



AUDITOR GENERAL
DAVID W. MARTIN, CPA



MANATEE COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended June 30, 2007

During the audit period, the President of the College was Dr. Sarah H. Pappas. Members of the College's Board of Trustees who served during the audit period are listed below:

<u>Board Member</u>	<u>County</u>
Stephen L. Harner, Chair from 6-27-07 (1)	Sarasota
Beverly Beall, Vice-Chair from 6-27-07 (1)	Manatee
Francis I. duPont, III, to 4-11-07, Chair to 4-11-07 (1)	Manatee
Stephen K. Boone to 4-11-07, Vice-Chair to 4-11-07 (1)	Sarasota
Ronald J. Allen	Manatee
Julia B. Fogarty	Manatee
Rev. Kelvin L. Lumpkin	Sarasota
Frederick D. Miller	Manatee
Susan Miller-Kelly from 4-12-07	Manatee
Dr. Christine Robinson from 4-12-07	Sarasota
Jennifer M. Saslaw	Sarasota

Note: (1) There was no Chair or Vice-Chair from April 12, 2007, through June 26, 2007.

MANATEE COMMUNITY COLLEGE

TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	v
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS	1
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	3
Internal Control Over Financial Reporting	3
Compliance and Other Matters	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
FINANCIAL SECTION	
Statement of Net Assets	15
Statement of Revenues, Expenses, and Changes in Net Assets	17
Statement of Cash Flows	18
Notes to Financial Statements	20

EXECUTIVE SUMMARY

The audit of the financial statements of Manatee 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 Dawn T. Meyers, CPA, and supervised by Cathi Davis, 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.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

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 Manatee Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2007, as shown on pages 15 through 32. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component 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 Manatee 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 Manatee Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 5 through 14 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA
March 19, 2008



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

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

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 Manatee 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 19, 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 assets totaled \$79 million at June 30, 2007. This balance reflects a \$6.1 million, or 8.4 percent, increase from the 2005-06 fiscal year, resulting from steady enrollment growth, a conservative spending plan, and expansion of the College's facilities. While assets grew, liabilities increased by a lesser amount of \$.2 million, or 2.6 percent, totaling \$6.7 million at June 30, 2007, compared to \$6.5 million at June 30, 2006. As a result, the College's net assets increased by \$6 million, reaching a year end balance of \$72.4 million.

The College's revenues totaled \$59.4 million for the 2006-07 fiscal year, representing a 12.1 percent increase over the 2005-06 fiscal year due mainly to increases in the state appropriations, grants and contracts and student fee collections. Operating expenses totaled \$53.4 million for the 2006-07 fiscal year, representing an increase of 7.5 percent over the 2005-06 fiscal year due mainly to increases to salary and other personnel, scholarships, and other services and 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:

- Manatee 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.
- The Foundation for Manatee Community College, 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 Manatee 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 Manatee Community College’s operating results.

These two statements report Manatee 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 for the respective fiscal years ended is shown in the following table:

Assets, Liabilities, and Net Assets at (In Thousands)				
	College		Component Unit	
	6-30-07	6-30-06	9-30-06	9-30-05
Assets				
Current Assets	\$ 20,599	\$ 17,289	\$ 2,043	\$ 2,136
Capital Assets, Net	58,304	54,908	23	
Other Noncurrent Assets	100	675	34,566	27,277
Total Assets	79,003	72,872	36,632	29,413
Liabilities				
Current Liabilities	2,066	1,789	304	385
Noncurrent Liabilities	4,586	4,693		
Total Liabilities	6,652	6,482	304	385
Net Assets				
Invested in Capital Assets, Net of Related Debt	56,405	52,825		
Restricted	6,685	6,338	34,324	27,538
Unrestricted	9,261	7,226	2,004	1,490
Total Net Assets	\$ 72,351	\$ 66,389	\$ 36,328	\$ 29,028
Increase in Net Assets	\$ 5,962	9.0%	\$ 7,300	25.1%

Current Assets increased by \$3 million, or 19.1 percent, over the prior year as a result of the College’s increasing enrollment. There were increases in both accounts receivable (13.8 percent) and current cash and investments (23.8 percent). The amount of Public Education Capital Outlay appropriations due from the State included in the

Due From Other Governmental Agencies increased by \$.5 million (13 percent), adding to the positive impact on current assets.

Net capital assets also increased by \$3.4 million (6.2 percent) as a result of the near complete Graphic Design and Arts Building on the Bradenton Campus.

