



AUDITOR GENERAL

DAVID W. MARTIN, CPA



ST. JOHNS RIVER COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended June 30, 2007

During the audit period, the President of the College was Dr. R. L. McLendon, Jr. 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 W. Roberts, Chair	Putnam
Larry R. Lancaster, Vice-Chair	Clay
Carl C. Beck, Jr.	St. Johns
Neil F. Benson, M.D.	Putnam
Diane P. Leone	St. Johns
Preston B. Sloan	Putnam
Dale S. Wilson	Clay

ST. JOHNS RIVER COMMUNITY COLLEGE

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EXECUTIVE SUMMARY

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

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

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

- We found that the College's financial statements presented fairly, in all material respects, the financial positions of the College and its discretely presented component unit as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended.
- 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 Tina M. McFarlin and supervised by John P. Duffy, 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 St. Johns River Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2007, as shown on pages 14 through 31. 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 St. Johns River Community College and of its discretely presented component unit as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 5 through 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
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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 St. Johns River Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2007, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. 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 purpose 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,



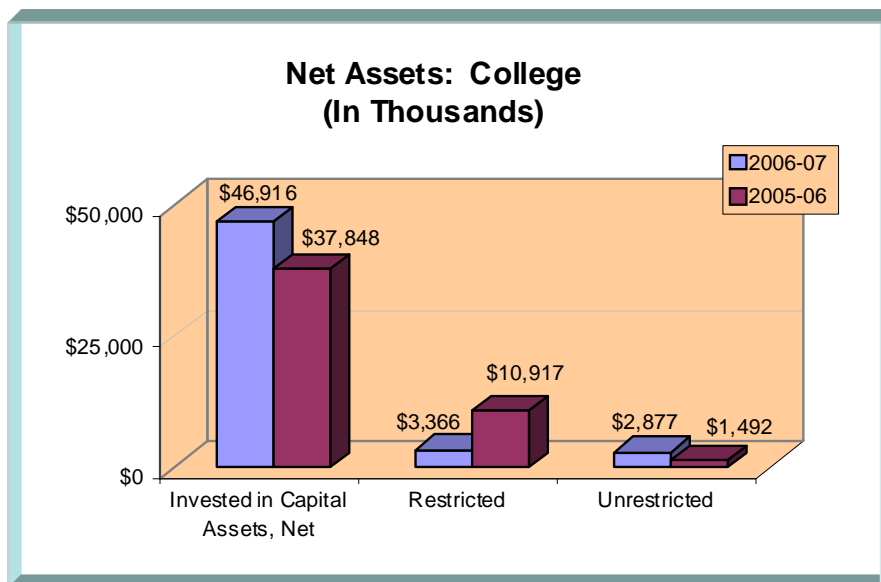
David W. Martin, CPA
February 28, 2008

MANAGEMENT’S DISCUSSION AND ANALYSIS

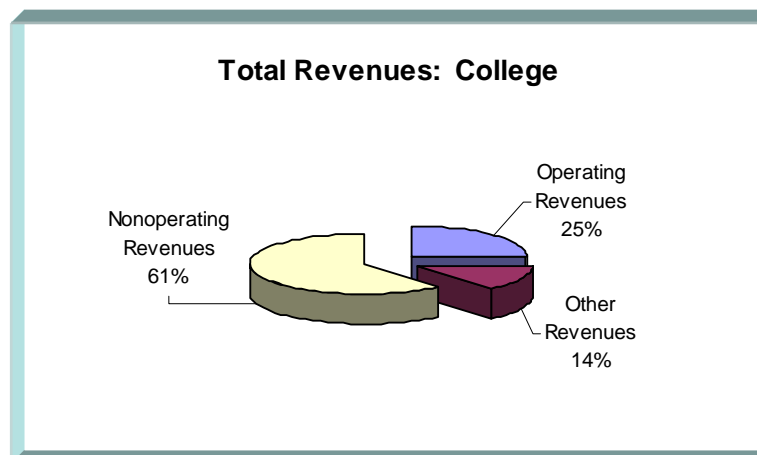
The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the College and its component unit, St. Johns River Community College Foundation, Inc., for the fiscal year ended June 30, 2007, and should be read in conjunction with the financial statements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

FINANCIAL HIGHLIGHTS

Graphically displayed, the College’s total net assets by category for the fiscal year ended June 30, 2007, are shown below:



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



The College's revenues totaled \$37.3 million for the 2006-07 fiscal year, representing a .6 percent increase over the 2005-06 fiscal year. Operating revenues increased 2.8 percent due mainly to increases in student tuition and enrollment. Nonoperating revenues increased 27.4 percent due mainly to increases in State appropriations and to a reclassifying of \$1.4 million in State student financial assistance from operating revenues, to nonoperating revenues. Other revenues decreased 49.4 percent due mainly to decreases in capital appropriations.

