



**AUDITOR GENERAL**  
DAVID W. MARTIN, CPA



**FLORIDA COMMUNITY COLLEGE AT JACKSONVILLE**  
Financial Audit

For the Fiscal Year Ended June 30, 2007

During the audit period, the President of the College was Dr. Steven R. Wallace. Members of the College's Board of Trustees who served during the audit period are listed below:

<u>Board Member</u>	<u>County</u>
N. Wyman Winbush, II, Vice-Chair to 7-31-06, Chair from 8-01-06	Duval
Thomas R. McGehee, Jr., Vice-Chair from 8-01-06	Duval
David F. Miller, Jr., Vice-Chair	Nassau
Emily Balz Smith, Chair to 7-31-06	Duval
Dr. Linda H. Asay	Nassau
Dr. M. F. Mass	Duval
Dr. Rhonda M. Medows to 5-15-07 (1)	Duval
Suanne Z. Thamm	Nassau
Michael B. Weinstein	Duval

Note: (1) Position was vacant from May 16, 2007, through June 30, 2007.

The Vice-Chairs serve with equal rank and status on the Board. The purpose of the dual office is to assure leadership representation from each of the two counties served by the College.

FLORIDA COMMUNITY COLLEGE AT JACKSONVILLE

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**EXECUTIVE SUMMARY**

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

The scope of this audit included an examination of the financial statements of the College, a component unit of the State of Florida, and a determination as to whether management complied with applicable laws, rules, regulations, contracts, and grant agreements and other matters that are material to the financial statements. An examination of Federal awards administered by the College is included in our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2008-163.

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 Jennifer L. Ranick and supervised by John P. Duffy, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at [tedsauerbeck@aud.state.fl.us](mailto: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

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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 Florida Community College at Jacksonville, 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 13 through 37. 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 Florida Community College at Jacksonville 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 Florida Community College at Jacksonville'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 12 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 31, 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 Florida Community College at Jacksonville, 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*.

We noted certain matters that we reported to College management in our operational audit report No. 2008-163, dated March 2008.

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,



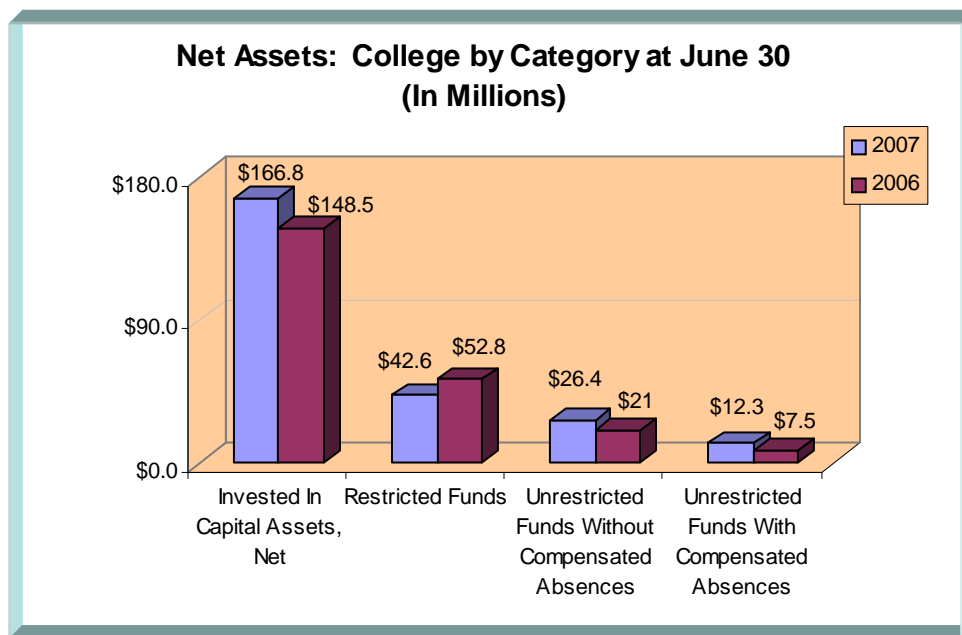
David W. Martin, CPA  
March 31, 2008

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

The management’s discussion and analysis (MD&A) of Florida Community College at Jacksonville’s financial statements provides an overview of the College’s financial activities for the fiscal year ended June 30, 2007. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. Management has prepared the financial statements and the related note disclosures along with the MD&A. Responsibility for the completeness and fairness of the information rests with the College. The MD&A contains financial activities of the College and its component unit, Florida Community College at Jacksonville Foundation, Inc., for the 2006-07 and 2005-06 fiscal years, and should be read in conjunction with the accompanying financial statements.

**FINANCIAL HIGHLIGHTS**

The College’s comparative net assets by category for the fiscal years ended June 30, 2007, and June 30, 2006, are shown in the following graph:



The College’s financial position, as a whole, continues to be strong as evidenced by a \$12.8 million increase in total net assets over this past fiscal year increasing from \$208.9 million on June 30, 2006, to \$221.7 million as of June 30, 2007. This net asset growth was primarily due to increases in student fees, State appropriations, and investment income.

In the above graph, unrestricted funds are presented first without reduction for compensated absences payable and then with a reduction for compensated absences payable. The compensated absences liability is mostly long-term and is not paid until the employees retire or terminate employment. Therefore, this liability does not significantly impair the College’s ability to meet its required cash flows or maintain current operations. It is expected that this liability will

decline over time as the Board has put in place a rule to limit the amount of leave payable to administrators and professional employees, and the faculty contract limits leave payments to 60 days for faculty hired after August 16, 2003.

## **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:

- Florida Community College at Jacksonville (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, academic and student support services.
- Florida Community College at Jacksonville Foundation, Inc. (Component Unit) – The Foundation is a direct support organization of the College with the mission of raising funds to support academic programs and student scholarships. 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.

