



AUDITOR GENERAL
DAVID W. MARTIN, CPA



BREVARD COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended June 30, 2007

During the audit period, the President of the College was Dr. Thomas E. Gamble through October 2, 2006, and then Dr. James A. Drake from October 3, 2006. Members of the College's Board of Trustees who served during the audit period are listed below:

Board Member

James W. Handley, Chair from 8-21-06
C.R. "Rick" McCotter, III, Vice-Chair
Alberta K. Wilson, Chair to 8-20-06
Dixie N. Sansom from 3-07-07
James Theriac
Kimberly Tsamoutales to 3-06-07

BREVARD COMMUNITY COLLEGE

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EXECUTIVE SUMMARY

The audit of the financial statements of Brevard 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 John E. Rebhann and supervised by Brenda C. Racis, 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 Brevard 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 21 through 40. 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 Brevard 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 Brevard 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 20 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
March 13, 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 Brevard 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
March 13, 2008

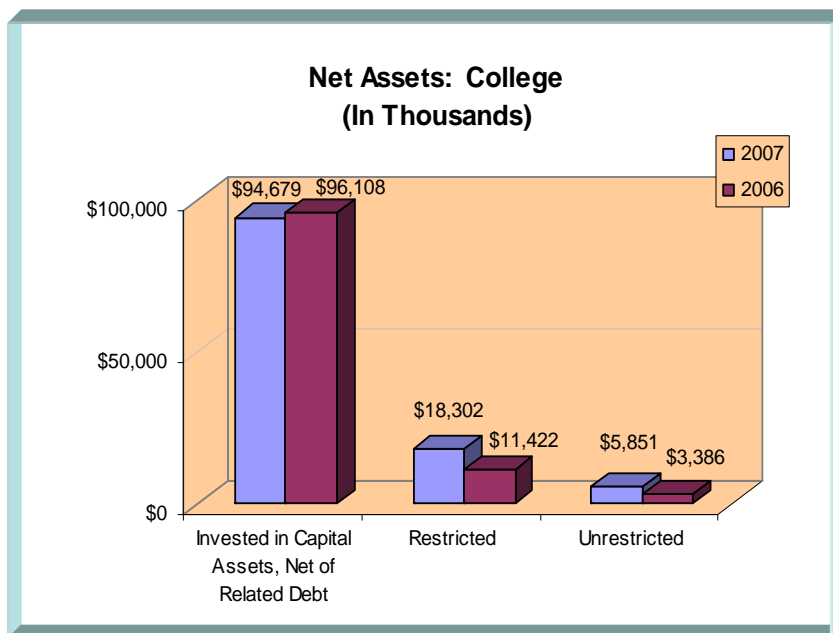
MANAGEMENT’S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

The College’s financial position, as a whole, improved during the fiscal year ended June 30, 2007. Its combined net assets (College and component unit) increased \$10.4 million from the previous year. Primary Institution revenues and other support exceeded expenses, creating an increase in net assets of \$7.9 million, or 7.1 percent. Component unit revenues also exceeded expenses during the fiscal year, resulting in an increase in net assets of \$2.5 million, or 19.1 percent.

The increase in component unit net assets was primarily due to market value increases of the Foundation’s investment portfolio, an increase in donations for scholarships and other program support, and State matching grants.



The increase in the College’s net assets was comprised of an increase of \$6.9 million in restricted net assets, an increase of \$2.5 million in unrestricted net assets, and a decrease of \$1.4 million in investment in capital assets.

The College’s investment in capital assets decreased primarily due to depreciation and disposal of capital equipment.

Restricted net assets increased due to the increase in Public Education Capital Outlay funds that were appropriated for several construction projects, and a significant gain on the sale of a parcel of land.

Unrestricted net assets increased as a result of a culmination of all unrestricted operating activities during the fiscal year.

The traditional measure of unrestricted general revenues and expenditures is not observable in the GASB Statement No. 35 reporting model. For the 2007 fiscal year, unrestricted general revenues exceeded expenditures by approximately \$1.9 million. This may be thought of as the unrestricted operating results and is consistent with amounts reported in the College's monthly budget status reports. Although tuition and fee revenues and State appropriations increased \$722,000 and \$2.8 million, respectively, these increases were largely offset by increased personnel and operating expenses.

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:

- Brevard 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.
- Brevard 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

The Statement of net assets presents the assets, liabilities, and net assets of the College at fiscal year end. The purpose of this statement is to present a snapshot of the College's financial condition. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

Total net assets, which is the difference between total assets and total liabilities, is one of the indicators of the College's current financial health.

Assets and liabilities are categorized between current and noncurrent. Current assets and liabilities are those that are expected to mature or become payable within the 12-month operating cycle. Noncurrent assets and liabilities are expected to mature or become payable after 12 months.

A condensed statement of net assets, liabilities, and net assets of the College and its component unit 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 Unit	
	2007	2006	2007	2006
Assets				
Current Assets	\$ 30,827	\$ 22,398	\$ 4,166	\$ 509
Capital Assets, Net	99,992	102,293	205	207
Other Noncurrent Assets	5,349	3,153	11,093	12,249
Total Assets	136,168	127,844	15,464	12,965
Liabilities				
Current Liabilities	7,047	5,903	50	26
Noncurrent Liabilities	10,289	11,025		
Total Liabilities	17,336	16,928	50	26
Net Assets				
Invested in Capital Assets, Net of Related Debt	94,679	96,108	205	207
Restricted	18,302	11,422	14,603	12,258
Unrestricted	5,851	3,386	606	474
Total Net Assets	\$ 118,832	\$ 110,916	\$ 15,414	\$ 12,939
Increase in Net Assets	\$ 7,916	7.1%	\$ 2,475	19.1%

Current Assets

Current assets consist of cash and cash equivalents, accounts receivable, and inventory. Surplus cash not needed for operations is deposited in the State Treasury Special Purpose Investment Account (SPIA) or State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment pools. Investment earnings are used to support current operations.

Receivables include amounts due from students, granting agencies (including the Federal government) and the State of Florida. Receivables increased approximately \$4 million, or 48 percent, due to the following: unexpended Public Education Capital Outlay funds awarded for capital project construction expenditures, \$3.9 million; increased grant receivables, \$282,000; and decreased receivables from students and third party payers, \$149,000.

Inventories include stockroom inventory of the maintenance department and postage accumulated on the College's mail metering equipment.

Component unit cash and cash equivalents increased approximately \$1.2 million, or 42 percent, due to an increase in expendable donations and State matching grants. Receivables include promises to give to the Board of Governors' Endowed Chair and notes receivable for the College employee assistance program, and remained relatively unchanged for the 2006-07 fiscal year.

Noncurrent Assets

Noncurrent assets consist primarily of unexpended cash for capital projects. Restricted cash and cash equivalents increased \$2.2 million due to proceeds from the sale of a parcel of land near the Palm Bay campus and increased capital related fees and appropriations.