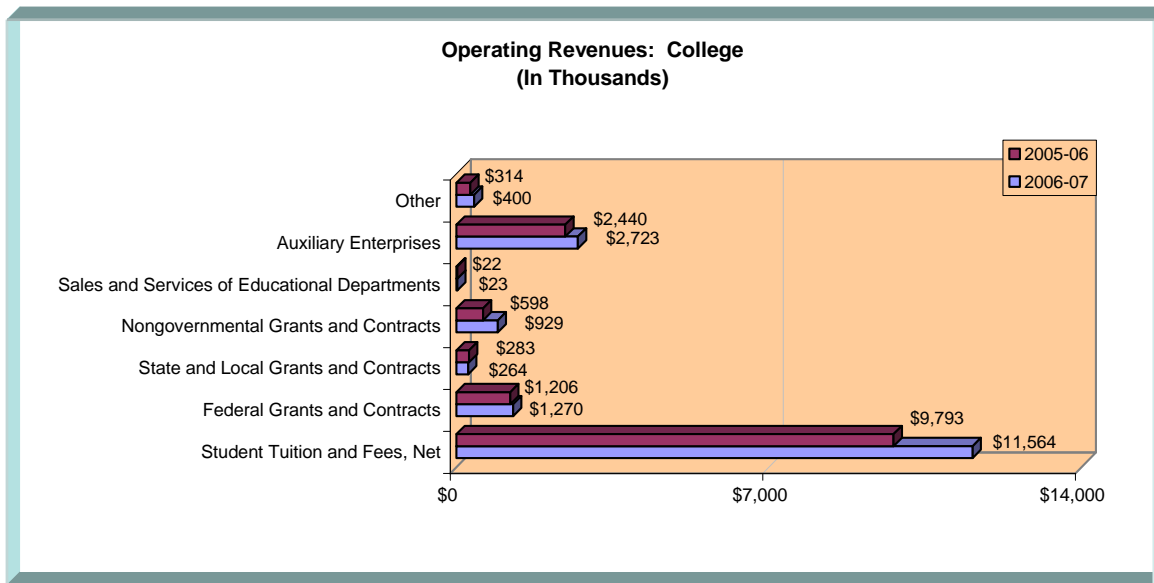
Revenues and expenses of the College and its component unit for the respective fiscal years ended, are shown in the following table:

	College		Component Unit	
	6-30-07	6-30-06	9-30-06	9-30-05
Operating Results for the Fiscal Years Ended (In Thousands)				
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 11,564	\$ 9,793	\$	\$
Federal Grants and Contracts	1,270	1,206		
State and Local Grants and Contracts	264	283	3,442	4,207
Nongovernmental Grants and Contracts	929	598	3,525	5,141
Sales and Services of Educational Departments	23	22		
Auxiliary Enterprises, Net of Scholarship Allowances	2,723	2,440		
Other Operating Revenues	400	314	89	114
Total Operating Revenues	17,173	14,656	7,056	9,462
Less, Operating Expenses	53,413	49,706	2,449	1,882
Operating Income (Loss)	(36,240)	(35,050)	4,607	7,580
Nonoperating Revenues (Expenses)				
State Appropriations	23,609	22,158		
Other Nonoperating Revenues	11,338	10,364	2,693	2,390
Nonoperating Expenses	(66)	(1,911)		
Net Nonoperating Revenues	34,881	30,611	2,693	2,390
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,359)	(4,439)	7,300	9,970
Capital Appropriations	6,227	5,240		
Capital Grants, Contracts, Gifts, and Fees	1,094	626		
Increase in Net Assets	5,962	1,427	7,300	9,970
Net Assets, Beginning of Year	66,389	64,962	29,028	19,058
Net Assets, End of Year	\$ 72,351	\$ 66,389	\$ 36,328	\$ 29,028

Operating Revenues

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

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



College operating revenue increased by \$2.5 million, or 17.2 percent, as a result of the following factors:

- Student tuition and fees revenue increased \$1.1 million, or 6.7 percent, before the scholarship allowance (\$1.8 million and 18 percent net of scholarship allowance). This increase was primarily the result of a 3.6 percent increase in enrollment and a 2.6 percent standard fee increase in the tuition rate as authorized by Florida law. The increase in the fee rate resulted in an increase in revenue of \$1.05 million and the increase in enrollment (both in-State and out-of-State) resulted in an increase in revenue of \$.05 million.
- There was a slight increase in Federal and State grants and contracts. These resources provide funds to expand existing or begin new academic programs and to enhance student success.
- Nongovernmental grants and contracts, including private support, increased by \$.3 million due to private support for the health science program.
- Auxiliary enterprises, particularly the bookstore, increased \$.3 million (net), or 11.6 percent, over the prior year as a direct result of increasing enrollment and expanded online services.
- Other operating revenues increased approximately \$.09 million, or 27.3 percent, as a result of facility rentals, debit card copier sales, and revenue sharing on a new student refund process through Higher One.