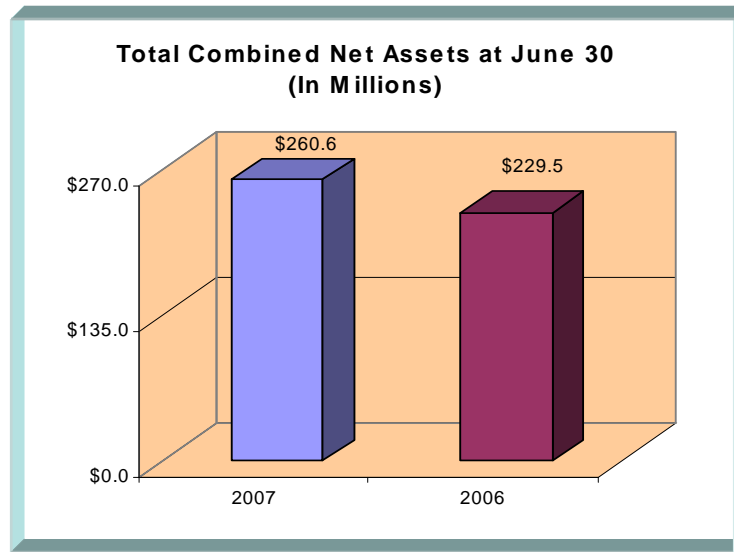
## **THE STATEMENT OF NET ASSETS AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

One of the most important questions asked about the College's finances is, "Is Florida Community College at Jacksonville 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 Florida Community College at Jacksonville's operating results.

These two statements report Florida Community College at Jacksonville'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.

Total combined net assets of the College and Foundation at June 30, 2007, are \$260.6 million, an increase of \$31.1 million from the prior year, as shown in the following graph:



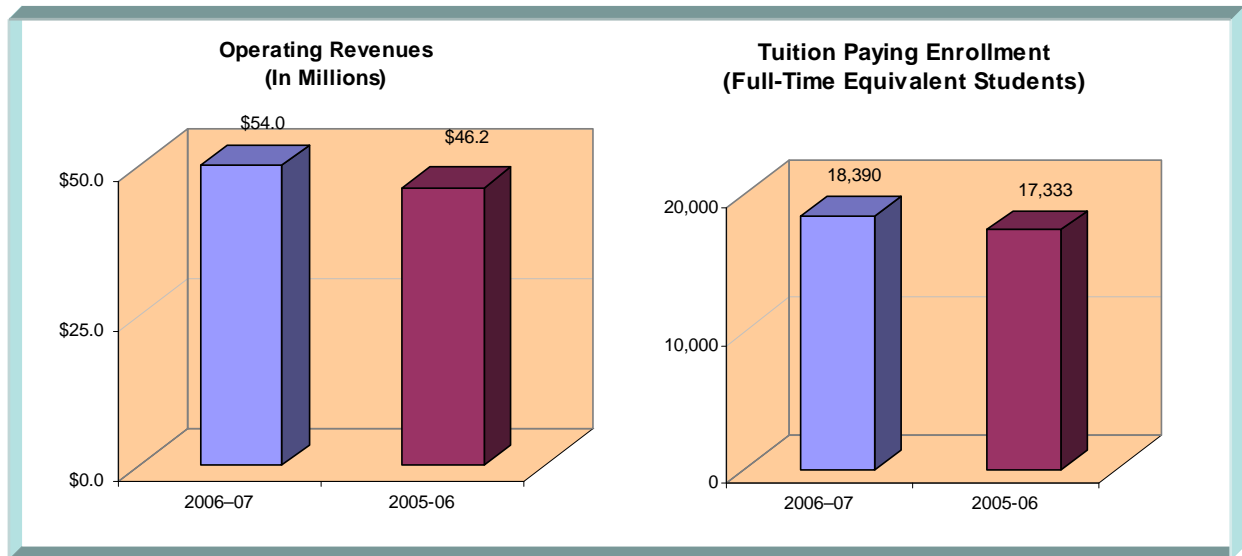
A condensed statement of assets, liabilities, and net assets of the College and its component unit for the fiscal years ended June 30, 2007, and June 30, 2006, is shown in the following table:

	College		Component Unit	
	2007	2006	2007	2006
<b>Assets</b>				
Current Assets	\$ 50,430	\$ 59,059	\$ 10,640	\$ 1,020
Capital Assets, Net	180,713 (1)	161,281		
Other Noncurrent Assets	32,528	27,638	28,329	19,625
<b>Total Assets</b>	<u>263,671</u>	<u>247,978</u>	<u>38,969</u>	<u>20,645</u>
<b>Liabilities</b>				
Current Liabilities	17,016	13,292	43	74
Noncurrent Liabilities	24,969	25,795		
<b>Total Liabilities</b>	<u>41,985</u>	<u>39,087</u>	<u>43</u>	<u>74</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	166,816	148,534		
Restricted	42,605	52,847	37,894	19,594
Unrestricted	12,265 (2)	7,510 (2)	1,032	977
<b>Total Net Assets</b>	<u>\$ 221,686</u>	<u>\$ 208,891</u>	<u>\$ 38,926</u>	<u>\$ 20,571</u>
<b>Increase in Net Assets</b>	<u>\$ 12,795</u>	6.1%	<u>\$ 18,355</u>	89.2%

Notes: (1) Shown at depreciated cost. Life to date accumulated depreciation recorded through the 2006-07 fiscal year totals \$95.3 million. Of this amount, \$6.7 million relates to the current fiscal year.  
 (2) Unrestricted net assets for the 2006-07 and 2005-06 fiscal years were reduced by \$14.1 and \$13.5 million, respectively, for the liability for accrued compensated leave payable for employees.

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

In the fiscal year ended June 30, 2007, the College had operating revenues of \$54.0 million versus \$46.2 million in the prior year. This is mainly attributed to growth in student fees. Tuition paying student enrollment increased 6.1 percent during the year and tuition rates increased 5 percent. The following graphs represent operating revenues and tuition-paying enrollment for the 2006-07 and 2005-06 fiscal years:



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.

