscal years ended June 30, 2007, and June 30, 2006, were \$11.2 million and \$11.1 million, respectively, and primarily comprised of the following:

- Student tuition and fees net of scholarship allowances, of \$5.8 million and \$5.7 million for the 2006-07 and 2005-06 fiscal years, respectively.
- Federal grants and contracts totaling \$2.6 million and \$2.3 million for the 2006-07 and 2005-06 fiscal years, respectively. These totals were primarily from Federal Workforce Education programs.
- Auxiliary enterprises revenues of \$2.1 million and \$2 million for the 2006-07 and 2005-06 fiscal years, respectively. These revenues consisted of \$1.9 million and \$1.7 million generated by the College-owned bookstore for the 2006-07 and 2005-06 fiscal years, respectively, with the balance contributed by food service and other auxiliary units.

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



When compared to the prior fiscal year, College operating revenues were fairly consistent, increasing only 1 percent in total.

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.

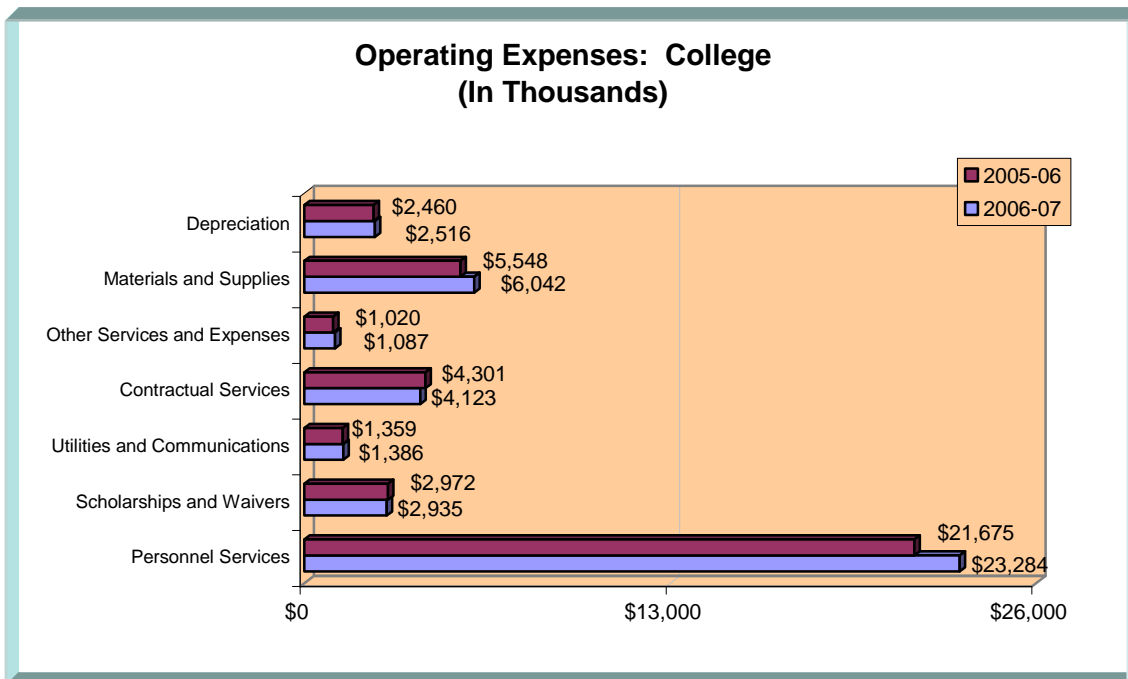
Operating expenses for the College and its component units for the 2006-07 and 2005-06 fiscal years are presented in the following table:

	Operating Expenses (In Thousands)			
	College		Component Units	
	2006-07	2005-06	2006-07	2005-06
Operating Expenses				
Personnel Services	\$23,284	\$21,675	\$ 93	\$ 76
Scholarships and Waivers	2,935	2,972	1,177	897
Utilities and Communications	1,386	1,359		
Contractual Services	4,123	4,301	23	22
Other Services and Expenses	1,087	1,020	153	327
Materials and Supplies	6,042	5,548	77	73
Depreciation	2,516	2,460	3	4
Total Operating Expenses	\$41,373	\$39,335	\$1,526	\$1,399

The College’s total operating expenses increased by \$2 million, or 5.2 percent, mainly due to increases in personnel services expenses. The College’s personnel services expenses, which account for 56.3 percent of the College’s operating expenses totaled \$23.3 million for the 2006-07 fiscal year compared to \$21.7 million for the 2005-06 fiscal year. The increase was due mainly to a 6 percent salary increase.