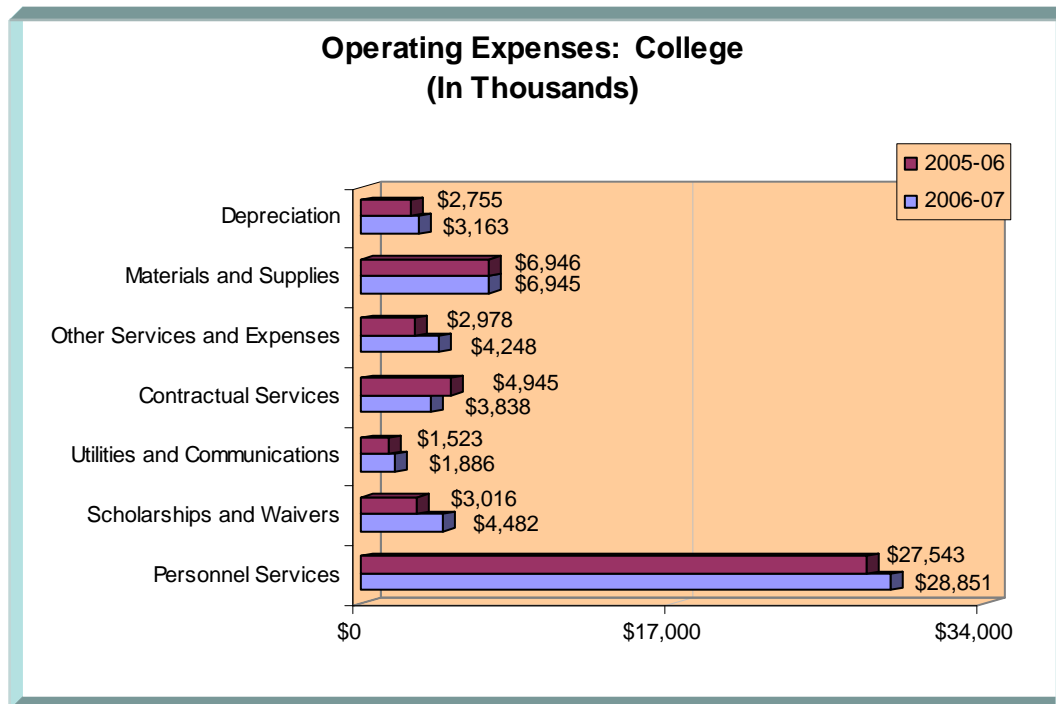
Operating Expenses

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 for the respective fiscal years ended are presented in the following table:

Operating Expenses	College		Component Unit	
	6-30-07	6-30-06	9-30-06	9-30-05
	Personnel Services	\$ 28,851	\$ 27,543	\$ 179
Scholarships and Waivers	4,482	3,016	1,093	849
Utilities and Communications	1,886	1,523		
Contractual Services	3,838	4,945	12	14
Other Services and Expenses	4,248	2,978	1,123	833
Materials and Supplies	6,945	6,946	33	7
Depreciation	3,163	2,755	9	8
Total Operating Expenses	\$ 53,413	\$ 49,706	\$ 2,449	\$ 1,882

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



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

- There was an increase of personnel services expenditures in the amount of \$1.3 million. This is primarily the result of a 3 percent annual increase for all employees plus stepped increases for all eligible faculty, same position reclassifications, and addition of faculty and staff positions that were required to maintain normal operations.
- Utility and communication costs increased \$.4 million due to an increase in rates.
- Contractual services expenses decreased by \$1.1 million and were offset by a corresponding increase of \$1.3 million in other services and expenses costs. During the fiscal year, the College made a concerted effort to improve the classification of expenses based on the nature of the contracted services, which

resulted in these changes in expenses. The outsource contract for SunGard Higher Education, Inc., as well as contracts for security and custodial services, remain in this category.

- Scholarships and waivers increased \$1.5 million as a direct result of an increase in the number and amount of awards granted for the fiscal year. This number will also fluctuate with the amount of the scholarship allowance from year to year.
- The College had depreciation expense of \$3.2 million for the 2006-07 fiscal year, a \$.4 million increase over the prior year.