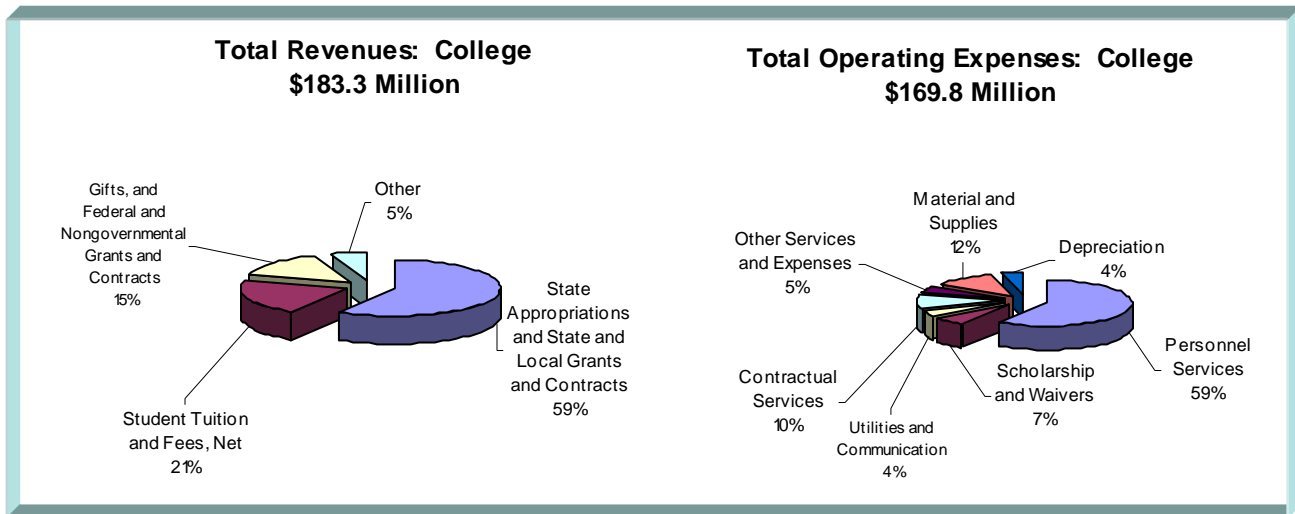
Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen 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.

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

<b>Operating Results for the Fiscal Years</b>				
<b>(In Thousands)</b>				
	<u>College</u>		<u>Component Unit</u>	
	<u>2006-07</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2005-06</u>
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship				
Allowances	\$ 37,535	\$ 29,630	\$	\$
Grants and Contracts	11,275	13,681		
Auxiliary Enterprises	1,145	1,376	11,274	6,374
Other Operating Revenues	4,014	1,512		
<b>Total Operating Revenues</b>	<b>53,969</b>	<b>46,199</b>	<b>11,274</b>	<b>6,374</b>
<b>Operating Expenses</b>				
Personnel Services	100,336	94,746	397	338
Scholarships and Waivers	11,619	10,810	1,221	640
Utilities and Communication	5,623	5,763		
Supplies and Services	45,561	31,679	11,824	7,085
Depreciation	6,703	7,575		
<b>Total Operating Expenses</b>	<b>169,842</b>	<b>150,573</b>	<b>13,442</b>	<b>8,063</b>
<b>Operating Loss</b>	<b>(115,873)</b>	<b>(104,374)</b>	<b>(2,168)</b>	<b>(1,689)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	83,113	78,915		
Other Nonoperating Revenues, Net	25,073	20,126	16,847	3,704
Nonoperating Expenses	(635)	(621)		
<b>Net Nonoperating Revenues</b>	<b>107,551</b>	<b>98,420</b>	<b>16,847</b>	<b>3,704</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
Capital Appropriations	18,910	30,952		
Capital Grants, Contracts, Gifts, and Fees	2,207	1,611	1,878	1,296
Additions to Permanent Endowments			1,798	921
<b>Increase in Net Assets</b>	<b>12,795</b>	<b>26,609</b>	<b>18,355</b>	<b>4,232</b>
Net Assets, Beginning of Year	208,891	182,282	20,571	16,339
<b>Net Assets, End of Year</b>	<b>\$ 221,686</b>	<b>\$ 208,891</b>	<b>\$ 38,926</b>	<b>\$ 20,571</b>

Operating expenses were \$169.8 million for the year. Personnel services account for 59 percent of operating expenses. Net nonoperating revenues of the College increased to \$107.6 million, including a \$4.2 million increase in State appropriations as compared to the prior year. State and local funds account for 60 percent of the College's revenues. Total revenues for the year were \$183.3 million.

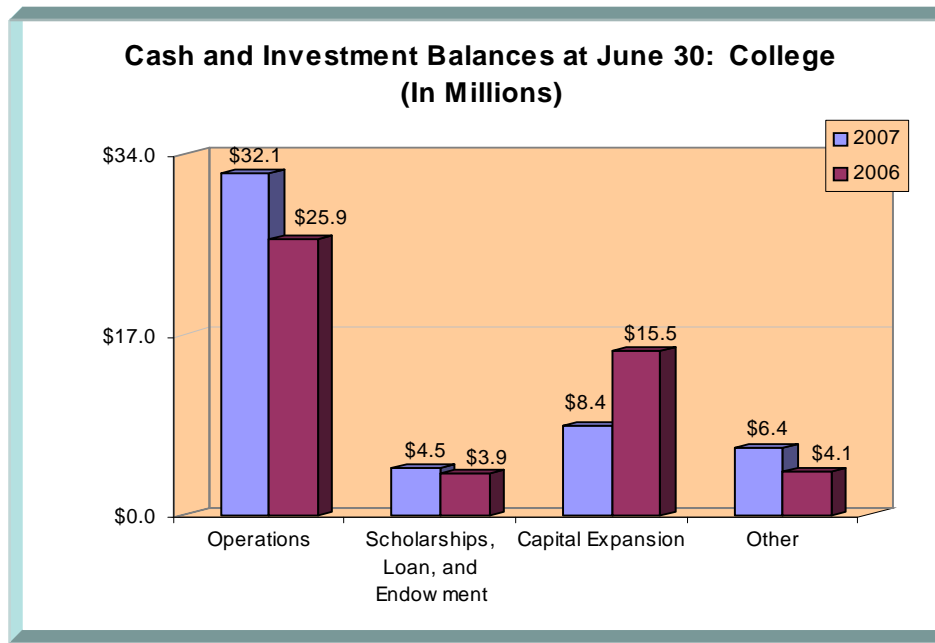
The College’s net operating revenues and operating expenses for 2006-07 fiscal year are presented in the following charts:



**THE STATEMENT OF CASH FLOWS**

Cash and investment balances of the College were \$51.4 million at the end of the fiscal year, an increase of \$2 million. The cash balances support operations, scholarships, and capital expansion payments. A summary of the College’s cash flows, and cash and investment balances, for the fiscal years ended June 30, 2007, and June 30, 2006, are presented in the following table:

	2006-07	2005-06
Cash Provided (Used) by:		
Operating Activities	\$ (107,839)	\$ (96,855)
Noncapital Financing Activities	104,433	97,022
Capital and Related Financing Activities	1,694	4,381
Investing Activities	1,137	(2,228)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(575)</b>	<b>2,320</b>
Cash and Cash Equivalents, Beginning of Year	16,255	13,935
<b>Cash and Cash Equivalents, End of Year</b>	<b>15,680</b>	<b>16,255</b>
Investments, End of Year	35,680	33,131
<b>Total Cash and Investments</b>	<b>\$ 51,360</b>	<b>\$ 49,386</b>



**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2007, the College had \$276 million in capital assets, less accumulated depreciation of \$95.3 million, for net invested in capital assets of \$180.7 million. Depreciation charges for the current fiscal year totaled \$6.7 million. The following table summarizes the College’s capital assets at June 30, 2007, and June 30, 2006:

	2007	2006
Land	\$ 8,218	\$ 8,218
Other Nondepreciable	15	
Construction in Progress	50,292	25,843
Buildings	119,000	123,839
Other Structures and Improvements	738	983
Furniture, Machinery, and Equipment	2,450	2,398
<b>Total Capital Asset, Net</b>	<b>\$ 180,713</b>	<b>\$ 161,281</b>

**DEBT ADMINISTRATION**

At fiscal year-end, the College had \$13.9 million in debt outstanding, compared to \$15.5 million the previous year. This net decrease of \$1.6 million is related to the amortization of the College’s Deerwood Parking Garage loan and Capital Outlay Bonds. The State Board of Education issues capital outlay bonds on behalf of the College. Outstanding long-term debt at June 30, 2007, and June 30, 2006, are shown in the following table:

<b>Long-Term Debt, at June 30: College (In Thousands)</b>		
	<u>2007</u>	<u>2006</u>
SBE Capital Outlay Bonds	\$ 6,980	\$ 7,430
Note Payable	<u>6,917</u>	<u>8,055</u>
<b>Total</b>	<u><u>\$ 13,897</u></u>	<u><u>\$ 15,485</u></u>

During the 2006–07 fiscal year, there were no bond sales and debt repayments totaled \$1.6 million. Additional information about the College’s long-term debt is presented in the notes to financial statements.

**THE FLORIDA COMMUNITY COLLEGE AT JACKSONVILLE FOUNDATION, INC.**

The Florida Community College at Jacksonville Foundation, Inc. (Foundation), experienced an increase in net assets from \$20.6 million at June 30, 2006, to \$38.9 million at June 30, 2007. This \$18.3 million increase is primarily attributable to increased contributions, Artist Series surplus, and investment income. Total revenues were \$31.8 million, which includes \$11.3 million from the Artist Series and a \$10 million contribution from the Jacksonville Aviation Authority for the Aircraft Coating Educational Facility at the Cecil Commerce Center. Total operating expenses were \$13.4 million.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

Florida Community College at Jacksonville’s economic condition is closely tied to that of the State of Florida. State funding has been relatively stable; however, recent deficits in State general revenues may adversely affect the College’s current and future appropriations. The College’s current financial and capital plans should enable Florida Community College at Jacksonville to continue the development of new programs to meet the ever changing needs of employers and provide a leadership role in educational and community services for Duval and Nassau counties.

**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, Florida Community College at Jacksonville, 501 West State Street, Jacksonville, Florida 32202.

**FINANCIAL SECTION**

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

	<u>College</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 694,029	\$ 10,489,842
Restricted Cash and Cash Equivalents	14,986,031	
Investments	3,152,606	
Accounts Receivable, Net	3,890,824	
Notes Receivable, Net	80,388	
Due from Other Governmental Agencies	27,502,030	
Due from Component Unit/College	15,234	150,037
Inventories	108,761	
<b>Total Current Assets</b>	<u>50,429,903</u>	<u>10,639,879</u>
Noncurrent Assets:		
Investments	28,544,873	
Restricted Investments	3,983,019	28,316,154
Depreciable Capital Assets, Net	122,188,253	
Nondepreciable Capital Assets	58,524,697	
Other Noncurrent Assets		12,667
<b>Total Noncurrent Assets</b>	<u>213,240,842</u>	<u>28,328,821</u>
<b>TOTAL ASSETS</b>	<u>\$ 263,670,745</u>	<u>\$ 38,968,700</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 2,611,266	\$ 24,377
Salary and Payroll Taxes Payable	2,061,103	
Retainage Payable	1,711,217	
Due to Other Governmental Agencies	25,694	
Due to Component Unit/College	150,037	15,234
Deferred Revenue	3,676	3,068
Estimated Claims Payable	2,493,619	
Deposits Held for Others	4,901,047	
Long-Term Liabilities - Current Portion:		
Bonds Payable	480,000	
Note Payable	1,178,837	
Compensated Absences Payable	1,400,000	
<b>Total Current Liabilities</b>	<u>17,016,496</u>	<u>42,679</u>
Noncurrent Liabilities:		
Bonds Payable	6,500,000	
Note Payable	5,738,338	
Compensated Absences Payable	12,730,374	
<b>Total Noncurrent Liabilities</b>	<u>24,968,712</u>	
<b>TOTAL LIABILITIES</b>	<u>41,985,208</u>	<u>42,679</u>