Component unit endowment investments increased by \$1.4 million as a result of market gains and an increase in State matching grants.

Capital Assets

The College's depreciable capital assets increased a net \$5.9 million due to: (1) renovation to the Cocoa Technology and Lifelong Learning Buildings; (2) renovation of HVAC systems collegewide; (3) acquisition of capital equipment; (4) renovation of the west entrance of the Melbourne campus; and (5) construction of a maintenance building on the Titusville campus. These additions were partially offset by the disposal of capitalized equipment.

Depreciable capital assets are reported net of accumulated depreciation which increased \$5 million in 2007. Depreciation expense of \$5.6 million was offset by removal of accumulated depreciation for disposed items of \$626,000.

Nondepreciable capital assets decreased \$3.3 million as a result of the completion of \$5.4 million in construction projects reclassified to Depreciable Capital Assets, and the disposal of a parcel of land near the Palm Bay campus with a book value \$36,000. These decreases were partially offset by expenditures for construction projects in progress of \$2.2 million.

Liabilities

College liabilities increased \$408,000 during the 2006-07 fiscal year.

Salary and payroll taxes payable increased \$896,000 primarily due to changes in the faculty collective bargaining agreement that impacted summer teaching requirements. Compensated absences increased \$489,000 due to an increase in salary rates and an increase in compensable hours carried by employees. Deposits held in custody increased \$464,000 due to increases in amounts held on behalf of the College's direct-support organizations, and other deferred revenues and estimated claims payable increased \$68,000.

These increases were offset by payment of principal on bonds and leases of \$922,000. Accounts payable decreased \$189,000 due to invoices accrued for goods and services, including construction contract services received prior to June 30, 2007. Special termination benefits decreased \$186,000 due to the termination of several employees participating in the plan. Retainage payable for construction projects decreased \$214,000 as several large projects were completed.

Component unit liabilities increased approximately \$24,000 during the year. This increase is comprised of an increase of \$42,000 in salaries payable, a decrease of \$17,000 in deferred revenue and a decrease of \$500 in other current liabilities.

Net Assets

Net assets are presented in three major categories. The first category is invested in capital assets, which represents the College's equity in its property, plant, and equipment; the second category is restricted; and the third category is unrestricted.

Restricted net assets are funds that are limited in terms of the purpose or time for which they may be expended. These restrictions are noted on the subclassification of expendable restricted net assets. Restricted nonexpendable net assets are endowments for which only the earnings may be spent.

Unrestricted net assets represent those balances from operational activities that have not been restricted by parties external to the College, such as grantor agencies. This includes funds that have been designated by the Board of Trustees for specific purposes as well as amounts that have been contractually committed for goods and services that have not been received.

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

The statement of revenues, expenses, and changes in net assets presents the financial results of operations for the fiscal year. Activities are reported as either operating or nonoperating. The financial reporting model classifies State appropriations, and gifts and grants, as nonoperating revenues. Public colleges' dependency on State aid and gifts and grants, ordinarily results in an operating deficit. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of a capital asset over its expected useful life.

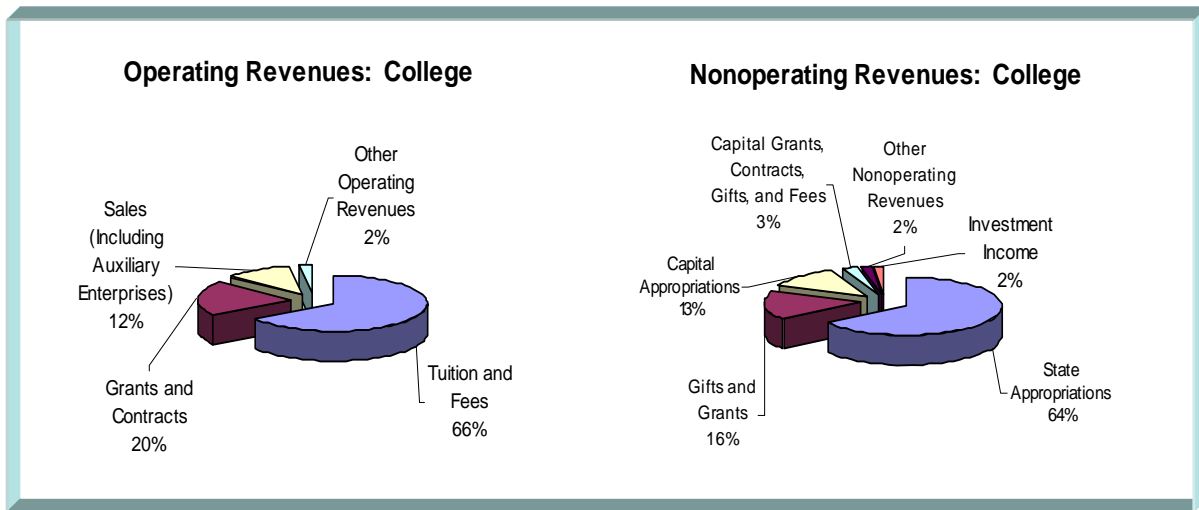
Summarized revenues and expenses of the College and its component unit for the 2006-07 and 2005-06 fiscal years are shown in the following table:

Operating Results for the Fiscal Years (In Thousands)				
	College		Component Unit	
	2006-07	2005-06	2006-07	2005-06
Operating Revenues	\$ 23,125	\$ 22,703	\$ 27	\$ 25
Operating Expenses	(80,656)	(75,926)	(1,248)	(939)
Operating Loss	(57,531)	(53,223)	(1,221)	(914)
Net Nonoperating Revenues	55,281	48,381	3,006	1,772
Other Revenues	10,166	9,092	690	419
Increase in Net Assets	7,916	4,250	2,475	1,277
Net Assets, Beginning of Year	110,916	106,666	12,939	11,662
Net Assets, End of Year	<u>\$ 118,832</u>	<u>\$ 110,916</u>	<u>\$ 15,414</u>	<u>\$ 12,939</u>

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

Revenues: College (In Thousands)		
	College	
	2006-07	2005-06
Operating Revenues		
Student Tuition and Fees, Net	\$ 15,248	\$ 14,928
Grants and Contracts	4,669	4,570
Sales (Including Auxiliary Enterprises)	2,677	2,323
Other Operating Revenues	531	882
Total	<u>23,125</u>	<u>22,703</u>
Nonoperating Revenues		
State Appropriations	42,722	39,684
Gifts and Grants	10,650	10,201
Investment Income	1,149	682
Other Nonoperating Revenues	1,092	
Total	<u>55,613</u>	<u>50,567</u>
Other Revenues		
Capital Appropriations	8,317	6,835
Capital Grants, Contracts, Gifts, and Fees	1,849	2,257
Total	<u>10,166</u>	<u>9,092</u>
Total Revenues	<u>\$ 88,904</u>	<u>\$ 82,362</u>

The following charts present the College’s operating and nonoperating revenues for the 2006-07 fiscal year:



One of the financial strengths of the College is its diversity of revenue streams, which supplement tuition and fee revenues. During the 2006-07 fiscal year, the College served approximately 26,455 students generating 289,493 credit hours, which resulted in over \$15.2 million in tuition and fee revenues. This represents a less than 1 percent increase in credit hours, but a 2.1 percent increase in tuition and fee revenues, due to an increase in fee rates.