Nonoperating Revenues and Expenses

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

Nonoperating Revenues (Expenses): College (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
State Appropriations	\$ 23,609	\$ 22,158
Gifts and Grants	10,568	9,752
Investment Income	754	612
Other Nonoperating Revenue	16	
Interest on Capital Asset-Related Debt	(66)	(137)
Other Nonoperating Expenses		<u>(1,774)</u>
Net Nonoperating Revenues	<u>\$ 34,881</u>	<u>\$ 30,611</u>

Nonoperating Revenues and Expenses increased \$4.3 million, or 14 percent, and were the result of the following factors:

- State appropriations increased \$1.5 million and included \$.8 million in incentive grants for the nursing and teaching programs, as well as funds for the 2+2 Partnership Baccalaureate Incentive.
- Investment income increased \$.1 million as a result of steadily increasing interest rates, as well as an increased volume of invested cash throughout the year.
- Other nonoperating gifts and grants increased \$.8 million and include the College’s Federal PELL and Supplemental Educational Opportunity Grant programs, as well as Bright Futures scholarships. These programs experienced growth as a result of the College’s increasing enrollment.
- The write-down of the cost of the Life Fitness Center conversion in the prior year, which resulted in a decrease of \$1.8 million in total nonoperating revenues, created an equal increase of \$1.8 million in the current year.

Other Revenues, Expenses, Gains, or Losses

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

Other Revenues, Expenses, Gains, or Losses: College (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
Capital Appropriations	\$ 6,227	\$ 5,240
Capital Grants, Contracts, Gifts, and Fees	<u>1,094</u>	<u>626</u>
Total	<u><u>\$ 7,321</u></u>	<u><u>\$ 5,866</u></u>

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

- Capital appropriations increased by \$1 million and included Public Education Capital Outlay appropriations to fund the construction of the Music Building on the Bradenton Campus, as well as general renovation, remodeling, and deferred maintenance funds.
- Capital grants, gifts, and fees increased by \$.5 million as a result of a \$2 (in-State) and \$4 (out-of-State) increase in the capital improvement fee for the 2006-07 fiscal year.

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	\$ (33,002)	\$ (32,916)
Noncapital Financing Activities	34,177	31,911
Capital and Related Financing Activities	147	657
Investing Activities	<u>1,070</u>	<u>696</u>
Net Increase in Cash and Cash Equivalents	2,392	348
Cash and Cash Equivalents, Beginning of Year	<u>11,376</u>	<u>11,028</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 13,768</u></u>	<u><u>\$ 11,376</u></u>

Major sources of funds came from State appropriations (\$23.6 million), net student tuition and fees (\$11.5 million), grants and contracts and gifts and grants (\$12.9 million), and bookstore receipts (\$2.8 million). The \$2.4 million increase in cash and cash equivalents was the result of the following factors:

- Net cash used by operating activities is very consistent with the prior year in every category. The slight increase in use of funds can be attributable to salary increases and price fluctuations for such things as utilities, communication expense, and materials and supplies that are required for the day-to-day operations of the College.
- Increases in both State appropriations (\$1.5 million) and gifts and grants (\$.8 million) account for the overall increase of \$2.3 million in the noncapital financing activities.
- Capital financing activities include the receipt of appropriations and capital improvement fees in excess of the expenditures for construction and renovation and the payment of the College’s capital lease for energy management. Use of those funds will continue into the 2007-08 fiscal year.
- Net cash provided by investing activities increased by \$.3 million over the previous fiscal year, primarily due to the maturity of investments and the increase in investment income.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2007, the College had \$89.1 million in capital assets, less accumulated depreciation of \$30.8 million, for net capital assets of \$58.3 million. Depreciation charges for the current fiscal year totaled \$3.2 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	\$ 609	\$	\$	\$ 609
Buildings	62,630			62,630
Other Structures and Improvements	13,150	1,763		14,913
Furniture, Machinery, and Equipment	3,155	405	67	3,493
Assets Under Capital Leases	2,780			2,780
Construction in Progress	266	4,390		4,656
Total	82,590	6,558	67	89,081
Less, Accumulated Depreciation:				
Buildings	18,773	1,409		20,182
Other Structures and Improvements	5,873	1,139		7,012
Furniture, Machinery, and Equipment	2,427	337	67	2,697
Assets Under Capital Leases	609	278		887
Total Accumulated Depreciation	27,682	3,163	67	30,778
Capital Assets, Net	\$ 54,908	\$ 3,395	\$	\$58,303

The College plans \$7.9 million of capital expenditures for the 2007-08 fiscal year. Projects planned include completing construction activities for the renovation and remodel of classrooms and labs in the Music Building on the Bradenton campus, as well as general Collegewide renovation, remodeling, and deferred maintenance. Planning is underway for the construction of the Med Tech Simulation Center at the Lakewood Ranch Center. State appropriations, together with local funds, are expected to finance the construction, renovation, and purchase of 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 \$1.9 million in capital leases outstanding versus \$2.1 million at the end of the prior fiscal year.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The budgets for Florida’s public community colleges received a 5.9 percent increase in State appropriated operating funds for the 2007-08¹ fiscal year. At Manatee Community College, the institution’s budget increased from \$37,895,252 in the 2006-07 fiscal year to \$40,639,999 in the 2007-08 fiscal year. This represents a 7.2 percent increase; however, the results from the most recent statewide revenue estimation conference (August 1, 2007) forecasted a decline in Florida’s general revenue in the amount of \$1.1 billion. This will most likely necessitate reductions in State appropriations for the 2007-08 fiscal year. The College is currently preparing for a 4 percent reduction in State revenue.