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

	<u>College</u>	<u>Component Unit</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 166,815,775	\$
Restricted:		
Nonexpendable:		
Endowment		22,133,848
Expendable:		
Grants and Other	3,677,281	15,760,609
Endowment	4,581,974	
Capital Projects	34,184,201	
Debt Service	161,498	
Unrestricted	<u>12,264,808</u>	<u>1,031,564</u>
<b>Total Net Assets</b>	<u>221,685,537</u>	<u>38,926,021</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 263,670,745</u>	<u>\$ 38,968,700</u>

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

**FLORIDA COMMUNITY COLLEGE AT JACKSONVILLE**  
**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
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$11,395,895	\$ 37,535,323	\$
Federal Grants and Contracts	6,628,364	
State and Local Grants and Contracts	3,599,598	
Nongovernmental Grants and Contracts	289,038	
Sales and Services of Educational Departments	758,341	
Auxiliary Enterprises	1,145,083	11,274,114
Other Operating Revenues	4,013,870	
	<b>53,969,617</b>	<b>11,274,114</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	100,336,323	397,289
Scholarships and Waivers	11,619,119	1,220,729
Utilities and Communications	5,623,216	
Contractual Services	16,661,749	10,271,518
Other Services and Expenses	9,207,096	1,406,979
Materials and Supplies	19,691,869	145,824
Depreciation	6,702,543	
	<b>169,841,915</b>	<b>13,442,339</b>
<b>Operating Loss</b>	<b>(115,872,298)</b>	<b>(2,168,225)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	83,112,621	
Gifts and Grants	21,320,713	12,854,082
Investment Income	3,710,426	3,993,225
Other Nonoperating Revenues	42,366	
Interest on Capital Asset-Related Debt	(635,157)	
	<b>107,550,969</b>	<b>16,847,307</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(8,321,329)</b>	<b>14,679,082</b>
Capital Appropriations	18,909,533	
Capital Grants, Contracts, Gifts, and Fees	2,206,387	1,878,130
Additions to Permanent Endowments		1,798,257
	<b>21,115,920</b>	<b>3,676,387</b>
<b>Increase in Net Assets</b>	<b>12,794,591</b>	<b>18,355,469</b>
Net Assets, Beginning of Year	208,890,946	20,570,552
<b>Net Assets, End of Year</b>	<b>\$ 221,685,537</b>	<b>\$ 38,926,021</b>

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

**FLORIDA COMMUNITY COLLEGE AT JACKSONVILLE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2007**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 36,034,711
Grants and Contracts	9,498,702
Payments to Suppliers	(45,585,249)
Payments for Utilities and Communications	(5,623,216)
Payments to Employees	(78,391,763)
Payments for Employee Benefits	(20,719,693)
Payments for Scholarships	(11,619,119)
Net Loans Issued to Students	1,444
Auxiliary Enterprises	1,129,850
Sales and Service of Educational Departments	758,341
Other Payments	6,676,803
	<b>(107,839,189)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	83,112,621
Gifts and Grants Received for Other Than Capital or Endowment Purposes	21,320,713
	<b>104,433,334</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt	
Capital Appropriations	27,204,016
Capital Grants and Gifts	2,206,387
Proceeds from Sale of Capital Assets	42,366
Purchases of Capital Assets	(25,536,434)
Principal Paid on Capital Debt and Leases	(1,587,669)
Interest Paid on Capital Debt and Leases	(635,157)
	<b>1,693,509</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	34,267,294
Investment Income	2,593,752
Purchase of Investments	(35,723,663)
	<b>1,137,383</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(574,963)</b>
Cash and Cash Equivalents, Beginning of Year	16,255,023
	<b>\$ 15,680,060</b>

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

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (115,872,298)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,702,543
Changes in Assets and Liabilities:	
Receivables, Net	(2,534,051)
Inventories	(48,386)
Loans to Students	1,444
Accounts Payable	4,030,719
Deferred Revenue	(92)
Deposits Held for Others	(775,208)
Investment Fees	23,851
Compensated Absences Payable	632,289
	\$ (107,839,189)

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

**FLORIDA COMMUNITY COLLEGE AT JACKSONVILLE**  
**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 Florida Community College at Jacksonville, 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 Duval and Nassau 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 Florida Community College at Jacksonville 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.

**FLORIDA COMMUNITY COLLEGE AT JACKSONVILLE**  
**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.

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.

**FLORIDA COMMUNITY COLLEGE AT JACKSONVILLE**  
**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. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue.

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

**Cash and Cash Equivalents.** The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash held 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 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.

At June 30, 2007, the College had cash equivalents at fair value \$24,691,694 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. Investments in the Local Government Surplus Funds Trust Fund, a

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

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

The College maintained accounts with a local bank to process general operating expense and payroll transactions. Funds in excess of current needs, including float, were invested. As a result, the total amount reported as cash and cash equivalents was net of \$9,011,634 representing outstanding checks and other items not presented to the local bank as of June 30, 2007. This did not, however, represent an overdraft in the College's local bank accounts.