Component unit’s scholarship expense totaled \$1.2 million for the 2006-07 fiscal year, or 77.1 percent of operating expenses.

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



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:

	<u>2006-07</u>	<u>2005-06</u>
State Appropriations	\$ 20,653	\$ 19,000
Gifts and Grants	5,923	5,796
Investment Income	479	253
Other Nonoperating Revenue		55
Interest on Capital Asset-Related Debt	(57)	(44)
Net Nonoperating Revenues	<u>\$ 26,998</u>	<u>\$ 25,060</u>

The College's net nonoperating revenues increased \$1.9 million, or 7.7 percent, mainly due to an increase in State appropriations.

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:

	<u>2006-07</u>	<u>2005-06</u>
Capital Appropriations	\$ 18,253	\$ 4,024
Capital Grants, Contracts, Gifts, and Fees	621	427
Total	<u>\$ 18,874</u>	<u>\$ 4,451</u>

The College's other revenues increased \$14.4 million, or 324 percent, mainly due to an increase in construction projects funded by Public Education Capital Outlay appropriations.

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	\$ (26,923)	\$ (26,259)
Noncapital Financing Activities	19,407	24,686
Capital and Related Financing Activities	9,234	3,052
Investing Activities	<u>479</u>	<u>253</u>
Net Increase in Cash and Cash Equivalents	2,197	1,732
Cash and Cash Equivalents, Beginning of Year	<u>11,561</u>	<u>9,829</u>
Cash and Cash Equivalents, End of Year	<u>\$ 13,758</u>	<u>\$ 11,561</u>

Changes in cash and cash equivalents were the result of the following factors:

- The College reported net cash used by operating activities of \$26.9 million and \$26.3 million for the fiscal years ended June 30, 2007, and June 30, 2006, respectively. State appropriations totaling \$13.5 million and \$19 million and grants received for other than capital purposes totaling \$5.9 million and \$5.7 million, respectively, for the 2006-07 and 2005-06 fiscal years, are reported as cash flows from noncapital financing activities, and are used by the College to finance normal operating activities.
- Major sources of cash provided by operating revenues for the 2006-07 fiscal year were primarily from net student tuition and fees totaling \$6.3 million, grants and contracts totaling \$2.8 million, and auxiliary enterprises totaling \$2.1 million. Primary uses of cash for operations were for personnel expenses totaling \$23.2 million, payments to suppliers of \$11.6 million, and expenditures for student scholarships of \$2.5 million.
- Cash provided by capital and related financing activities for the 2006-07 fiscal year totaled \$9.2 million, consisting primarily of capital appropriations of \$10.1 million and capital grants and gifts of \$621,000, was partially offset by capital asset purchases of \$1.3 million and debt payments of \$127,000.
- The investing activity market conditions improved slightly over the prior fiscal year. Continued emphasis on cash management resulted in cash provided by investment income of \$479,000 and \$253,000 for the 2006-07 and 2005-06 fiscal years, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2007, the College had \$75.6 million in capital assets, less accumulated depreciation of \$29.7 million, for net capital assets of \$45.9 million. Depreciation charges for the current fiscal year totaled \$2.5 million.