Tuition and fees are shown net of scholarship allowances (amounts received from other than students and third-party payers). Scholarship allowances include Federal Title IV student aid (PELL and Federal Supplemental Educational Opportunity Grants (FSEOG)), Florida Bright Futures Scholarship, and other institutional scholarships. Scholarship allowances amounted to \$3.7 million for the fiscal year ended June 30, 2007.

Federal grants and contracts include the National Science Foundation Space Tech National Center for Excellence grant, Department of Education Carl D. Perkins grants for Vocational Education, and other Federal programs. Federal grants and contracts decreased \$159,000 for the year.

State and local grants and contracts include the WBCB Florida Community Service Grant State workforce grants, the Florida High Tech Corridor Council Grant, Voluntary Prekindergarten (VPK) funding for Childcare centers, the Department of Education College Reach Out Program grant, and other programs. State and local grants increased \$231,000 primarily due to increased funding for workforce grants and VPK.

Private grants and contracts include WBCB Corporation for Public Broadcasting (CPB) support, Florida Water and Pollution Control Association grants, and other programs. The \$27,000 increase in private grants and contracts is the result of new grants from Habitat for Humanity and The Foundation of the National Student Nurses’ Association, which was partially offset by decreased CPB funding.

Sales and services of educational departments include sales of the dental clinic, the cosmetology department, the culinary arts department, the planetarium, the golf driving range, and from the rental of College facilities. Increased facility rentals, cosmetology sales, and golf driving range sales resulted in the increase of \$239,000 in sales and service revenues.

Auxiliary enterprises revenues, consisting of bookstore commissions, childcare centers, and campuswide vending programs, increased \$115,000 from the previous year. Childcare revenues increased due to the reestablishment of the Titusville childcare center and increased revenues at each center. These increases were partially offset by a decline in vending commissions.

Other operating revenue includes operations not otherwise classified such as library and parking fines, insurance recoveries, and collection of accounts previously written off as uncollectible. Insurance recoveries due to hurricane damages in 2004 and 2005 declined in 2007 and contributed to the \$350,000 decrease in Other Operating Revenues.

State appropriations include the Community College Program Fund (CCPF), Lottery Funding, Performance Based Incentive Funding, 2+2 Partnership Funding, and special appropriations for expanding programs. Total appropriations increased \$3 million, or 7.7 percent, for the 2006-07 fiscal year.

Investment income is generated from the earnings on surplus cash on deposit with the State Board of Administration and the State Treasury Special Purpose Investment Account. The College maintained investments of \$14 million to \$24 million during the fiscal year, which generated \$1.1 million in interest earnings. The annual rate of return for these investments ranged from 5.28 to 5.35 percent.

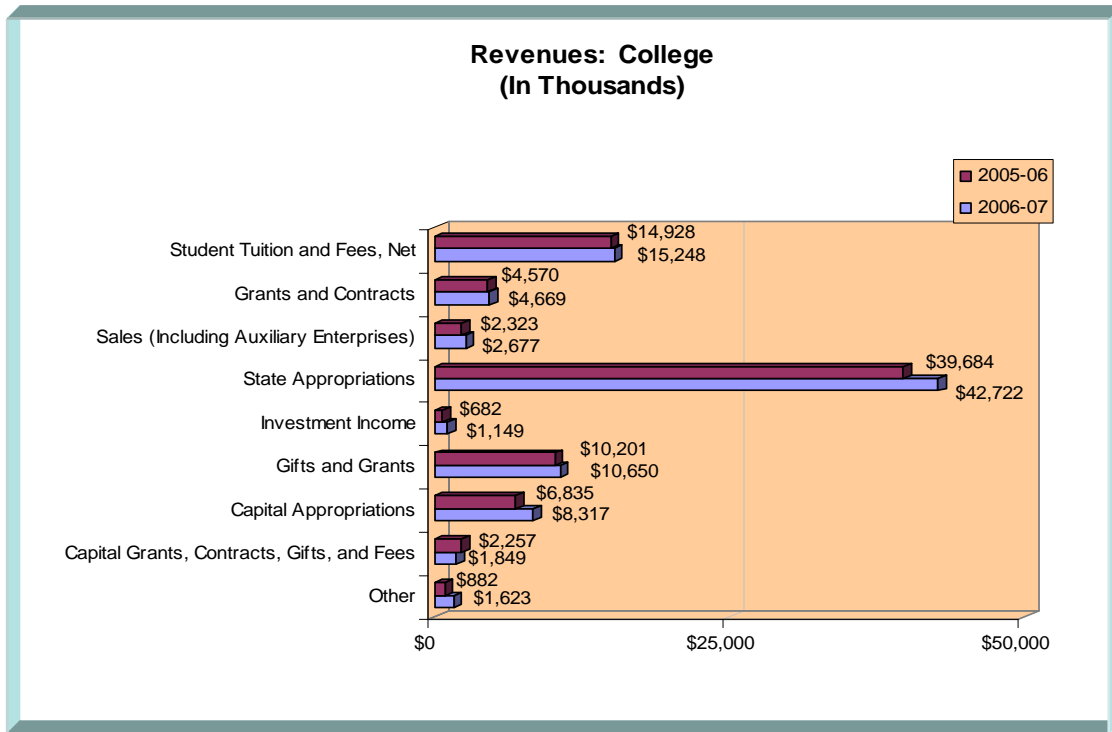
Gifts and Grants - Student Aid consists of Federal Title IV grants (PELL, FSEOG, and Academic Competitiveness Grants), Florida Bright Futures and Florida Student Assistance Grants (FSAG). The College received \$148,000 in new Academic Competitiveness Grants for students who have successfully completed a rigorous high school program. Increases of \$641,000 to Bright Futures and \$351,000 to FSAG were partially offset by a \$502,000 decrease in PELL grants and a \$48,000 decrease in FSEOG. Gifts and Grants - Other consists of Brevard Police Testing Center funding, Quick Response Training grants and other programs. Decreases in Police Testing, \$62,000; Quick Response Training grants, \$41,000; and National Science Foundation grants, \$37,000; accounted for the \$140,000 decrease in nonoperating grants.

Capital appropriations consist of Public Education Capital Outlay (PECO) appropriations and support from the State-assessed motor vehicle license tax for bond debt service. An increase of \$1.5 million in PECO appropriations accounted for the \$1.5 million increase in Capital Appropriations.