College enrollment increased by 3.6 percent from the 2005-06 fiscal year to the 2006-07 fiscal year. The College is one of two Florida public community colleges to experience FTE enrollment growth in each of the last nine years. The College is expecting another healthy enrollment increase in the 2007-08 fiscal year.

Overall, the population of Florida is expected to increase by 20.3 percent from 2006 to 2015, while the Sarasota and Manatee Counties statistical areas are forecasted to grow by 20 percent and 21.3 percent, respectively, during the same time period.² Unemployment rates in Sarasota and Manatee counties remained the same or declined since 2004, as indicated in the chart below:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Manatee	4.0%	3.0%	3.0%	4.0%	4.0%	4.0%
Sarasota	4.0%	3.0%	2.0%	3.0%	3.0%	3.0%
Florida	4.7%	3.8%	3.1%	4.8%	4.9%	4.5%

Note: 2008 and 2009 figures are projections.³

¹ 2007-08 Legislative Summary Financial Affairs Briefing Package - Florida

² Enterprise Florida - June 2007

³ Fishkind and Associates, Inc. - 2007 Forecast

Until recently, Florida’s economy was experiencing phenomenal growth. With the correction in the housing market, that growth has tapered off. Outside the construction and real estate sectors, Florida’s economic and employment growth continue to post solid gains virtually across the board, driven by strong local business investment and robust demand from overseas markets.⁴

Although slower than in 2006, *Global Insight* continues to be upbeat about the outlook for Florida’s economy in 2007. Florida’s real GDP (gross domestic product) is expected to grow by 2.5 percent and total employment by about 1.5 percent, both exceeding growth rates forecast for the United States.⁵

Some additional indicators evidencing Florida’s healthy economic condition are as follows:⁶

Other Economic Indications	
Indicator	Percent Change From 2005-06 Fiscal Year
Gross State Product	+ 4.2%
Personal Income	+ 7.2%
Payroll Employment	+ 2.6%
Florida-Origin Exports	+ 15.5%
Florida Services Exports	+ 8.5%

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 of Business and Administrative Services, Manatee Community College, 5840 26th Street, Bradenton, Florida 34207.

⁴ Florida Economic Bulletin - Spring 2007

⁵ Florida Economic Bulletin - Spring 2007

⁶ Florida Economic Bulletin - Spring 2007

FINANCIAL SECTION

MANATEE 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	\$ 11,856,721.13	\$ 341,814.00
Restricted Cash and Cash Equivalents	1,910,491.86	
Accounts Receivable, Net	742,652.42	390,039.00
Notes Receivable, Net	18,440.56	
Due from Other Governmental Agencies	5,113,791.49	
Due from Component Unit	97,601.81	
Inventories	426,055.20	
Prepaid Expenses	433,466.23	31,151.00
Other Assets		1,279,952.00
Total Current Assets	20,599,220.70	2,042,956.00
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,257.08	
Investments	99,000.00	
Restricted Investments		34,566,075.00
Depreciable Capital Assets, Net	53,038,671.97	23,130.00
Nondepreciable Capital Assets	5,265,014.92	
Total Noncurrent Assets	58,403,943.97	34,589,205.00
TOTAL ASSETS	\$ 79,003,164.67	\$ 36,632,161.00
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 173,723.98	\$ 89,064.00
Salary and Payroll Taxes Payable	848,753.21	
Retainage Payable	387,631.98	
Due to Other Governmental Agencies	8,204.02	
Due to College		83,884.00
Deferred Revenue	95,221.50	131,469.00
Deposits Held for Others	341,782.58	
Long-Term Liabilities - Current Portion:		
Special Termination Benefits Payable	107,229.60	
Compensated Absences Payable	103,338.73	
Total Current Liabilities	2,065,885.60	304,417.00
Noncurrent Liabilities:		
Capital Leases Payable	1,898,965.00	
Special Termination Benefits Payable	217,862.60	
Compensated Absences Payable	2,468,974.23	
Total Noncurrent Liabilities	4,585,801.83	
TOTAL LIABILITIES	6,651,687.43	304,417.00