The following table summarizes the College’s capital assets at June 30, 2007:

Capital Assets: College at June 30		
(In Thousands)		
Capital Assets	College	
	2007	2006
Land	\$ 3,238	\$ 3,177
Buildings	40,543	42,243
Other Structures and Improvements	126	158
Furniture, Machinery, and Equipment	999	1,181
Construction in Progress	999	356
Capital Assets, Net	\$45,905	\$47,115

During the 2006-07 fiscal year, the College continued to renovate the Natural Sciences and Health Sciences buildings and began renovation of the Public Service Firing Range. Also, for the 2007-08 fiscal year, the College plans to acquire land for future growth and parking. A major highway expansion project to the College has made parking conditions difficult. More information on the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$1 million in long-term debt outstanding compared to \$1.1 million for the prior fiscal year. The State Board of Education issues capital outlay bonds on behalf of the College. During the 2006-07 fiscal year, debt repayments totaled \$127,000. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Gulf Coast Community College's economic condition is closely tied to that of the State of Florida. Increased housing costs, property taxes, and insurance rates are affecting the current economy. Although State appropriations for the 2007-08 fiscal year are expected to be higher than for the 2006-07 fiscal year, the College remains cautious regarding budgeting for the future. Accordingly, the College's District Board of Trustees approved a conservative budget for the 2007-08 fiscal year knowing that the existing unrestricted net assets may need to be used to partially fund normal operating activities in the future.

The College's current financial and capital plans indicate that conservative budgeting, significant fund balances, and expected enrollment increases resulting from increased marketing efforts and an enrollment management plan currently in development will enable it to maintain its present level of services.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice-President for Financial Services, Gulf Coast Community College, 5230 West Highway 98, Panama City, Florida 32401

FINANCIAL SECTION

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

	<u>College</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 4,209,736.05	\$ 3,542,796.00
Restricted Cash and Cash Equivalents	345,234.35	
Investments		8,677,824.00
Accounts Receivable, Net	417,430.18	3,266.00
Notes Receivable, Net	3,526.26	
Due from Other Governmental Agencies	8,813,844.38	
Inventories	535,882.16	
Prepaid Expenses	290,956.00	623.00
Other Assets	64,777.66	27,412.00
Total Current Assets	<u>14,681,387.04</u>	<u>12,251,921.00</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	9,203,503.25	
Restricted Investments		14,810,940.00
Due from Other Governmental Agencies	11,825,517.00	
Depreciable Capital Assets, Net	41,668,465.62	14,674.00
Nondepreciable Capital Assets	4,236,176.67	
Total Noncurrent Assets	<u>66,933,662.54</u>	<u>14,825,614.00</u>
TOTAL ASSETS	<u>\$ 81,615,049.58</u>	<u>\$ 27,077,535.00</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 245,959.61	\$ 96,197.00
Retainage Payable	41,060.30	
Due to Other Governmental Agencies	259.37	
Deposits Held for Others	80,622.24	
Long-Term Liabilities - Current Portion:		
Bonds Payable	85,000.00	
Compensated Absences Payable	72,073.53	
Total Current Liabilities	<u>524,975.05</u>	<u>96,197.00</u>
Noncurrent Liabilities:		
Bonds Payable	980,000.00	
Compensated Absences Payable	2,594,118.32	
Total Noncurrent Liabilities	<u>3,574,118.32</u>	
TOTAL LIABILITIES	<u>4,099,093.37</u>	<u>96,197.00</u>

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

	College	Component Units
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 44,839,642.29	\$
Restricted:		
Nonexpendable:		
Endowment		14,824,482.00
Expendable:		
Grants and Loans	501,688.62	
Scholarships		11,939,287.00
Capital Projects	28,775,701.93	
Debt Service	49,720.59	
Unrestricted	3,349,202.78	217,569.00
Total Net Assets	77,515,956.21	26,981,338.00
TOTAL LIABILITIES AND NET ASSETS	\$ 81,615,049.58	\$ 27,077,535.00