Capital gifts, grants, and fees consist of capital improvement fees, technology fees, and other grants for the purchase or construction of capital assets. Capital construction projects and equipment purchased by College direct-support organizations and donated to the College are also included in this category. Some of the factors contributing to the \$408,000 overall decrease include: (1) 2006-07 fiscal year donations amounted to \$132,000;

(2) an increase in the capital improvement fee per credit hour resulted in \$507,000 of additional fees; and (3) discontinued funding from the Federal Emergency Management Agency (FEMA) for hurricane damage and completion of the King Center renovation in the prior year contributed to a reduction of \$915,000 in capital grants.

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



Component unit donations include gifts and contributions designated for scholarships, expansion of the Health Science programs, and other general support. During the 2006-07 fiscal year, the Foundation received \$766,000 in gifts and grants. This is an increase over the prior year of \$199,000, or 35 percent, and is primarily due to contributions received from local health care organizations in support of the expansion of the College Associate Degree in Nursing program.

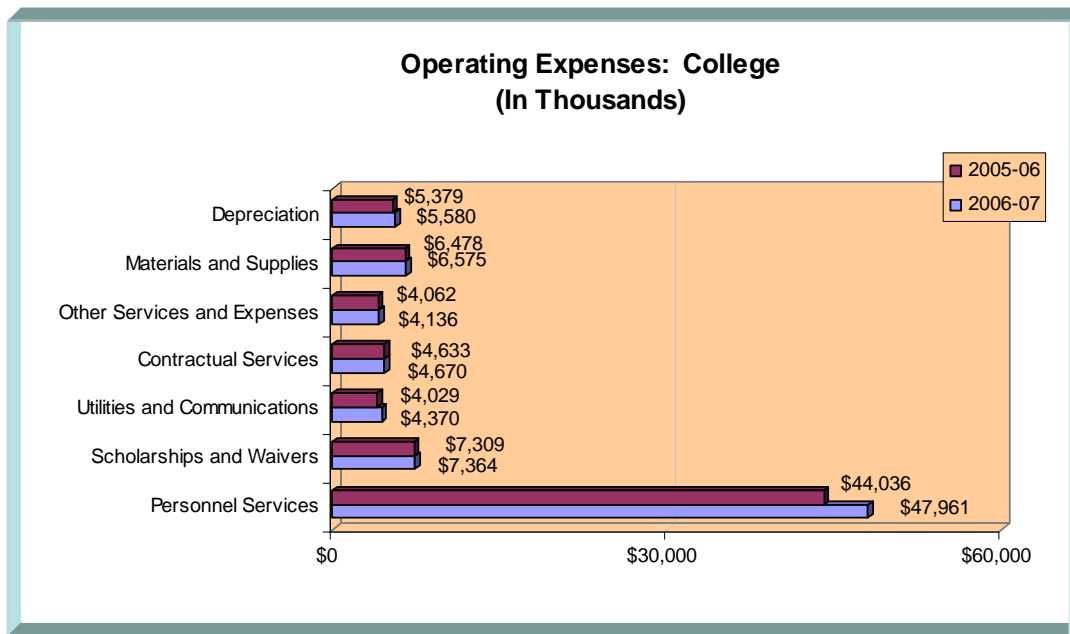
Component unit other nonoperating revenues include operations not otherwise classified, such as fundraising. For the 2006-07 fiscal year, the Foundation received \$143,000 of fundraising revenue. This is a decrease of approximately \$54,000, or 27 percent, and is due to a decrease in fundraising activities that support the College music departments, lab schools and athletic programs.

The component unit received \$962,000 in State appropriations in 2007 as the State of Florida continued to fund various matching programs during the current year. In accordance with donor imposed restrictions, the Foundation endowed \$492,000 of this appropriation. The remaining \$470,000 is earmarked for nonendowed scholarships and support of College programs and is expendable.

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.

College total operating expenses increased \$4.7 million from the previous year. The following chart presents the College’s operating expenses for the 2006-07 and 2005-06 fiscal years:



Personnel services expense increased \$3.9 million, or 8.9 percent, from the prior fiscal year primarily due to annual salary increases and administrative changes. Changes to the faculty collective bargaining agreement which altered the number of work days faculty are required to perform in fulfillment of their contractual requirements impacted the accrual of faculty costs. Fringe benefits, such as retirement contributions and payroll taxes, increased as a result of increased salary costs. Increases in health insurance premiums also contributed to the increase in personnel services expense.

Gross scholarship expenses increased \$523,000 as decreases to Federal Title IV financial aid (\$403,000) were offset by a \$641,000 increase to Bright Futures and a \$351,000 increase to FSAG. Institutional scholarships, funded by financial aid fees and auxiliary revenues, and other grant funded scholarships decreased \$66,000 for the year. Scholarship expenses, like tuition and fees, are also shown net of scholarship allowances (amounts received from other than students and third-party payers). Since scholarship allowances increased by \$469,000, net scholarship expenses increased only \$54,000.

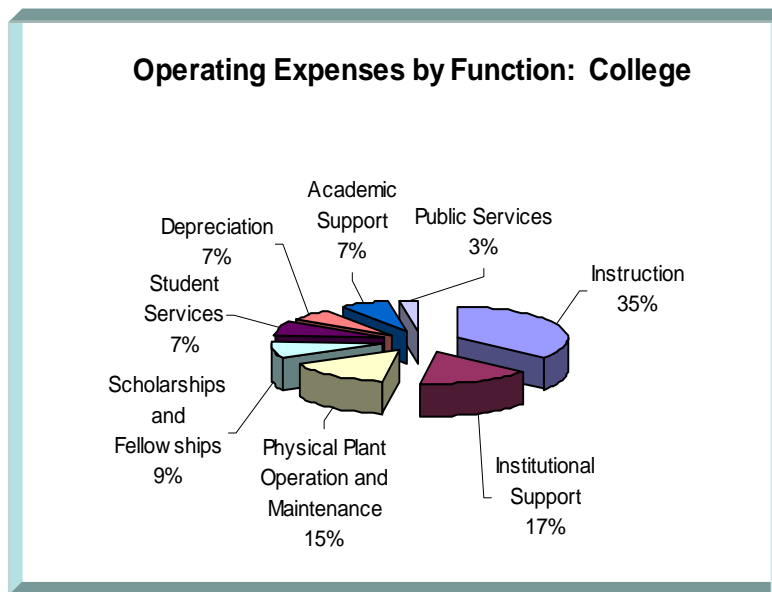
Utilities expenses increased \$341,000, or 8.5 percent, as increases in electricity, natural gas, and vehicle fuel costs exceeded energy conservation initiatives. The College experienced cost increases of 16 percent for electricity; which was partially offset by a cost reduction of 13 percent for natural gas during the fiscal year.