Operating expenses totaled \$34.4 million for the 2006-07 fiscal year, representing an increase of 15.1 percent over the 2005-06 fiscal year, due to significant increases in salaries and benefits (personnel services), materials and supplies (educational material, data software, and minor equipment), and scholarships and waivers.

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:

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

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

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

These two statements report St. Johns River Community College's net assets and changes in them. You can think of the College's net assets, the difference between assets and liabilities, as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indication of whether its financial health is improving or deteriorating. 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>3-31-07</u>	<u>3-31-06</u>
Assets				
Current Assets	\$ 10,259	\$ 15,307	\$ 2,027	\$ 1,425
Capital Assets, Net	46,916	37,848		
Other Noncurrent Assets			927	814
Total Assets	<u>57,175</u>	<u>53,155</u>	<u>2,954</u>	<u>2,239</u>
Liabilities				
Current Liabilities	2,542	1,519		
Noncurrent Liabilities	<u>1,474</u>	<u>1,380</u>		
Total Liabilities	<u>4,016</u>	<u>2,899</u>		
Net Assets				
Invested in Capital Assets, Net of Related Debt	46,916	37,848		
Restricted	3,366	10,916	2,447	1,912
Unrestricted	<u>2,877</u>	<u>1,492</u>	<u>507</u>	<u>327</u>
Total Net Assets	<u>\$ 53,159</u>	<u>\$ 50,256</u>	<u>\$ 2,954</u>	<u>\$ 2,239</u>
Increase in Net Assets	<u>\$ 2,903</u>	5.8%	<u>\$ 715</u>	31.9%

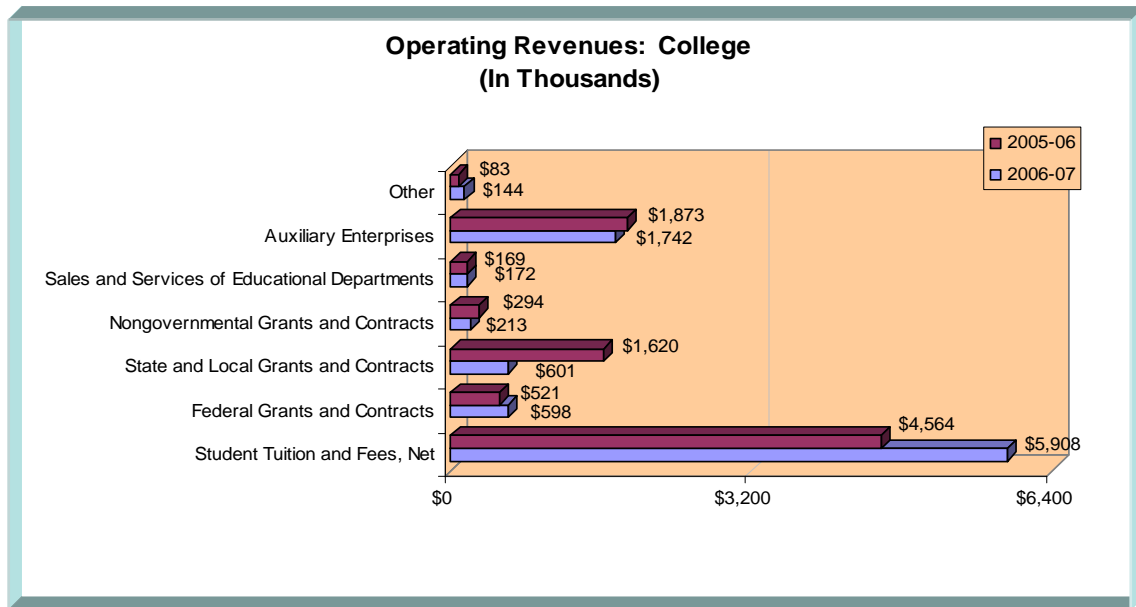
Revenues and expenses of the College and its component unit for the respective fiscal years ended are shown in the following table:

	College		Component Unit	
	6-30-07	6-30-06	3-31-07	3-31-06
Operating Results for the Fiscal Years Ended (In Thousands)				
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 5,908	\$ 4,564	\$	\$
Federal Grants and Contracts	598	521		
State and Local Grants and Contracts	601	1,620	515	461
Nongovernmental Grants and Contracts	213	294		
Sales and Services of Educational Departments	172	169		
Auxiliary Enterprises, Net of Scholarship Allowances	1,742	1,873		
Other Operating Revenues	144	83	650	518
Total Operating Revenues	9,378	9,124	1,165	979
Less, Operating Expenses	34,388	29,875	607	575
Operating Income (Loss)	(25,010)	(20,751)	558	404
Nonoperating Revenues				
State Appropriations	17,594	14,441		
Other Nonoperating Revenues	5,242	3,490	157	83
Net Nonoperating Revenues	22,836	17,931	157	83
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
Capital Appropriations	4,584	9,754		
Capital Grants, Contracts, Gifts, and Fees	493	280		
Increase in Net Assets	2,903	7,214	715	487
Net Assets, Beginning of Year	50,256	43,042	2,239	1,835
Adjustments to Beginning Net Assets				(83)
Net Assets, Beginning of Year, as Restated	50,256	43,042	2,239	1,752
Net Assets, End of Year	\$ 53,159	\$ 50,256	\$ 2,954	\$ 2,239

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 revenues increased in most categories, and in total by \$.3 million, or 2.8 percent, due mainly to increases in tuition and enrollment. The increase would have been larger if not for a reclassification of \$1.4 million in State student financial assistance from operating revenues, where it was included incorrectly in the 2005-06 fiscal year, to nonoperating revenues.