MANATEE 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	\$ 56,404,721.89	\$
Restricted:		
Nonexpendable:		
Endowment		7,824,279.00
Expendable:		
Grants and Other	1,047,669.27	8,943,310.00
Loans	494,399.56	
Scholarships	12,448.62	17,556,033.00
Capital Projects	5,130,846.57	
Unrestricted	9,261,391.33	2,004,122.00
Total Net Assets	72,351,477.24	36,327,744.00
TOTAL LIABILITIES AND NET ASSETS	\$ 79,003,164.67	\$ 36,632,161.00

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

MANATEE 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 \$5,866,615.91	\$ 11,563,628.46	\$
Federal Grants and Contracts	1,270,321.57	
State and Local Grants and Contracts	263,706.74	3,442,270.00
Nongovernmental Grants and Contracts	929,520.52	3,524,575.00
Sales and Services of Educational Departments	22,948.09	
Auxiliary Enterprises, Net of Scholarship Allowances of \$1,210,999.41	2,722,629.35	
Other Operating Revenues	399,904.90	89,472.00
Total Operating Revenues	17,172,659.63	7,056,317.00
EXPENSES		
Operating Expenses:		
Personnel Services	28,851,063.50	179,059.00
Scholarships and Waivers	4,482,433.59	1,093,309.00
Utilities and Communications	1,886,439.31	
Contractual Services	3,838,000.58	12,379.00
Other Services and Expenses	4,247,608.80	1,123,111.00
Materials and Supplies	6,945,087.77	32,814.00
Depreciation	3,162,646.97	8,714.00
Total Operating Expenses	53,413,280.52	2,449,386.00
Operating Income (Loss)	(36,240,620.89)	4,606,931.00
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	23,609,140.50	
Gifts and Grants	10,568,186.95	
Investment Income	754,010.66	1,861,952.00
Other Nonoperating Revenues	15,932.00	830,633.00
Interest on Capital Asset-Related Debt	(65,515.53)	
Net Nonoperating Revenues	34,881,754.58	2,692,585.00
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,358,866.31)	7,299,516.00
Capital Appropriations	6,226,874.07	
Capital Grants, Contracts, Gifts, and Fees	1,094,455.00	
Total Other Revenues	7,321,329.07	
Increase in Net Assets	5,962,462.76	7,299,516.00
Net Assets, Beginning of Year	66,389,014.48	29,028,228.00
Net Assets, End of Year	\$ 72,351,477.24	\$ 36,327,744.00

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

**MANATEE 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	\$ 11,490,822.76
Grants and Contracts	2,318,523.81
Payments to Suppliers	(14,941,494.09)
Payments for Utilities and Communications	(1,886,439.31)
Payments to Employees	(23,210,788.52)
Payments for Employee Benefits	(5,472,671.70)
Payments for Scholarships	(4,482,433.59)
Net Loans Issued to Students	(804,849.53)
Collection of Loans to Students	798,820.14
Auxiliary Enterprises, Net	2,779,874.52
Sales and Service of Educational Departments	22,948.09
Other Receipts	385,852.03
	Net Cash Used by Operating Activities
	(33,001,835.39)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	23,609,140.50
Gifts and Grants Received for Other Than Capital or Endowment Purposes	10,568,186.95
	Net Cash Provided by Noncapital Financing Activities
	34,177,327.45
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	5,669,699.77
Capital Grants and Gifts	1,094,455.00
Proceeds from Sale of Capital Assets	15,932.00
Purchases of Capital Assets	(6,383,736.25)
Principal Paid on Capital Debt and Leases	(184,029.35)
Interest Paid on Capital Debt and Leases	(65,515.53)
	Net Cash Provided by Capital and Related Financing Activities
	146,805.64
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	315,761.18
Investment Income	754,010.66
	Net Cash Provided by Investing Activities
	1,069,771.84
Net Increase in Cash and Cash Equivalents	2,392,069.54
Cash and Cash Equivalents, Beginning of Year	11,376,400.53
Cash and Cash Equivalents, End of Year	\$ 13,768,470.07

**MANATEE 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	\$ (36,240,620.89)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,162,646.97
Changes in Assets and Liabilities:	
Receivables, Net	(181,223.55)
Inventories	78,204.00
Other Assets	6,804.16
Accounts Payable	67,479.75
Deferred Revenue	20,638.00
Deposits Held for Others	24,353.75
Compensated Absences Payable	65,911.81
Loans to Students and Employees	(6,029.39)
NET CASH USED BY OPERATING ACTIVITIES	\$ (33,001,835.39)

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

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

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Foundation for Manatee Community College, 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 September 30, 2006.