Contractual services expenses increased \$37,000; Other Services and Expenses increased \$74,000; and Materials and Supplies expense increased \$97,000 over the previous year due to general price level increases.

Depreciation expense increased \$201,000 as new equipment and building renovations completed during the year began to be depreciated.

Interest expense on capital debt decreased to \$54,000 as principal amounts on outstanding and construction bonds were reduced.

The following chart presents the College’s operating expenses by function for the 2006-07 fiscal year:



Component unit personnel services expense increased \$305,000, or 185 percent, from the previous year due to the expansion of the College ADN nursing program. During the 2006-07 fiscal year, the Foundation funded five full-time faculty positions in support of this program, using local health care organization contributions and State match appropriations.

Component unit scholarship expenses increased \$137,000 from the previous year. This increase is primarily due to an increase in Athletic program housing scholarships, expendable contributions and State matching grants.

Component unit contractual services expenses decreased approximately \$153,000. This decrease is a net of several categories and is summarized as follows: project expenditures decreased by \$98,000. In the previous fiscal year, the Foundation paid \$100,000 towards the renovation of the Historic Cocoa Village Playhouse in support of the Technical Support Annex project. Professional fees decreased \$48,000 due to the real estate commission paid on the sale of the John F. Vance life estate in December 2005. Advertising expense decreased

\$15,000 due to the cost of advertising for the executive director position during the 2005-06 fiscal year and honoraria fees paid for the Simpkins Entrepreneurial Business Seminars decreased by \$11,000.

Component unit other services and expenses increased by \$25,000. During the 2006-07 fiscal year, the Foundation spent \$32,000 for repairs and maintenance on the Foundation House, including a new roof. College support and community outreach expenses increased \$8,500 and portfolio management fees increased \$7,000 due to the increased value of the endowment. Student and administrative travel costs increased \$5,500 and organizational membership dues increased by \$2,000.

THE STATEMENT OF CASH FLOWS

Another important factor to consider when evaluating financial viability is the College’s ability to meet financial obligations as they mature. The statement of cash flows presents the information related to cash inflows and outflows summarized by operating, capital and noncapital financing and investing activities. The statement of cash flows helps users assess:

- The College’s ability to generate future cash inflows.
- Its ability to meet 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	\$(51,139)	\$(47,560)
Noncapital Financing Activities	53,875	50,280
Capital and Related Financing Activities	2,804	774
Investing Activities	<u>1,149</u>	<u>718</u>
Net Increase in Cash and Cash Equivalents	6,689	4,212
Cash and Cash Equivalents, Beginning of Year	<u>17,065</u>	<u>12,853</u>
Cash and Cash Equivalents, End of Year	<u>\$ 23,754</u>	<u>\$ 17,065</u>

The College’s cash receipts from operating activities consist of tuition, grant revenues, sales and services, and other operating activities. Cash outlays include payments to employees, employee benefit providers, suppliers, utility providers, and scholarships. Net cash outflows from operations increased \$3.6 million from the previous year. Increased payments to employees (\$1.3 million), fringe benefit providers (\$1 million), suppliers (\$837,000), utility providers (\$425,000) and other net operating cash outflows more than offset increases in cash receipts from tuition (\$290,000) and sales and services (\$225,000).

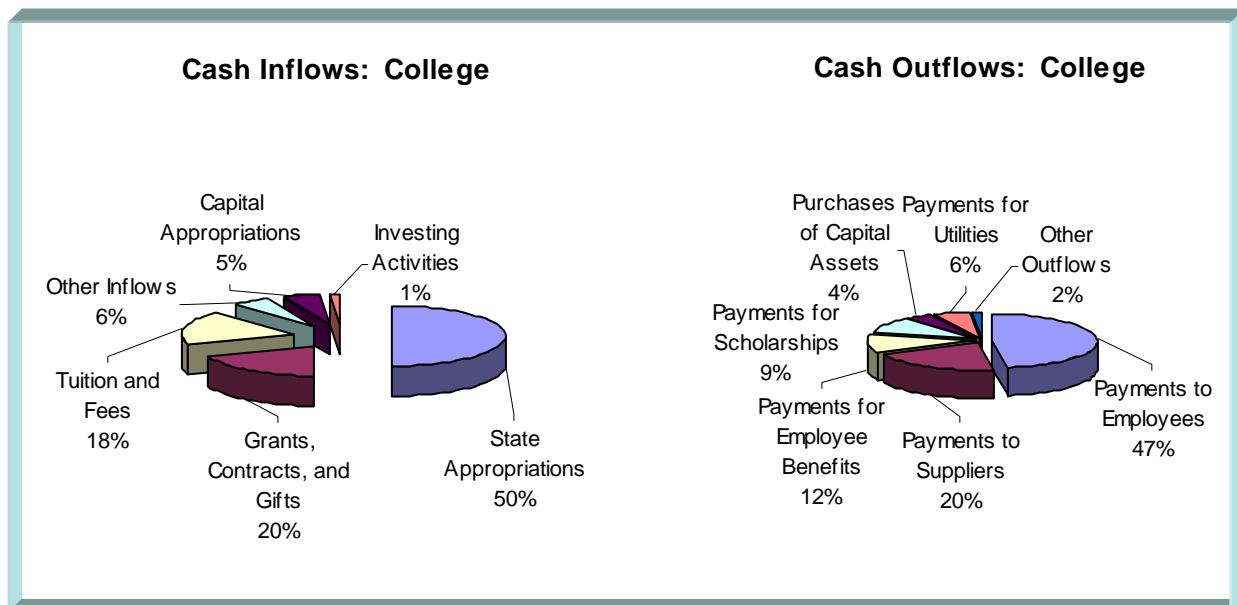
State appropriations are the primary source of noncapital financing inflows. Other noncapital financing activity includes grants and gifts considered nonexchange transactions in accordance with GASB Statement No. 35. Net cash inflows from noncapital financing activities increased \$3.6 million from the previous year. Receipts of state appropriations increased \$3 million; while cash receipts from other nonoperating grants, including Title IV financial aid, increased \$385,000, and receipts of nonoperating activities increased \$172,000.

The primary capital and related financing activities are payments received from the PECO appropriation and receipt of capital related fees and grants. Net cash flows from capital and related financing activities increased \$2 million from the previous fiscal year. Cash inflows from capital appropriations and grants decreased \$1.4 million and \$300,000, respectively. Cash inflows from the sale of capital assets totaled \$1.2 million for the year. Outflows include capital expenditures of \$3.2 million, a \$2.6 million decrease, for several construction projects undertaken during the year and acquisition of capitalized equipment. Other capital outflows include payments of principal and interest on bonds and leases of \$1.3 million.

Investing activities include the College’s investment in the State Board of Administration and Special Purpose Investment Account. Cash interest receipts increased \$431,000 for the year as interest rates on investments increased significantly.