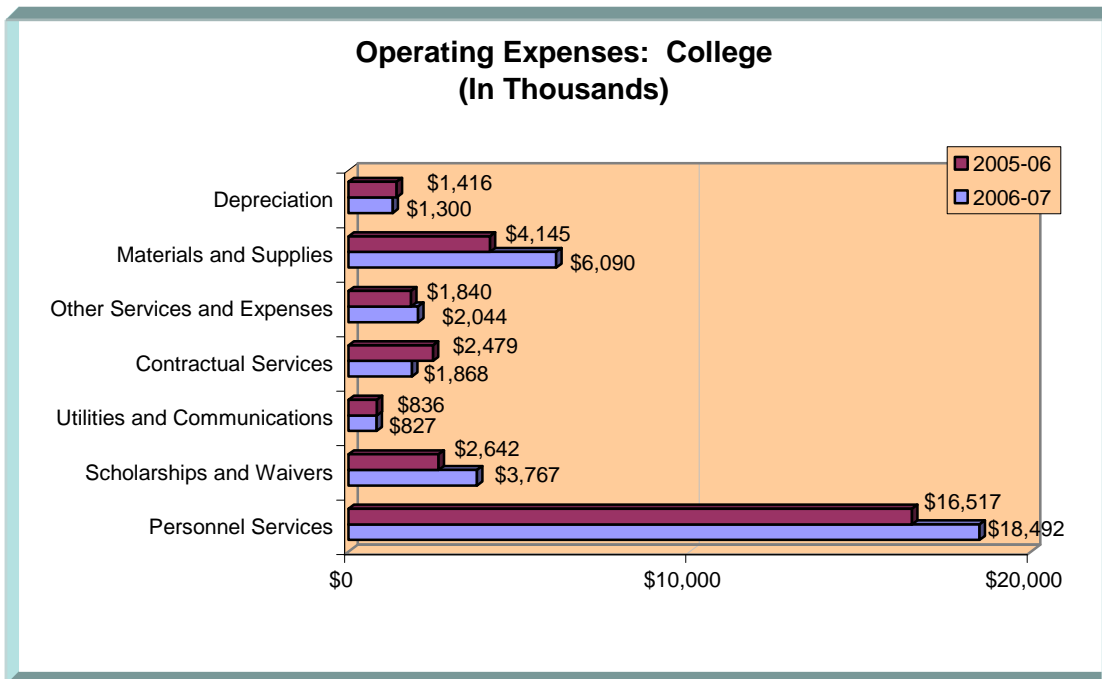
Operating Expenses

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	3-31-07	3-31-06
Operating Expenses				
Personnel Services	\$ 18,492	\$ 16,517	\$	\$
Scholarships and Waivers	3,767	2,642	383	263
Utilities and Communications	827	836		
Contractual Services	1,868	2,479	14	6
Other Services and Expenses	2,044	1,840	210	306
Materials and Supplies	6,090	4,145		
Depreciation	1,300	1,416		
Total Operating Expenses	\$ 34,388	\$ 29,875	\$ 607	\$ 575

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



College operating expenses increased by a total of \$4.5 million, or 15.1 percent, due to significant increases in salaries and benefits (personnel services), materials and supplies (educational material, data software, and minor equipment), and scholarships and waivers.

Nonoperating Revenues

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. The following summarizes the College's nonoperating revenues for the 2006-07 and 2005-06 fiscal years:

	2006-07	2005-06
State Appropriations	\$ 17,594	\$ 14,441
Gifts and Grants	4,842	3,264
Investment Income	392	223
Gain on Asset Disposal	8	3
Net Nonoperating Revenues	\$ 22,836	\$ 17,931

Nonoperating revenues increased 27.4 percent from 2005-06 fiscal year to 2006-07 fiscal year. This increase is due mainly to increased State appropriations and to reclassifying \$1.4 million in State student financial assistance from operating revenues, where it was included in 2005-06 fiscal year, to nonoperating revenues.

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:

	2006-07	2005-06
Capital Appropriations	\$ 4,584	\$ 9,754
Capital Grants, Contracts, Gifts, and Fees	493	280
Total	\$ 5,077	\$ 10,034

Other revenues decreased 49.4 percent due mainly to decreases in 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	\$ (23,404)	\$ (18,794)
Noncapital Financing Activities	22,437	17,705
Capital and Related Financing Activities	1,766	2,787
Investing Activities	<u>392</u>	<u>223</u>
Net Increase in Cash and Cash Equivalents	1,191	1,921
Cash and Cash Equivalents, Beginning of Year	<u>6,573</u>	<u>4,652</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 7,764</u></u>	<u><u>\$ 6,573</u></u>

Major sources of cash from operating activities were net student tuition and fees (\$5.4 million), auxiliary (bookstore) receipts (\$2.2 million), and grants and contracts (\$1.4 million).

Major sources of cash from noncapital financing activities were from State appropriations (\$17.6 million) and gifts and grants received for other than capital or endowment purposes (\$4.8 million, mainly from student financial aid programs).

Major sources of cash from capital and related financing activities were from capital appropriations (\$11 million, mainly from the State’s Public Education Capital Outlay Program). Some of these funds had not been spent by fiscal year end and this contributed to the overall cash and cash equivalents increase of \$1.2 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2007, the College had \$62.1 million in capital assets, less accumulated depreciation of \$15.2 million, for net capital assets of \$46.9 million. Depreciation charges for the current fiscal year totaled \$1.3 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	Reductions	Ending Balance
Land	\$ 688	\$	\$	\$ 688
Buildings	43,675			43,675
Other Structures and Improvements	4,087	64		4,151
Furniture, Machinery, and Equipment	1,820	229	24	2,025
Construction in Progress	1,495	10,326	250	11,571
Total	51,765	10,619	274	62,110
Less, Accumulated Depreciation:				
Buildings	9,460	989		10,449
Other Structures and Improvements	3,366	21		3,387
Furniture, Machinery, and Equipment	1,091	291	24	1,358
Total Accumulated Depreciation	13,917	1,301	24	15,194
Capital Assets, Net	\$ 37,848	\$ 9,318	\$ 250	\$ 46,916

Major capital projects activities during the fiscal year related to renovations and additions to the Florida School of the Arts on the Palatka campus and construction of the Health Science Building on the Orange Park campus. The College also began life safety renovations for the Science/Technical Building on the Palatka campus. State appropriations together with local funds are expected to finance the construction, renovation, and purchase of land and facilities. More information about the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had no long-term debt outstanding.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

St. Johns River Community College's economic condition is closely tied to that of the State of Florida. Direct State support for the College increased during the 2006-07 fiscal year. However, projections for the 2007-08 fiscal year show a decrease of about four percent in recurring Community College Program Funds State appropriations, as mandated by the Governor's office. While tuition rates are increasing for the 2007-08 fiscal year, the College is unable to determine the affects of reduced State appropriations at this time.