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

GULF COAST 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

	<u>College</u>	<u>Component Units</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$2,785,886.64	\$ 5,811,273.74	\$
Federal Grants and Contracts	2,589,741.54	
State and Local Grants and Contracts	174,325.43	1,788,591.00
Nongovernmental Grants and Contracts	15,086.70	796,652.00
Sales and Services of Educational Departments	119,647.86	
Auxiliary Enterprises, Net of Scholarship Allowances of \$679,349.99	2,095,127.03	
Other Operating Revenues	423,217.10	70,521.00
Total Operating Revenues	<u>11,228,419.40</u>	<u>2,655,764.00</u>
EXPENSES		
Operating Expenses:		
Personnel Services	23,284,434.77	92,830.00
Scholarships and Waivers	2,934,656.17	1,176,897.00
Utilities and Communications	1,386,483.84	
Contractual Services	4,123,319.73	22,862.00
Other Services and Expenses	1,086,477.38	153,058.00
Materials and Supplies	6,041,650.37	76,769.00
Depreciation	2,515,984.33	3,429.00
Total Operating Expenses	<u>41,373,006.59</u>	<u>1,525,845.00</u>
Operating Income (Loss)	<u>(30,144,587.19)</u>	<u>1,129,919.00</u>
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	20,653,230.00	
Gifts and Grants	5,922,904.85	
Investment Income	478,709.09	3,359,860.00
Interest on Capital Asset-Related Debt	(57,262.50)	
Net Nonoperating Revenues	<u>26,997,581.44</u>	<u>3,359,860.00</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>(3,147,005.75)</u>	<u>4,489,779.00</u>
Capital Appropriations	18,253,226.63	
Capital Grants, Contracts, Gifts, and Fees	620,437.43	
Total Other Revenues	<u>18,873,664.06</u>	
Increase in Net Assets	15,726,658.31	4,489,779.00
Net Assets, Beginning of Year	61,789,297.90	22,491,559.00
Net Assets, End of Year	<u>\$ 77,515,956.21</u>	<u>\$ 26,981,338.00</u>

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

GULF COAST 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	\$ 6,339,172.36
Grants and Contracts	2,779,071.31
Payments to Suppliers	(11,569,894.43)
Payments for Utilities and Communications	(1,369,824.84)
Payments to Employees	(19,084,267.85)
Payments for Employee Benefits	(4,149,931.09)
Payments for Scholarships	(2,527,873.13)
Net Collection of Loans to Students	3,225.78
Auxiliary Enterprises	2,095,127.03
Sales and Service of Educational Departments	119,647.86
Other Receipts	442,939.34
	(26,922,607.66)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	13,483,882.93
Gifts and Grants Received for Other Than Capital Purposes	5,922,904.85
	19,406,787.78
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	10,070,263.63
Capital Grants and Gifts	620,437.43
Purchases of Capital Assets	(1,329,003.12)
Principal Paid on Capital Debt	(70,000.00)
Interest Paid on Capital Debt	(57,262.50)
	9,234,435.44
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	478,709.09
	2,197,324.65
Net Increase in Cash and Cash Equivalents	11,561,149.00
Cash and Cash Equivalents, Beginning of Year	11,561,149.00
	\$ 13,758,473.65
Cash and Cash Equivalents, End of Year	\$ 13,758,473.65

**GULF COAST 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	\$(30,144,587.19)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,515,984.33
Changes in Assets and Liabilities:	
Receivables, Net	937,907.44
Inventories	(86,978.22)
Accounts Payable	(214,892.09)
Deposits Held for Others	19,722.24
Compensated Absences Payable	50,235.83
NET CASH USED BY OPERATING ACTIVITIES	\$(26,922,607.66)

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

GULF COAST 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 Gulf Coast 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 Bay, Franklin, and Gulf 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 is reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following component units are included within the College's reporting entity:

- The Gulf Coast Community College Foundation, Inc.: This organization provides funding and services to support and foster the pursuit of higher education at the College.
- The Gulf Coast Community College Athletic Association, Inc.: This organization promotes educational, physical, and mental welfare of youth through amateur athletics.

The College's component units are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The audited financial statements of these organizations are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the audited financial statements of those organizations for the fiscal year ended June 30, 2007. Additional condensed financial statements for the College's component units are included in a subsequent note.

The College's component units, as described above, are also direct-support organizations, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, are financially accountable to the College. These entities are managed independently, outside the College's budgeting process, and their

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

powers generally are vested in a governing board pursuant to various State statutes. These entities receive, hold, invest, and administer property and makes expenditures to or for the benefit of the College.

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 units use the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

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

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

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

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. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue and auxiliary enterprises 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 placed with the State Treasury and 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 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.