Overall, cash receipts exceeded cash payments for the year, and cash and cash equivalents increased \$6.7 million in the 2006-07 fiscal year.

The following charts illustrate the cash inflows and outflows of the College:



CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2007, the College had approximately \$181 million in capital assets, less accumulated depreciation of \$81 million, for net capital assets of \$100 million. Depreciation changes for the current fiscal year totaled \$5.6 million. The following table summarizes the College's capital assets for the 2006-07 fiscal year:

Capital Assets: College (In Thousands)				
Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 6,880	\$	\$ 36	\$ 6,844
Buildings	129,200	3,276		132,476
Other Structures and Improvements	15,952	2,136		18,088
Furniture, Machinery, and Equipment	16,361	1,177	666	16,872
Assets Under Capital Leases	6,326			6,326
Construction in Progress	3,864	2,179	5,412	631
Total	178,583	8,768	6,114	181,237
Less, Accumulated Depreciation:				
Buildings	50,501	2,957		53,458
Other Structures and Improvements	11,201	732		11,933
Furniture, Machinery, and Equipment	11,613	1,219	626	12,206
Assets Under Capital Leases	2,976	672		3,648
Total Accumulated Depreciation	76,291	5,580	626	81,245
Capital Assets, Net	\$102,292	\$ 3,188	\$ 5,488	\$ 99,992

Other Structures includes swimming pools, parking lots, ballfields, amphitheaters, pavilions, landscaping and other land improvements.

The College acquired \$1.2 million in new equipment during the fiscal year, which was offset by the removal of \$666,000 due to obsolescence.

Construction in progress consists of those projects not completed by the end of the fiscal year. During the year, \$2.2 million was expended on capital projects. Projects totaling \$5.4 million were completed and added to buildings and other structures asset amounts.

At June 30, 2007, the College had approximately \$5.3 million in debt outstanding. This included \$2 million in State Board of Education (SBE) Capital Outlay Bonds, and \$3.3 million in capital leases.

The State Board of Education issues capital outlay bonds on behalf of the College. The bonds mature serially and are secured by the College's portion of the State-assessed motor vehicle license tax. Proceeds from these bonds

are used to construct and renovate College facilities. Additional information about the College's long-term debt is presented in the notes to financial statements.

Long-Term Debt, at June 30: College (In Thousands)				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
SBE Capital Outlay Bonds	\$ 2,295	\$	\$ 300	\$ 1,995
Capital Leases	3,940		622	3,318
Total	<u>\$ 6,235</u>	<u>\$</u>	<u>\$ 922</u>	<u>\$ 5,313</u>

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. State appropriations for the 2006-07 fiscal year comprised 67 percent of total unrestricted general revenues and were the largest source of funding. The support of the Governor and Legislature resulted in an initial increase in State appropriations for the 2007-08 fiscal year of \$1.5 million, or 3.6 percent, more than for the 2006-07 fiscal year.

In response to declining State revenues, the Florida Legislature convened in a special session in October 2007 and revised the 2007-08 fiscal year appropriations and student fee rates. The Legislature reduced the College's recurring Community College Program Fund and Performance Based appropriations by \$733,600. State economists continue to paint a bleak outlook on the State's declining revenues and the Legislature will consider further cuts in March 2008 that may result in additional reductions of approximately \$703,000 in State support.

The College, with unrestricted net assets exceeding 7 percent of operating expenses, is poised to endure the potential reduction in State appropriations without a significant disruption to operations.

The second largest source of operating funds is tuition and fees. The Legislature approved a 5 percent fee increase effective January 1, 2008. The strong economy of Brevard County has contributed to essentially flat enrollment numbers in recent years; however, the slowing housing market and declining economic conditions throughout the State generally lead to increased enrollment at community colleges, as displaced workers seek new job skills leading to better employment opportunities. Enrollment projections for the 2007-08 through 2012-13 fiscal years suggest moderate enrollment gains averaging 2 percent yearly.

The Public Education Capital Outlay (PECO) funds, from which the College receives most of its capital projects' funding, are impacted by different economic factors. PECO funding for 2007-08 increased \$4.2 million, or 54 percent, from the 2006-07 fiscal year. The College anticipates sufficient funding to support the highest priority projects on each campus.

The population of Brevard County is projected to grow faster than that of the State or nation over the next four years. The demands for governmental services will continue to increase as a result of the population increase and

change in demographics, requiring the College to expand its level of services. Additionally, increases in energy, labor, and healthcare costs will continue to strain the College's resources.

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 Associate Vice-President for Financial Services, Brevard Community College, 1519 Clearlake Road, Cocoa, Florida 32922.

FINANCIAL SECTION

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

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 18,405,168	\$ 4,160,831
Accounts Receivable, Net	1,185,779	4,713
Due from Other Governmental Agencies	11,061,497	
Inventories	166,886	
Prepaid Expenses	6,227	451
Deposits - Other	805	
	Total Current Assets	4,165,995
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,349,166	
Investments		11,092,723
Depreciable Capital Assets, Net	92,516,908	30,238
Nondepreciable Capital Assets	7,475,490	174,984
	Total Noncurrent Assets	11,297,945
	TOTAL ASSETS	\$ 15,463,940
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,425,224	\$ 6,084
Salary and Payroll Taxes Payable	2,245,276	41,701
Retainage Payable	24,866	
Estimated Claims Payable	115,964	
Deferred Revenue	178,100	2,500
Deposits Held for Others	1,975,647	
Long-Term Liabilities - Current Portion:		
Bonds Payable	190,000	
Capital Leases Payable	659,646	
Compensated Absences Payable	114,783	
Special Termination Benefits Payable	117,199	
	Total Current Liabilities	50,285
Noncurrent Liabilities:		
Bonds Payable	1,805,000	
Capital Leases Payable	2,658,379	
Compensated Absences Payable	5,680,548	
Special Termination Benefits Payable	145,166	
	Total Noncurrent Liabilities	10,289,093
	TOTAL LIABILITIES	50,285

BREVARD 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	\$ 94,679,373	\$ 205,222
Restricted:		
Nonexpendable:		
Endowment		8,962,881
Expendable:		
Grants and Loans	2,578,360	1,748,150
Scholarships	816	3,892,109
Capital Projects	15,675,608	
Debt Service	47,549	
Unrestricted	5,850,422	605,293
Total Net Assets	118,832,128	15,413,655
TOTAL LIABILITIES AND NET ASSETS	\$ 136,167,926	\$ 15,463,940