**Capital Assets.** College capital assets consist of land; buildings; other structures and improvements; furniture, machinery, and equipment; capitalized collections; 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

## 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

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

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's investments at June 30, 2007, are reported at fair value, as follows:

Investment Type	Debt Service Funds	Endowment Funds	Other College Funds	Total
<b>Debt Securities:</b>				
U.S. Government Obligations	\$	\$ 315,397	\$ 10,497,809	\$10,813,206
Federal Agency Obligations		294,980	13,764,570	14,059,550
Corporate Bonds and Notes		251,904	3,944,043	4,195,947
<b>Total Debt Securities</b>		<b>862,281</b>	<b>28,206,422</b>	<b>29,068,703</b>
<b>Other Investments:</b>				
Stocks and Options		3,083,732		3,083,732
Money Market Fund		151,904	2,865,398	3,017,302
Accrued Interest		10,812	338,451	349,263
SBA Debt Service Accounts	161,498			161,498
<b>Total Other Investments</b>	<b>161,498</b>	<b>3,246,448</b>	<b>3,203,849</b>	<b>6,611,795</b>
<b>Total Investments</b>	<b>\$161,498</b>	<b>\$4,108,729</b>	<b>\$ 31,410,271</b>	<b>\$35,680,498</b>

**State Board of Administration Debt Service Accounts**

The College reported investments at fair value totaling \$161,498 at June 30, 2007, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

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

**Other Investments**

The following risks apply to the College'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 College's investment policy limits investments to a maximum average duration of the portfolio to no greater than 125 percent of the target benchmark's average duration. The policy also provides that the maximum effective maturity of an individual security will not be greater than five years, and the maximum average life of the portfolio will not be greater than three years. At June 30, 2007, the College had \$24,872,756 in obligations of the United States government and its agencies, with various call dates with final maturity dates between August 2007, and April 2037, having a weighted average maturity of 2.4 years for Endowment Funds and 2.47 years for Other College Funds. Also at June 30, 2007, the College had \$4,195,947 in corporate securities, with various call dates with final maturity dates between January 2008, and January 2017, with weighted average maturities of 4.3 years for Endowment Funds and 3.387 years for Other College Funds. For the \$3,017,302 in money market funds, the average maturity was 30 days for Endowment Funds and 36 days for Other College Funds.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy addresses credit risk through the authorization of the following investments:

- United States Treasury Bills, Notes, Bonds, Strips, and other obligations whose principal and interest is fully guaranteed by the United States of America or any of its agencies or instrumentalities.
- Government Sponsored Enterprises: Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), Student Loan Marketing Association (SLMA), Financing Corporation (FICO), The Resolution Funding Corporation (REFCO), Farm Credit Systems Financial Assistance Corporation, the Federal Housing Financing Board, and all other government sponsored agencies and enterprises.
- Repurchase Agreements that are collateralized by United States Treasury securities at 102 percent of cost.
- Certificates of Deposit in State-certified qualified public depositories.
- Mortgage-backed, pass-throughs, guaranteed by the United States government or a Federal agency, including securities collateralized by the same.
- Asset Backed Securities rated at least "AAA" by either Standard & Poor's or Moody's.
- Money market funds, including, but not limited to, commercial paper, time deposits and banker's acceptances, rated at least "A1/P1" or the equivalent by Standard and Poor's, Moody's, and all other nationally recognized credit rating organizations.

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

- Corporate bonds and notes with at least an “A” rating.
- Money market funds registered with the SEC and only invested in securities with the highest credit quality rating from a nationally recognized rating company.

Obligations of the United States government and obligations explicitly guaranteed by the United States government are not considered to have credit risk. As of June 30, 2007, the College’s investments in Corporate Debt Securities are rated as AAA by Standard and Poor’s.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover that value of investments or collateral securities that are in the possession of an outside party. Investments purchased on behalf of the College pursuant to Section 218.415, Florida Statutes, must be properly earmarked and (1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the College’s interest in the security; (2) if in a book entry form, the investment must be held for the credit of the College by a depository chartered by the Federal Government, the State, or any other State or territory of the United States, that has a branch or principal place of business in this State, or by a national association organized and existing under the laws of the United States that is authorized to accept and execute trusts and which is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution; or (3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. The College’s \$24,872,756 of investments in obligations of United States government agencies and instrumentalities, and \$4,195,947 in corporate debt securities, are held by the safekeeping agent in the name of the College.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The College’s investment policy provides that a maximum of five percent of the portfolio may be invested in securities of a single issuer. United States government and government agency-backed securities are not subject to this limitation.

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

**Component Unit Investments**

Investments held by the Foundation at June 30, 2007, are reported at fair value as follows:

Investment Type	Fair Value	Weighted Average Maturity	Average Credit Quality
<b>Debt Securities:</b>			
U.S. Government Obligations	\$ 532,194	(1)	(1)
Federal Agency Obligations	39,510	(1)	(1)
Corporate Bonds and Notes	<u>223,079</u>	5.19 Years	A+
<b>Total Debt Securities</b>	<u>794,783</u>		
<b>Other Investments:</b>			
Equities	22,252,078	(1)	(1)
Money Market Fund	401,118	(1)	(1)
Multi Strategy Bond Fund	4,627,379	7.85 Years	AA
Real Estate Investment Trusts	191,621	(1)	(1)
Limited Partnership	25,500	(1)	(1)
Artwork	<u>23,675</u>	(1)	(1)
<b>Total Other Investments</b>	<u>27,521,371</u>		
<b>Total Investments</b>	<u>\$28,316,154</u>		

Note: (1) Disclosure of maturity and credit quality risk is not required for these investment types.

*Interest Rate Risk:* The Foundation's investment policy does not specifically limit debt obligation maturities. However, as a means of managing the Foundation's exposure to fair value losses arising from increasing interest rates, the policy provides for diversifying fixed-income investments among maturities according to interest rate prospects.