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 Business Affairs, St. Johns River Community College, 5001 St. Johns Avenue, Palatka, Florida 32177.

FINANCIAL SECTION

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

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 5,048,171	\$ 507,271
Restricted Cash and Cash Equivalents	2,715,588	749,505
Investments		770,144
Accounts Receivable, Net	385,240	
Due from Other Governmental Agencies	1,788,129	
Inventories	317,787	
Prepaid Expenses	4,395	
Total Current Assets	<u>10,259,310</u>	<u>2,026,920</u>
Noncurrent Assets:		
Restricted Investments		927,445
Depreciable Capital Assets, Net	34,657,794	
Nondepreciable Capital Assets	12,258,324	
Total Noncurrent Assets	<u>46,916,118</u>	<u>927,445</u>
TOTAL ASSETS	<u>\$ 57,175,428</u>	<u>\$ 2,954,365</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 661,601	\$
Salary and Payroll Taxes Payable	999,396	
Retainage Payable	811,666	
Deposits Held for Others	35,963	
Long-Term Liabilities - Current Portion:		
Compensated Absences Payable	33,461	
Total Current Liabilities	<u>2,542,087</u>	
Noncurrent Liabilities:		
Special Termination Benefits Payable	206,785	
Compensated Absences Payable	1,267,222	
Total Noncurrent Liabilities	<u>1,474,007</u>	
TOTAL LIABILITIES	<u>4,016,094</u>	

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

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 46,916,118	\$
Restricted:		
Nonexpendable:		
Endowment		927,445
Expendable:		
Grants and Loans	475,780	1,519,649
Scholarships	13,647	
Capital Projects	2,876,894	
Unrestricted	2,876,895	507,271
Total Net Assets	53,159,334	2,954,365
TOTAL LIABILITIES AND NET ASSETS	\$ 57,175,428	\$ 2,954,365

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

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

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$1,378,696	\$ 5,907,978	\$
Federal Grants and Contracts	598,371	
State and Local Grants and Contracts	600,679	514,711
Nongovernmental Grants and Contracts	213,420	
Sales and Services of Educational Departments	171,648	
Auxiliary Enterprises, Net of Scholarship Allowances of \$447,513	1,741,798	
Other Operating Revenues	143,669	650,343
Total Operating Revenues	9,377,563	1,165,054
EXPENSES		
Operating Expenses:		
Personnel Services	18,491,910	
Scholarships and Waivers	3,766,678	383,541
Utilities and Communications	827,061	
Contractual Services	1,867,902	13,616
Other Services and Expenses	2,044,476	209,823
Materials and Supplies	6,089,888	
Depreciation	1,300,548	
Total Operating Expenses	34,388,463	606,980
Operating Income (Loss)	(25,010,900)	558,074
NONOPERATING REVENUES		
State Appropriations	17,594,048	
Gifts and Grants	4,842,929	
Investment Income	391,904	157,714
Gain on Capital Asset Disposition	7,625	
Net Nonoperating Revenues	22,836,506	157,714
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,174,394)	715,788
Capital Appropriations	4,583,814	
Capital Grants, Contracts, Gifts, and Fees	493,752	
Total Other Revenues	5,077,566	
Increase in Net Assets	2,903,172	715,788
Net Assets, Beginning of Year	50,256,162	2,238,577
Net Assets, End of Year	\$ 53,159,334	\$ 2,954,365