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

BREVARD 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 Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$3,719,052	\$ 15,247,624	\$
Federal Grants and Contracts	2,606,149	
State and Local Grants and Contracts	1,392,723	
Nongovernmental Grants and Contracts	670,222	
Sales and Services of Educational Departments	1,303,681	
Auxiliary Enterprises	1,373,136	
Other Operating Revenues	531,391	26,671
Total Operating Revenues	<u>23,124,926</u>	<u>26,671</u>
EXPENSES		
Operating Expenses:		
Personnel Services	47,961,142	469,873
Scholarships and Waivers	7,363,594	404,629
Utilities and Communications	4,369,870	616
Contractual Services	4,670,192	69,343
Other Services and Expenses	4,136,557	213,691
Materials and Supplies	6,574,867	87,967
Depreciation	5,579,948	1,960
Total Operating Expenses	<u>80,656,170</u>	<u>1,248,079</u>
Operating Loss	<u>(57,531,244)</u>	<u>(1,221,408)</u>
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	42,721,710	470,392
Gifts and Grants	10,649,638	766,275
Investment Income	1,148,766	1,625,889
Interest on Capital Asset-Related Debt	(330,865)	
Other Nonoperating Revenues	1,092,239	142,960
Net Nonoperating Revenues	<u>55,281,488</u>	<u>3,005,516</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>(2,249,756)</u>	<u>1,784,108</u>
Capital Appropriations	8,317,163	
Capital Grants, Contracts, Gifts, and Fees	1,849,135	
Additions to Permanent Endowments		690,462
Total Other Revenues	<u>10,166,298</u>	<u>690,462</u>
Increase in Net Assets	7,916,542	2,474,570
Net Assets, Beginning of Year	<u>110,915,586</u>	<u>12,939,085</u>
Net Assets, End of Year	<u>\$ 118,832,128</u>	<u>\$ 15,413,655</u>

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

**BREVARD 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	\$ 15,414,311
Grants and Contracts	4,438,803
Payments to Suppliers	(15,702,952)
Payments for Utilities and Communications	(4,388,459)
Payments to Employees	(37,468,545)
Payments for Employee Benefits	(9,253,909)
Payments for Scholarships	(7,366,672)
Sales and Service of Educational Departments	1,288,639
Other Receipts	1,899,332
	(51,139,452)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	42,721,710
Gifts and Grants Received for Other Than Capital or Endowment Purposes	10,694,213
Other Nonoperating Receipts	459,535
	53,875,458
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	4,455,170
Capital Grants and Gifts	1,657,396
Proceeds from Sale of Capital Assets	1,169,290
Purchases of Capital Assets	(3,225,282)
Principal Paid on Capital Debt and Leases	(921,727)
Interest Paid on Capital Debt and Leases	(330,865)
	2,803,982
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	1,148,828
	1,148,828
Net Increase in Cash and Cash Equivalents	6,688,816
Cash and Cash Equivalents, Beginning of Year	17,065,518
Cash and Cash Equivalents, End of Year	\$ 23,754,334

**BREVARD 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	\$(57,531,244)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,579,948
Changes in Assets and Liabilities:	
Receivables, Net	(80,203)
Inventories	64,382
Other Assets	(4,929)
Accounts Payable	533,356
Deferred Revenue	(3,637)
Compensated Absences Payable	302,875
NET CASH USED BY OPERATING ACTIVITIES	\$(51,139,452)

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

BREVARD 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 Brevard Community College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of five members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Community Colleges, and is governed by law and State Board of Education rules. However, the District Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Brevard County.

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

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

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

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

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

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

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

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

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

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

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

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash held with the State Board of Administration and State Treasury. 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.

BREVARD 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 \$146,015 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 \$21,425,376 of moneys held in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The College's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign credit risk. The investment pool was not rated by a nationally recognized statistical rating agency as of June 30, 2007.

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

- Buildings - 40 years:
 - Special Use Industrial Buildings - 20 years
 - Modular Buildings - 10 years
- Other Structures and Improvements - 10 years

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

- Furniture, Machinery, and Equipment:
 - Computer Equipment - 3 years
 - Vehicles, Office Machines, Educational Equipment - 5 years
 - Furniture - 7 to 10 years
- Assets Under Capital Leases - 5 to 10 years

Land, buildings, and equipment of the College's component unit, the Brevard Community College Foundation, Inc., are stated at cost except for donated property which is stated at fair market value at the date of donation, and is net of accumulated depreciation of \$88,405. The College's component unit depreciates buildings and equipment using the straight-line method or double-declining balance over estimated useful lives ranging from 5 to 39 years.

2. INVESTMENTS

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

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

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

Component Unit Investments

Investments held by the College’s component unit (Foundation) at June 30, 2007, are reported at fair value based on quoted market prices, as follows:

Investment Type	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Investment in Debt Obligations:					
United States Government Obligations	\$ 1,698,003	\$	\$ 841,717	\$ 324,503	\$ 531,783
United States Agency Obligations	889,886	24,890	471,512	393,484	
Corporate Bonds	1,556,825	148,580	656,033	646,350	105,862
Total Investment in Debt Obligations	4,144,714	\$ 173,470	\$ 1,969,262	\$ 1,364,337	\$ 637,645
Other Investments:					
Equity Securities	6,948,009				
Total Component Unit Investments	\$ 11,092,723				

The following risks apply to the Foundation’s investments in debt securities:

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’s investment policy limits interest rate risk by requiring that investment maturities shall not be greater than 15 years at the time of purchase.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will fulfill its obligations. The Foundation’s investment policy limits investments to securities with a credit rating of “A” or better at the time of purchase. Obligations of United States government agencies and instrumentalities and domestic equities do not require disclosure of credit quality. Corporate bonds held by the Foundation at June 30, 2007, were rated as follows by Standard & Poor’s:

	Fair Value	Rating
Corporate Bonds	\$ 374,054	AA to AAA
	1,182,771	A to AA-
Total Corporate Bonds	\$ 1,556,825	

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the College’s investments in a single issue. The Foundation’s policy does not allow for an investment in any single equity position greater than 10 percent of the Foundation’s total equity portfolio. The Foundation’s investment policy does not address concentration of credit risk with respect to fixed income investments.

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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 contract and grant reimbursements due from third parties. These receivables are reported net of a \$155,960 allowance for uncollectible accounts.

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$10,373,991 of Public Education Capital Outlay allocations due from the State to the College for construction of College facilities.