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

At June 30, 2007, the College reported as cash equivalents at fair value \$73,520 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 and its component units rely 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 \$13,742,820 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; 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. Interest costs incurred during construction of capital assets are not considered material, and are not capitalized as part of the cost of construction. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings - 40 years
- Other Structures and Improvements - 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment - 3 years
 - Vehicles, Office Machines, Educational Equipment - 5 years

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

- Furniture - 7 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 SPIA and State Board of Administration Local Government Surplus Fund Trust Fund investment pools, which are reported as cash and cash equivalents.

Component Units Investments

The College’s component units’ investments at June 30, 2007, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Common Fund:	
Bond Mutual Funds	\$ 5,300,936
Equity Mutual Funds	16,145,254
Short-Term Funds	1,594,887
Certificates of Deposit	400,000
Investment in Real Property	47,687
Total Component Unit Investments	<u><u>\$ 23,488,764</u></u>

The majority of the component units’ investments consist of funds invested by the Gulf Coast Community College Foundation, Inc. (Foundation), in Common Fund mutual funds administered by an independent investment manager. The following risks apply to the Foundation’s investments in bond mutual funds:

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation has no formal investment policy that limits investment maturities. The Foundation relies on policies developed by the Commonfund's investment manager for managing interest rate risk for these investments. As of June 30, 2007, the weighted average maturity for the Commonfund bond mutual funds was 7.9 years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation has no formal investment policy on credit risk. The Foundation relies on policies developed by the Commonfund's investment manager for managing credit risk for these investments. As of June 30, 2007, the credit quality rating for the Commonfund bond mutual funds was AA.

3. 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 grant reimbursements due from third parties. These receivables are reported net of a \$403,390 allowance for uncollectible accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the College's short-term loan program. Notes receivable are reported net of a \$4,210 allowance for uncollectible notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$19,677,906 of Public Education Capital Outlay allocations due from the State to the College for construction of College facilities.

6. INVENTORIES

Inventories consist of items for resale by the campus bookstore and cafeteria and ammunition at the firing range. Inventories at the cafeteria and at the firing range are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation. Inventories at the bookstore are valued using the moving average method of inventory valuation. 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.

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

7. CAPITAL ASSETS

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 3,176,841	\$ 60,781	\$	\$ 3,237,622
Construction in Progress	355,847	642,708		998,555
Total Nondepreciable Capital Assets	\$ 3,532,688	\$ 703,489	\$	\$ 4,236,177
Depreciable Capital Assets:				
Buildings	\$62,124,008	\$	\$	\$62,124,008
Other Structures and Improvements	3,086,863	901		3,087,764
Furniture, Machinery, and Equipment	5,728,546	612,477	166,251	6,174,772
Total Depreciable Capital Assets	70,939,417	613,378	166,251	71,386,544
Less, Accumulated Depreciation:				
Buildings	19,880,719	1,700,144		21,580,863
Other Structures and Improvements	2,928,905	32,420		2,961,325
Furniture, Machinery, and Equipment	4,547,841	783,420	155,371	5,175,890
Total Accumulated Depreciation	27,357,465	2,515,984	155,371	29,718,078
Total Depreciable Capital Assets, Net	\$43,581,952	\$(1,902,606)	\$ 10,880	\$41,668,466

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2007, include bonds 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	\$1,135,000	\$	\$ 70,000	\$1,065,000	\$ 85,000
Compensated Absences Payable	2,615,956	501,087	450,851	2,666,192	72,074
Total Long-Term Liabilities	\$3,750,956	\$501,087	\$ 520,851	\$3,731,192	\$157,074

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:

**GULF COAST 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 2005-A	<u>\$ 1,065,000</u>	5	2017

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	\$ 85,000	\$ 53,250	\$ 138,250
2009	90,000	49,000	139,000
2010	90,000	44,500	134,500
2011	95,000	40,000	135,000
2012	105,000	35,250	140,250
2013-2017	<u>600,000</u>	<u>91,750</u>	<u>691,750</u>
Total	<u>\$ 1,065,000</u>	<u>\$ 313,750</u>	<u>\$ 1,378,750</u>

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 \$2,666,192. Of this amount, \$72,074 is considered a current liability as this is expected to be paid in the coming fiscal year. The current portion of the compensated absences liability is calculated based on terminal leave pay anticipated from those employees who have expressed their intent to retire during the 2007-08 fiscal year.