*Credit Risk:* The Foundation's investment policy provides that no more than 15 percent of the corporate debt securities in the fixed income portfolio may be rated below investment-grade.

*Custodial Credit Risk:* The Foundation's investment policy does not address custodial credit risk.

*Concentration of Credit Risk:* The Foundation's investment policy provides that the maximum amount invested in the securities of a single issuer may not exceed five percent of the total investments. Securities issued by the United States government and its agencies are not subject to this limitation.

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

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferrals, 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 \$347,754 allowance for uncollectible accounts.

**4. NOTES RECEIVABLE**

Notes receivable represent student loans made under the College's short-term loan program. Notes receivable are reported net of a \$30,460 allowance for uncollectible notes.

**5. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$26,017,937 of Public Education Capital Outlay allocations due from the State to the College for construction of College facilities.

**6. INVENTORIES**

Inventories consist of consumable materials and supplies of \$108,761 at the Central Stores Warehouse, and are valued using the average cost method. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

**7. CAPITAL ASSETS**

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

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 8,217,504	\$	\$	\$ 8,217,504
Capitalized Collections		15,000		15,000
Construction in Progress	25,843,117	24,449,076		50,292,193
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 34,060,621</b>	<b>\$ 24,464,076</b>	<b>\$</b>	<b>\$ 58,524,697</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 193,577,470	\$	\$	\$ 193,577,470
Other Structures and Improvements	2,637,874	17,474		2,655,348
Furniture, Machinery, and Equipment	20,783,233	1,655,481	1,138,690	21,300,024
<b>Total Depreciable Capital Assets</b>	<b>216,998,577</b>	<b>1,672,955</b>	<b>1,138,690</b>	<b>217,532,842</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	69,738,129	4,839,437		74,577,566
Other Structures and Improvements	1,654,967	261,925		1,916,892
Furniture, Machinery, and Equipment	18,384,760	1,601,181	1,135,810	18,850,131
<b>Total Accumulated Depreciation</b>	<b>89,777,856</b>	<b>6,702,543</b>	<b>1,135,810</b>	<b>95,344,589</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 127,220,721</b>	<b>\$ (5,029,588)</b>	<b>\$ 2,880</b>	<b>\$ 122,188,253</b>

**8. LONG-TERM LIABILITIES**

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 7,430,000	\$	\$ 450,000	\$ 6,980,000	\$ 480,000
Note Payable	8,054,843		1,137,668	6,917,175	1,178,837
Compensated Absences Payable	13,498,085	1,498,492	866,203	14,130,374	1,400,000
<b>Total Long-Term Liabilities</b>	<b>\$ 28,982,928</b>	<b>\$ 1,498,492</b>	<b>\$ 2,453,871</b>	<b>\$ 28,027,549</b>	<b>\$ 3,058,837</b>

**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:

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Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education			
Capital Outlay Bonds:			
Series 1998-A (Partially Refunded)	\$ 480,000	4.5	2008
Series 2005-B, Refunding	<u>6,500,000</u>	5	2018
<b>Total</b>	<u>\$ 6,980,000</u>		

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

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2008	\$ 480,000	\$ 695,038	\$ 1,175,038
2009	500,000	325,000	825,000
2010	525,000	300,000	825,000
2011	555,000	273,750	828,750
2012	585,000	246,000	831,000
2013-2017	3,495,000	755,000	4,250,000
2018	<u>840,000</u>	<u>42,000</u>	<u>882,000</u>
<b>Total</b>	<u>\$ 6,980,000</u>	<u>\$ 2,636,788</u>	<u>\$ 9,616,788</u>

In prior years, portions of the College’s State Board of Education, Capital Outlay Bonds, Series 1998-A, were refunded and considered defeased in substance by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the College’s statement of net assets. As of June 30, 2007, \$6,790,000 of State Board of Education, Capital Outlay Bonds, Series 1998-A, are considered defeased in substance.

**Note Payable.** Section 1009.23(12), Florida Statutes, provides that parking fee revenue may be pledged by a community college board of trustees as a dedicated revenue source for the repayment of debt. During the 2005-06 fiscal year, the College entered into an agreement with a commercial bank and borrowed \$8.7 million to construct a parking garage at the Deerwood Center for which final payment will be made during the 2012-13 fiscal year. The College had the following note payable outstanding at June 30, 2007:

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Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$ 1,178,837	\$ 227,139	\$ 1,405,976
2009	1,221,495	184,480	1,405,975
2010	1,265,697	140,279	1,405,976
2011	1,311,498	94,477	1,405,975
2012	1,358,957	47,018	1,405,975
2013	580,691	5,133	585,824
<b>Total</b>	<b>\$ 6,917,175</b>	<b>\$ 698,526</b>	<b>\$ 7,615,701</b>

The stated interest rate is 3.56 percent.

**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 \$14,130,374. Of this amount \$1.4 million is considered to be a current liability expected to be paid in the coming fiscal year, and represents the College's estimate of leave payments plus benefits for retirements, separations, and Deferred Retirement Option Program (DROP) participants during the 2006-07 fiscal year. It is expected that the liability will decline over time as the Board has put in place a rule to limit the amount of leave payable to administrative and professional employees and to faculty hired after August 16, 2003.

**9. RETIREMENT PROGRAMS**

**Florida Retirement System.** Most employees working in regularly established positions of the College are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida 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.

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

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2006-07 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
State and County Officers and Employees' Retirement System, Plan B	4.00	9.10
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class or plan in which reemployed.

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions (including employee contributions) for the fiscal years ended June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$3,546,943, \$3,694,546, and \$4,724,796, respectively, which were equal to the required contributions for each fiscal year.

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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 195 College participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$604,736.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

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

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

There were 174 College participants during the 2006-07 fiscal year. Required employer contributions made to the Program totaled \$1,034,670.