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

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

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

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

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

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

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

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

MANATEE 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 in 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 computes its scholarship allowances by determining, through its accounting records, the cash payments to students, excluding payments for services.

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 invested with the State Board of Administration. For the purpose of reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Board of Administration Local Government Surplus Funds Trust Fund investment pool 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 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 \$13,256,419.84 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

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

Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign credit risk. The investment pool was not rated by a nationally recognized statistical rating agency as of June 30, 2007.

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

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, Educational Equipment – 5 years
 - Furniture – 7 years
- Assets Under Capital Leases – 10 years

2. INVESTMENTS

The College's Board of Trustees had not adopted a written investment policy. As such, pursuant to Section 218.415(17), Florida Statutes, the College was authorized to invest in the Local Government Surplus 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; and Securities and Exchange Commission registered money market funds the highest credit quality rating from a nationally recognized rating agency. 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

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

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's investments at June 30, 2007, consists of mortgage securities reported at fair value of \$99,000. The investments have a maturity of six months and were rated AAA by Standard and Poor's.

Component Unit Investments

At September 30, 2006, the College's component unit reported as investments at fair value \$34,566,075 of stocks and other equity securities.

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 \$100,600 allowance for uncollectible accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under a short-term loan program, and are reported net of a \$3,300 allowance for uncollectible notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$4,696,254.00 of Public Education Capital Outlay allocations due from the State to the College for construction of College facilities.

6. DUE FROM AND TO COMPONENT UNIT/COLLEGE

The College's financial statements are reported for the fiscal year ended June 30, 2007. The College's component unit's financial statements are reported as of September 30, 2006. Accordingly, the amount reported by the College as due from the component unit on the statement of net assets does not agree with the amount reported by the component unit as payable to the College.

7. INVENTORIES

Inventories consist of items for resale by the campus bookstore and office supplies maintained in central stores, 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.

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

8. 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	\$ 609,205.24	\$	\$	\$ 609,205.24
Construction in Progress	265,530.75	4,390,278.93		4,655,809.68
Total Nondepreciable Capital Assets	\$ 874,735.99	\$ 4,390,278.93	\$	\$ 5,265,014.92
Depreciable Capital Assets:				
Buildings	\$ 62,630,383.64	\$	\$	\$ 62,630,383.64
Other Structures and Improvements	13,149,938.77	1,762,823.55		14,912,762.32
Furniture, Machinery, and Equipment	3,154,774.75	405,477.09	66,966.77	3,493,285.07
Assets Under Capital Lease	2,779,683.00			2,779,683.00
Total Depreciable Capital Assets	81,714,780.16	2,168,300.64	66,966.77	83,816,114.03
Less, Accumulated Depreciation:				
Buildings	18,773,392.06	1,408,680.73		20,182,072.79
Other Structures and Improvements	5,872,853.16	1,139,052.94		7,011,906.10
Furniture, Machinery, and Equipment	2,427,005.99	336,945.00	66,966.77	2,696,984.22
Assets Under Capital Lease	608,510.65	277,968.30		886,478.95
Total Accumulated Depreciation	27,681,761.86	3,162,646.97	66,966.77	30,777,442.06
Total Depreciable Capital Assets, Net	\$ 54,033,018.30	\$ (994,346.33)	\$	\$ 53,038,671.97

9. DEFERRED REVENUE

Deferred revenue includes student fees received prior to fiscal year end related to subsequent accounting periods.

10. LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Leases Payable	\$ 2,082,994.35	\$	\$ 184,029.35	\$ 1,898,965.00	\$
Special Termination Benefits Payable	396,497.60	52,514.00	123,919.40	325,092.20	107,229.60
Compensated Absences Payable	2,434,995.75	444,482.26	307,165.05	2,572,312.96	103,338.73
Total Long-Term Liabilities	\$ 4,914,487.70	\$ 496,996.26	\$ 615,113.80	\$ 4,796,370.16	\$ 210,568.33

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

Capital Leases Payable. Equipment consisting of air conditioning, electrical and other energy management improvements at various campuses in the amount of \$2,779,683 is being acquired under capital lease agreements. The stated interest rates are 4 percent and 4.02 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:

Fiscal Year Ending June 30	Amount
2008 (1)	\$
2009	299,445.00
2010	308,045.00
2011	317,145.00
2012	208,800.00
2013-16	1,111,878.00
Total Minimum Payments	2,245,313.00
Less, Amount Representing Interest	(346,348.00)
Present Value of Minimum Payments	\$ 1,898,965.00

Note: (1) Paid in the 2006-07 fiscal year.