5. 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	\$ 6,880,352	\$	\$ 35,949	\$ 6,844,403
Construction in Progress	3,863,927	2,178,747	5,411,587	631,087
Total Nondepreciable Capital Assets	\$ 10,744,279	\$2,178,747	\$5,447,536	\$ 7,475,490
Depreciable Capital Assets:				
Buildings	\$ 129,200,616	\$3,275,348	\$	\$ 132,475,964
Other Structures and Improvements	15,952,039	2,136,238		18,088,277
Furniture, Machinery, and Equipment	16,360,797	1,177,380	666,381	16,871,796
Assets Under Capital Leases	6,325,672			6,325,672
Total Depreciable Capital Assets	167,839,124	6,588,966	666,381	173,761,709
Less, Accumulated Depreciation:				
Buildings	50,500,295	2,957,505		53,457,800
Other Structures and Improvements	11,201,293	731,714		11,933,007
Furniture, Machinery, and Equipment	11,612,863	1,218,720	625,825	12,205,758
Assets Under Capital Leases	2,976,227	672,009		3,648,236
Total Accumulated Depreciation	76,290,678	5,579,948	625,825	81,244,801
Total Depreciable Capital Assets, Net	\$ 91,548,446	\$ 1,009,018	\$ 40,556	\$ 92,516,908

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6. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2007, include bonds, capital leases, 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
Bonds Payable	\$ 2,295,000	\$	\$ 300,000	\$ 1,995,000	\$ 190,000
Capital Leases Payable	3,939,752		621,727	3,318,025	659,646
Compensated Absences Payable	5,306,398	1,220,166	731,233	5,795,331	114,783
Special Termination Benefits Payable	448,423	96,777	282,835	262,365	117,199
Total Long-Term Liabilities	\$ 11,989,573	\$ 1,316,943	\$ 1,935,795	\$ 11,370,721	\$ 1,081,628

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds:			
Series 1998-A	\$ 30,000	4.50	2008
Series 2002-B	1,300,000	3.375 - 5.375	2015
Series 2005-A	280,000	5.00	2016
Series 2005-B	385,000	5.00	2018
Total Bonds Payable	\$ 1,995,000		

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>State Board of Education Capital Outlay Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 190,000	\$ 96,881	\$ 286,881
2009	195,000	89,725	284,725
2010	205,000	82,075	287,075
2011	210,000	71,263	281,263
2012	230,000	60,219	290,219
2013-2017	915,000	124,831	1,039,831
2018	50,000	2,500	52,500
Total	\$ 1,995,000	\$ 527,494	\$ 2,522,494

In a prior fiscal year, a portion of the State Board of Education Capital Outlay Bonds, Series 1998-A, was refunded and considered defeased in-substance by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. The defeased bonds are not reported as outstanding debt on the College's statement of net assets. Debt considered defeased at June 30, 2007, totaled \$385,000.

Capital Leases Payable. Cooling plant energy saving equipment in the amount of \$5,931,250 and copiers in the amount of \$394,422 are being acquired under capital lease agreements. The stated interest rate for the cooling plant equipment ranged from 5.94 to 6.5 percent. The imputed interest rate for the copiers was 4.4933 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2007, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2008	\$ 840,723
2009	803,913
2010	791,643
2011	741,703
2012	641,825
Total Minimum Payments	3,819,807
Less, Amount Representing Interest	501,782
Present Value of Minimum Payments	\$ 3,318,025

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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 \$5,795,331. 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. The College Board of Trustees has adopted an Executive Benefit Plan for full Vice Presidents, or above, who are employed at executive salary grade levels III and IV. The Plan included provisions for severance pay to be paid to the employee upon separation of employment through retirement, termination, or death. Accrued special termination benefits payable for eleven employees who gave notice to retirement under the Retirement Incentive Program as of June 30, 2007, totaled \$262,365.

7. RETIREMENT PROGRAMS

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

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

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

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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 (including employee contribution) for the fiscal years ended June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$1,946,551, \$2,220,998, and \$2,674,471, respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. College employees already participating in the State Community College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 144 College participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$554,518.

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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.

8. CONSTRUCTION COMMITMENTS

At June 30, 2007, the College had one major construction commitment totaling \$1,892,628 related to the Cocoa Village Playhouse Annex Project.

9. RISK MANAGEMENT PROGRAMS

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

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

10. 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

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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	\$ 36,385,175
Gross Receipts Tax (Public Education Capital Outlay)	7,823,345
Education Enhancement Trust Fund (Lottery)	4,712,870
Bright Futures Scholarship Program	2,372,066
Restricted Contracts and Grants	1,490,916
Florida Student Assistance Grants	1,455,975
Performance Based Incentives	767,973
Incentive Grants Expanding Programs	681,136
Motor Vehicle License Tax (Capital Outlay and Debt Service)	493,818
Other State Sources	178,514
Total	\$ 56,361,788

11. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

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Functional Classification	Amount
Instruction	\$ 28,666,299
Public Services	2,148,624
Academic Support	5,675,722
Student Services	5,396,790
Institutional Support	13,590,257
Operation and Maintenance of Plant	12,431,168
Scholarships and Fellowships	7,167,362
Depreciation	5,579,948
Total Operating Expenses	\$ 80,656,170

12. RELATED ORGANIZATIONS TRANSACTIONS

As permitted by Section 1004.70, Florida Statutes, the College receives direct and indirect support from certain direct-support organizations that do not meet the criteria, as discussed in note 1, for inclusion in the College’s financial statements as component units of the College. These organizations included the Maxwell C. King Center for the Performing Arts, Inc., and the Cocoa Village Playhouse, Inc.

Information for each direct-support organization based on its financial statements as of June 30, 2007, is summarized in the following table:

	Maxwell C. King Center for the Performing Arts, Inc.	Cocoa Village Playhouse, Inc.
Assets	\$8,313,786	\$1,043,735
Liabilities	786,846	59,452
Revenues	7,789,280	963,549
Expenses	6,446,914	903,216

13. JOINT PARTICIPATION AGREEMENT

In January 2002, Brevard Community College entered into a joint participation agreement with Daytona Beach Community College to provide for the transition of both Colleges to digital transmission capabilities for their respective public television stations. The Colleges agreed to submit a joint application for Federal funds that will be combined with funding from other sources to finance the project.

The joint participation agreement provides for conversion of master control facilities for each College, the installation of a joint-use, digital antenna, and to jointly lease tower space. The Colleges will share equally the lease payments and other obligations contained in the tower lease agreement. Also, the Colleges agreed to

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equally share the costs of maintenance and repair of the equipment and facilities and common expenses relating to the joint-use of the leased tower, the digital antenna, the transmission lines, and other common equipment. In addition, the Colleges agreed to share any such engineering fees or consulting fees as may be occasioned for the common benefit of the Colleges.

Daytona Beach Community College has been designated as the fiscal agent and, in accordance with the agreement, will act for the benefit of both Colleges. Daytona Beach Community College will serve as the owner of record of the digital antenna, transmission lines, and associated equipment acquired with various Federal and State grants. However, the Federal government retains a ten-year lien on equipment purchased with Federal funds that commences from the date of completion of the project.

14. SUBSEQUENT EVENT

As discussed in note 1, at June 30, 2007, the College had \$21,425,376 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund investment pool (Pool). On December 4, 2007, the State Board of Administration restructured the Pool and implemented temporary restrictions on the withdrawal of moneys that were on deposit including the requirement that a redemption fee be paid for withdrawals in excess of amounts to be periodically set by the State Board of Administration. Information regarding the restructuring and withdrawal restrictions is available from the College and the State Board of Administration. The College had \$2,438,630 invested in the Pool as of March 13, 2008.