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

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

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 5,421,309
Grants and Contracts	1,412,470
Payments to Suppliers	(10,065,083)
Payments for Utilities and Communications	(827,061)
Payments to Employees	(14,821,609)
Payments for Employee Benefits	(3,482,513)
Payments for Scholarships	(3,766,678)
Auxiliary Enterprises, Net	2,189,311
Sales and Service of Educational Departments	171,648
Other Receipts	364,257
	(23,403,949)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	17,594,048
Gifts and Grants Received for Other Than Capital or Endowment Purposes	4,842,929
	22,436,977
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	10,985,184
Capital Grants and Gifts	493,752
Proceeds from Sale of Capital Assets	7,625
Purchases of Capital Assets	(9,721,230)
	1,765,331
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	391,904
	391,904
Net Increase in Cash and Cash Equivalents	1,190,263
Cash and Cash Equivalents, Beginning of Year	6,573,496
	\$ 7,763,759
Cash and Cash Equivalents, End of Year	\$ 7,763,759

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

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$(25,010,900)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,300,548
Changes in Assets and Liabilities:	
Receivables, Net	(98,091)
Inventories	(62,817)
Other Assets	(2,292)
Accounts Payable	400,647
Deposits Held for Others	(8,047)
Compensated Absences Payable	77,003
NET CASH USED BY OPERATING ACTIVITIES	\$(23,403,949)

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of St. Johns River Community College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of seven 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 Clay, Putnam, and St. Johns 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 Unit. Based on the application of the criteria for determining component units, the St. Johns River Community College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit. The Foundation provides funding and services to support and foster the pursuit of higher education at the College.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2007. Requests for Foundation financial statement information should be addressed to Foundation Management, St. Johns River Community College, 5001 St. Johns Avenue, Palatka, Florida 32177.

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

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

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 GASB standards of accounting and financial reporting.

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

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.

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 and book scholarship allowances. Tuition and book 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 is able to identify, within its accounting system, amounts paid for tuition and fees and book charges by financial aid. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenues and against auxiliary enterprises revenues.

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

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

Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted, to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

At June 30, 2007, the College reported as cash equivalents at fair value \$324,525 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 \$7,479,546 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.

The Foundation had \$466,752 in bank deposits and \$345,452 in a separate SPIA pool account at March 31, 2007. These items are comparable to the College's cash and cash equivalents and were reported at fair value. At various times during the fiscal year, the Foundation's cash in bank exceeded the Federally insured limits and were subject to custodial credit risk.

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. The College has a capitalization threshold of \$5,000 for tangible personal property

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

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, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, Educational Equipment – 5, 7, or 10 years
 - 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 or State Board of Administration Local Government Surplus Funds Trust Fund investment pools, which are reported as cash equivalents in these financial statements.

Component Unit Investments

Investments held by the College's component unit (Foundation) at March 31, 2007, are reported at fair value, as follows:

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

Investment Type	Fair Value	Maturity in Years	
		Less Than 1	1 - 5
Investment in Debt Obligations:			
United States Government Obligations	\$ 338,902	\$ 319,011	\$ 19,891
Bonds and Notes	130,664	79,869	50,795
Total Investment in Debt Obligations	469,566	\$ 398,880	\$ 70,686
Other Investments:			
Equities	1,158,806		
Real Estate Held for Investment	46,000		
Mutual Funds	23,217		
Total Other Investments	1,228,023		
Total Component Unit Investments	\$ 1,697,589		

The Foundation invested in various debt and equity securities, and mutual funds. The following risks apply to its investments:

- *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 does not have a formal investment policy that limits debt obligation maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- *Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation’s investment policy requires that debt securities be rated “Baa” or “BBB” or better by Moody’s or Standard and Poor’s rating services, respectively. The portion of the Foundation’s holdings in debt securities at March 31, 2007, was rated A or better. The Foundation’s investments in mutual funds at March 31, 2007, were unrated.
- *Custodial Credit Risk:* Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. The Foundation’s investments in United States Government obligations and in corporate debt securities were uninsured, not registered in the Foundation’s name, and held by a counterparty. As such, these investments were exposed to custodial credit risk.
- *Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Foundation’s investment policy does not limit the amount that may be invested in one issuer.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$78,789 allowance for uncollectible accounts.

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

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$1,722,218 of Public Education Capital Outlay allocations due from the State to the College, and \$31,633 due from Lake-Sumter Community College (LSCC), for construction of College facilities. LSCC is the fiscal agent of a consortium of four community colleges, including St. Johns River Community College, created to facilitate the construction of a Prototype Health-Science Building for each of the four participating colleges.