Special Termination Benefits Payable. On March 17, 1993, the Board of Trustee established the Retirement Incentive Program, whereby employees meeting certain eligibility guidelines could receive benefits under the Program. For qualifying employees, the Program provides payment of 100 percent of the hospitalization coverage (or 100 percent Medicare Supplement) for a period of 5 years; payments for \$5,000 Retiree Group Life through age 69; plus 2.5 percent of accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. The College recognized a Retirement Incentive Program payable of \$220,670.20 as of June 30, 2007, for 27 employees who gave notice to retire under the Retirement Incentive Program. This program terminated on June 30, 2006. Any otherwise eligible employee as of that date must have retired no later than June 30, 2006, to participate.

On September 21, 2005, the Board of Trustees established the Retirement Enhancement Program, whereby employees meeting certain eligibility guidelines could receive benefits under the Program. For qualifying employees hired prior to October 1, 2005, the Program provides payment of hospitalization coverage (or equivalent Medicare Supplement) at the rate in effect on January 1, 2006, for a period of 5 years, and 2.5 percent accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. For new qualifying employees hired on or after October 1, 2005, the Program provides for payment of hospitalization coverage (or equivalent Medicare Supplement) at the rate in effect on January 1, 2006, for a period of 3 years, and the standard sick leave payout per College Rule. The College recognized a

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

Retirement Enhancement Program payable of \$104,422 for June 30, 2007, for six employees who gave notice to retire under the Retirement Enhancement Program.

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2007, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$2,572,312.96. Of this amount, \$103,338.73 is considered a current liability as this is the amount expected to be paid in the coming fiscal year. The current portion of the compensated absences liability is estimated as the average of the compensated absences paid upon termination for the prior seven years.

11. 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 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.

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

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 \$939,977.00, \$1,003,951.00, and \$1,294,469.79, 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 80 College participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$267,776.69.

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

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

information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

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

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

There were 41 College participants during the 2006-07 fiscal year. Required employer contributions made to the Program totaled \$248,513.66.

Senior Management Service Optional Annuity Program. Section 121.055, Florida Statutes, created the Senior Management Service Optional Annuity Program (SMSOAP) as an optional retirement program for members of the Senior Management Service Class. The SMSOAP is a defined contribution plan that provides full and immediate vesting of all contributions paid on behalf of the participants. Employees in eligible positions may make an irrevocable election to participate in the SMSOAP in lieu of the Senior Management Class of FRS, and purchase retirement and death benefits through contracts with participating provider companies. The employing community college contributes 12.49 percent of participant's salary. The contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by salary reduction, an amount not to exceed the percentage contributed by the community college to the participant's annuity contract. There were three participants during the 2006-07 fiscal year. Required employer contributions made to the Program totaled \$45,807.31.

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

12. CONSTRUCTION COMMITMENTS

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Remodel, Renovate, and Reroof Buildings			
Bradenton Campus - Art Building:			
Architect	\$ 337,325.00	\$ 321,937.00	\$ 15,388.00
Construction Manager	4,595,878.00	3,871,353.19	724,524.81
Bradenton Campus - Music Building:			
Architect	353,950.00	259,079.72	94,870.28
Construction Manager	3,200,000.00	38,000.00	3,162,000.00
Total	\$ 8,487,153.00	\$ 4,490,369.91	\$ 3,996,783.09

13. RISK MANAGEMENT PROGRAMS

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

14. LITIGATION

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

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

15. 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	\$ 19,966,120.00
Gross Receipts Tax (Public Education Capital Outlay)	5,984,288.00
Education Enhancement Trust Fund (Lottery)	2,418,554.00
Bright Futures Scholarship Program	1,659,065.59
Florida Student Assistance Grants	1,209,107.52
Incentive Grants for Expanding Programs	841,876.50
Performance Based Incentives	366,044.00
Motor Vehicle License Tax (Capital Outlay and Debt Service)	242,586.07
Restricted Contracts and Grants	231,879.74
Other State Sources	<u>81,708.17</u>
Total	<u><u>\$ 33,001,229.59</u></u>

16. 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

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

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	\$ 17,835,285.17
Academic Support	2,850,828.56
Student Services	5,061,556.95
Institutional Support	9,491,667.40
Operation and Maintenance of Plant	6,806,448.90
Scholarships and Fellowships	4,720,191.55
Depreciation	3,162,646.97
Auxiliary Enterprises	3,484,655.02
Total Operating Expenses	\$ 53,413,280.52

17. SUBSEQUENT EVENT

As discussed in note 1, at June 30, 2007, the College had \$13,256,419.84 invested in the State Board of Administration’s Local Government Surplus Funds Trust Fund investment pool (Pool). On November 29, 2007, the College withdrew \$10 million invested at that date from the 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 \$2,826,779.58 invested in the Pool as of March 19, 2008.