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**10. SENIOR MANAGEMENT SERVICE CLASS LOCAL ANNUITY PROGRAM**

Section 121.055, Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the Florida Retirement System, Senior Management Service Class, may elect to withdraw from the Florida Retirement System altogether and participate in a lifetime monthly annuity program offered by the local agency. Pursuant thereto, the College, during the 1997-98 fiscal year, established a Senior Management Service Class Local Annuity Program. Employees in eligible positions are allowed to make an irrevocable election to participate in the Program rather than the Florida Retirement System. Under the program, the College contributes the same percentage of the participant's salary as would have been contributed to the Florida Retirement System, Senior Management Service Class, toward an annuity provided by approved fund sponsors. As of June 30, 2007, six employees had opted to participate in the Program. Contributions made by the College to the Program totaled \$119,615 during the 2006-07 fiscal year.

**11. POST-EMPLOYMENT BENEFITS**

Pursuant to Section 112.0801, Florida Statutes, the College pays the cost of life insurance for retired former employees. All of the College's employees may become eligible for those benefits if they reach normal retirement age and have their last ten years of service with the College. At June 30, 2007, the College provided benefits to 414 retired former employees and recognized the cost of the benefits as an expense each month as premiums were paid. For the 2006-07 fiscal year, premiums totaled \$124,410.

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**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
Downtown Campus - Building A, URC, MSB:			
General Contractor	\$ 6,936,722	\$ 3,904,930	\$ 3,031,792
Architect	1,049,883	917,085	132,798
Kent Campus - Classrooms:			
General Contractor	5,472,720	5,188,108	284,612
Architect	500,338	489,702	10,636
Cecil Commerce Education Center:			
General Contractor	13,420,530	12,904,125	516,405
Architect	771,409	690,569	80,840
Cecil Center - South Building 1:			
General Contractor	66,650	33,660	32,990
Architect	3,200	3,200	
North Campus - Classrooms:			
General Contractor	8,786,772	7,392,322	1,394,450
Architect	811,423	773,924	37,499
Nassau Center - Joint Use Technical Center:			
General Contractor	7,128,116	7,026,742	101,374
Architect	633,341	629,722	3,619
Deerwood Center - Parking Garage:			
General Contractor	8,773,571	8,769,292	4,279
Architect	187,335	186,331	1,004
Deerwood Center - New Mall Space:			
General Contractor	1,041,710	813,032	228,678
Architect	818,446	427,021	391,425
South Campus - Buildings S/N:			
General Contractor	90	90	
Architect	628,562	218,548	410,014
<b>Total</b>	<b>\$ 57,030,818</b>	<b>\$ 50,368,403</b>	<b>\$ 6,662,415</b>

**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 through a self-insured program and commercially purchased insurance.

**Self-Insured Program.** The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College's liability was limited by excess reinsurance to \$125,000 per insured person with an aggregate medical claim cap of

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\$12.1 million for the 2006-07 fiscal year. The plan is provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributes employee premiums as a fringe benefit. Employee dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include amounts for claims incurred, but not reported, and related claims' administration expenses. Because actual claims' liabilities depend upon such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing claims' liabilities does not necessarily result in an exact amount. The College reevaluates claims' liabilities periodically and the claims' liabilities totaled \$2,185,877 as of June 30, 2007.

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

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
2005-06	\$ 1,987,994	\$ 9,289,579	\$ (9,179,194)	\$ 2,098,379
2006-07	2,098,379	9,767,721	(9,680,223)	2,185,877

The College has an individual self-insured program to provide workers' compensation coverage for its employees. The College's liability was limited by excess reinsurance to \$350,000 per occurrence for the 2006-07 fiscal year. The program administrator has been approved by the Florida Department of Financial Services, Office of Insurance Regulation. An actuarial review has determined a present value of estimated outstanding losses, including incurred but not reported claims, in the amount of \$307,742 discounted at a rate of 5 percent, existed at June 30, 2007.

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

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
2005-06	\$ 480,165	\$ 232,152	\$ (351,919)	\$ 360,398
2006-07	360,398	170,851	(223,507)	307,742

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Amounts held by the College for the self-insured group health and workers' compensation programs in excess of estimated claims payable at June 30, 2007, totaled \$2,477,445 and are classified as deposits held for others on the statement of net assets. The College will use these amounts to pay claims incurred in future fiscal years.

Settled claims arising from risks associated with the self-insured programs have not exceeded coverage in any of the past three fiscal years.

**Commercially Purchased Insurance.** The College's insurance coverages for property, boiler and machinery, general liability, automobile liability, employee faithful performance, employee benefits liability, errors and omissions, and student professional liability were obtained through commercially purchased insurance. In lieu of paying higher premiums, the College maintains a reserve for the deductible (two percent) required by its property insurance coverage for wind and hail perils. At June 30, 2007, the \$1,422,000 available in the reserve, is included in deposits held for others on the statement of net assets.

**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.

**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.

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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	\$ 72,725,712
Gross Receipts Tax (Public Education Capital Outlay)	17,812,471
Education Enhancement Trust Fund (Lottery)	9,200,485
Florida Student Assistance Grants	4,357,199
Restricted Contracts and Grants	2,682,763
Bright Futures Scholarship Program	2,096,681
Performance Based Incentives	1,186,424
Motor Vehicle License Tax (Capital Outlay and Debt Service)	1,064,515
Other State Sources	32,547
<b>Total</b>	<b>\$ 111,158,797</b>

**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 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	\$ 65,824,329
Public Services	1,277,101
Academic Support	23,323,805
Student Services	15,504,303
Institutional Support	21,634,150
Operation and Maintenance of Plant	22,472,926
Scholarships and Fellowships	13,102,758
Depreciation	6,702,543
<b>Total Operating Expenses</b>	<b>\$ 169,841,915</b>

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**17. SUBSEQUENT EVENT**

As discussed in note 1, at June 30, 2007, the College had \$24,691,694 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 \$13,137,893 invested in the Pool as of March 28, 2008.