5. INVENTORIES

Inventories consist of items for resale by the campus bookstore, and are valued using the last invoice cost, which approximates the first-in, first-out, 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.

6. 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	\$ 687,582	\$	\$	\$ 687,582
Construction in Progress	1,495,015	10,325,834	250,107	11,570,742
Total Nondepreciable Capital Assets	\$ 2,182,597	\$10,325,834	\$ 250,107	\$12,258,324
Depreciable Capital Assets:				
Buildings	\$43,674,540	\$	\$	\$43,674,540
Other Structures and Improvements	4,087,307	64,065		4,151,372
Furniture, Machinery, and Equipment	1,820,130	229,244	23,724	2,025,650
Total Depreciable Capital Assets	49,581,977	293,309	23,724	49,851,562
Less, Accumulated Depreciation:				
Buildings	9,460,049	988,863		10,448,912
Other Structures and Improvements	3,365,455	21,124		3,386,579
Furniture, Machinery, and Equipment	1,091,440	290,561	23,724	1,358,277
Total Accumulated Depreciation	13,916,944	1,300,548	23,724	15,193,768
Total Depreciable Capital Assets, Net	\$35,665,033	\$ (1,007,239)	\$	\$34,657,794

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

7. LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	\$ 1,249,687	\$ 68,407	\$ 17,411	\$ 1,300,683	\$ 33,461
Special Termination Benefits Payable	180,778	26,007		206,785	
Total Long-Term Liabilities	\$ 1,430,465	\$ 94,414	\$ 17,411	\$ 1,507,468	\$ 33,461

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 \$1,300,683. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program.

Special Termination Benefits Payable. Pursuant to an executive compensation agreement, upon retirement, the College may pay for certain unused accrued vacation days. At June 30, 2007, the estimated liability for special termination benefits, which includes the employer's share of the Florida Retirement System and FICA contributions, totaled \$206,785.

8. 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.

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

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 \$665,005, \$732,575, and \$954,700, 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

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

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 77 College participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$381,860.

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.

9. CONSTRUCTION COMMITMENTS

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Florida School of the Arts – Palatka Campus:			
Architect	\$ 64,238	\$ 63,998	\$ 240
Other	1,838,728	1,707,274	131,454
Health Science Building – Orange Park Campus:			
Architect	742,334	500,212	242,122
Other	10,768,808	9,019,580	1,749,228
Central Plant Facility – Orange Park Campus:			
Architect	28,936	24,698	4,238
Other	396,874	254,980	141,894
Total	\$ 13,839,918	\$ 11,570,742	\$ 2,269,176

10. 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

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

\$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.

Health and hospitalization, 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.

11. 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>
Community College Program Fund	\$ 14,201,613
Gross Receipts Tax (Public Education Capital Outlay)	4,424,556
Education Enhancement Trust Fund (Lottery)	3,178,629
Bright Futures Scholarship Program	877,209
Restricted Contracts and Grants	600,679
Florida Student Assistance Grants	590,639
Performance Based Incentives	213,806
Motor Vehicle License Tax (Capital Outlay and Debt Service)	159,258
Total	<u><u>\$ 24,246,389</u></u>

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

12. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 10,547,904
Academic Support	3,426,816
Student Services	2,576,342
Institutional Support	4,535,414
Operation and Maintenance of Plant	6,637,795
Scholarships and Fellowships	3,389,948
Depreciation	1,300,548
Auxiliary Operations	1,973,696
Total Operating Expenses	\$ 34,388,463

13. CAPITAL CREDITS

The College participated in a nonprofit electric cooperative established under Chapter 425, Florida Statutes. In accordance with this Statute, revenues in excess of operating expenses, unless otherwise determined by a vote of membership, are disbursed by the cooperative on a pro rata basis to its members' accounts. Annually, the Cooperative makes payments for designated prior years' capital credits. During the 2006-07 fiscal year, the College received \$9,052 related to the portions of capital credits earned from 1985 through 2005 fiscal years. At June 30, 2007, the accumulated credits to the College's accounts were \$307,384.

14. SUBSEQUENT EVENT

As discussed in note 1, at June 30, 2007, the College had \$7,479,546 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

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

regarding the restructuring and withdrawal restrictions is available from the College and the State Board of Administration. The College had \$2,909,305 invested in the Pool as of February 28, 2008.