9. 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

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

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.

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
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 \$944,607, \$999,358, and \$1,302,789, respectively, which were equal to the required contributions for each fiscal year.

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

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 54 College participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$208,444.

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 36 College participants during the 2006-07 fiscal year. Required employer contributions made to the Program totaled \$221,473.

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

10. SPECIAL TERMINATION BENEFITS

The College has a special pay plan that an employee is eligible to participate in if they separate service and are to receive terminal pay. The plan is a 401(a) defined contribution retirement plan where terminal pay for accumulated sick leave, accumulated annual leave, and retirement incentive or bonus pay is contributed. The contribution will permanently save the employee and employer up to 7.65 percent of Social Security and Medicare tax on any special form of eligible compensation. The plan will also defer the individual’s income taxes until the money is withdrawn from the plan.

11. CONSTRUCTION COMMITMENTS

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

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Health Sciences Renovation:			
Architect	\$ 639,000	\$ 579,073	\$ 59,927
General Contractor	395,000	226,899	168,101
Public Safety/Emergency Operations Center:			
Architect	<u>988,848</u>	<u>224,469</u>	<u>764,379</u>
Total	<u>\$ 2,022,848</u>	<u>\$ 1,030,441</u>	<u>\$ 992,407</u>

12. 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 and hospitalization, life, dental, long-term disability, 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.

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Professional liability coverage is provided through purchased commercial insurance and settled claims resulting from these risks have not exceeded commercial coverage in any of the past three years.

13. 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:

<u>Source</u>	<u>Amount</u>
Gross Receipts Tax (Public Education Capital Outlay)	\$ 18,066,162
Community College Program Fund	17,075,521
Education Enhancement Trust Fund (Lottery)	2,078,703
Restricted Contracts and Grants	1,171,301
Bright Futures Scholarship Program	1,132,956
Florida Student Assistance Grants	1,119,123
Performance Based Incentives	278,086
Motor Vehicle License Tax (Capital Outlay and Debt Service)	187,065
Total	\$41,108,917

14. 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

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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	\$ 15,890,456
Public Services	407,313
Academic Support	2,118,366
Student Services	6,774,218
Institutional Support	3,705,471
Operation and Maintenance of Plant	5,968,765
Scholarships and Fellowships	451,894
Depreciation	2,515,984
Auxiliary Enterprises	<u>3,540,540</u>
Total Operating Expenses	<u><u>\$ 41,373,007</u></u>

15. COMPONENT UNITS

The College has two component units as discussed in note 1. These component units represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

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	Gulf Coast Community College Foundation, Inc.	Gulf Coast Community College Athletic Association, Inc.	Total
Condensed Statement of Net Assets			
Assets:			
Current Assets	\$ 12,122,366	\$ 129,555	\$ 12,251,921
Capital Assets, Net	13,542	1,132	14,674
Other Noncurrent Assets	14,810,940		14,810,940
Total Assets	26,946,848	130,687	27,077,535
Liabilities:			
Current Liabilities	93,889	2,308	96,197
Net Assets:			
Restricted	26,763,769		26,763,769
Unrestricted	89,190	128,379	217,569
Total Net Assets	\$ 26,852,959	\$ 128,379	\$ 26,981,338
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			
Operating Revenues	\$ 2,413,504	\$ 242,260	\$ 2,655,764
Operating Expenses	1,304,051	221,794	1,525,845
Operating Income	1,109,453	20,466	1,129,919
Net Nonoperating Revenues	3,357,678	2,182	3,359,860
Increase in Net Assets	4,467,131	22,648	4,489,779
Net Assets, Beginning of Year	22,385,828	105,731	22,491,559
Net Assets, End of Year	\$ 26,852,959	\$ 128,379	\$ 26,981,338

16. SUBSEQUENT EVENT

As discussed in note 1, at June 30, 2007, the College had \$13,742,820 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the College withdrew all but \$251,741 invested at that date from the Pool.