

GULF COAST COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2008



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2007-08 fiscal year are listed below:

	<u>County</u>
William C. Cramer, Jr., Chair	Bay
Karen L. Durden, Vice-Chair	Bay
Denise D. Butler	Franklin
James Allen Cox, Jr.	Gulf
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William C. Sumner	Gulf
Linda R. Wood from 8-17-07	Gulf

Dr. Jim Kerley, President

Note: (1) Board member served beyond the end of her term
May 31, 2007.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Stanley B. Dillard, CPA, and the audit was supervised by Patricia S. Crutchfield, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site 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.

**GULF COAST COMMUNITY COLLEGE
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the College's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

Audit Objectives and Scope

Our audit objectives were to determine whether Gulf Coast Community College and its officers with administrative and stewardship responsibilities for College operations had:

- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2008. We obtained an understanding of the College's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the financial statements. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of 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. 2009-062.

Audit Methodology

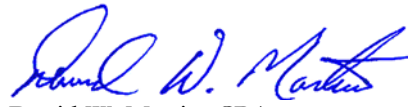
The methodology used to develop the findings in this report included the examination of pertinent College records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 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 16, 2009

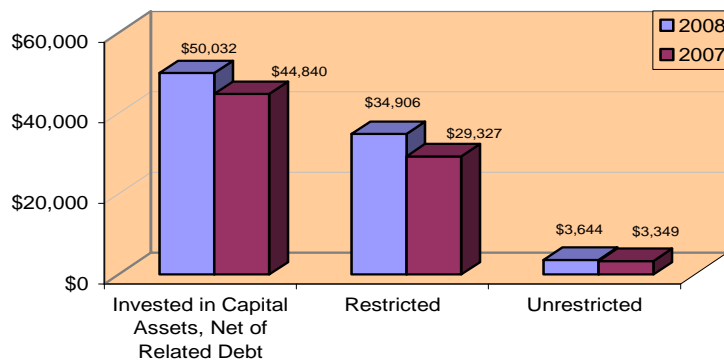
MANAGEMENT’S DISCUSSION AND ANALYSIS

The management’s discussion and analysis (MD&A) provides an overview of the College’s financial activities for the fiscal year ended June 30, 2008. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. Management has prepared the financial statements and the related note disclosures along with the MD&A. Responsibility for the completeness and fairness of this information rests with the College. The MD&A contains financial activities of the College and its component units, the Gulf Coast Community College Foundation, Inc., and the Gulf Coast Athletic Association, Inc., for the 2006-07 and 2007-08 fiscal years. The MD&A should be read in conjunction with the accompanying financial statements and notes thereto.

FINANCIAL HIGHLIGHTS

The net assets by category for the fiscal year ended June 30, 2008, and June 30, 2007, are shown in the following graph:

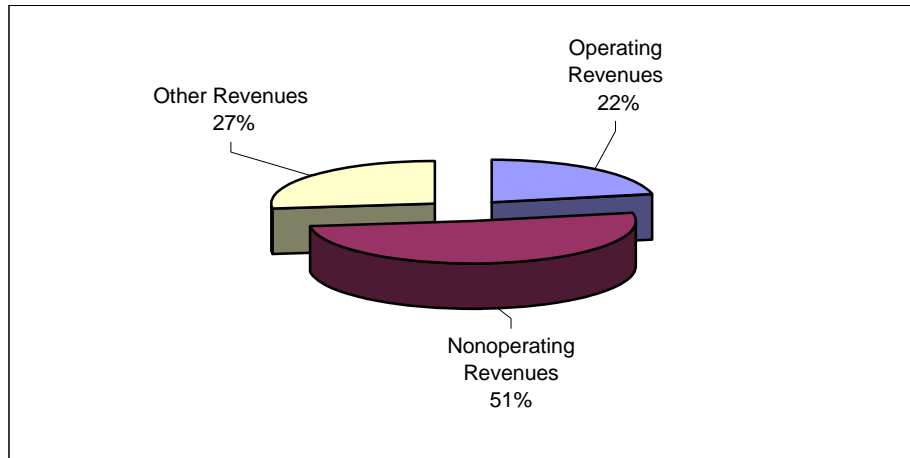
**Net Assets: College
(In Thousands)**



The College’s combined net assets were \$88.6 million at June 30, 2008, as compared to \$77.5 million at June 30, 2007. This change was caused, in part, by an increase in amounts due from other governmental agencies.

The following chart provides a graphical presentation of revenues by category for the 2007-08 fiscal year:

Total Revenues: College



A current year loss from operations of \$31.6 million, and other revenues of \$42.7 million resulted in an increase in net assets of \$11.1 million for the 2007-08 fiscal year. Other revenues for the 2007-08 fiscal year includes State appropriations of \$20.9 million for operations, \$13.3 million for capital projects, \$6.8 million for gifts and grants, and \$1 million for investment income and student capital improvement and technology fees. For the 2006-07 fiscal year, the College reported a loss from operations of \$30.1 million and other revenues of \$45.9 million.

OVERVIEW OF FINANCIAL STATEMENTS

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

- Gulf Coast Community College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Gulf Coast Community College Foundation, Inc., and the Gulf Coast Athletic Association, Inc., (Component Units) – Although legally separate, the component units are important because the College is financially accountable for them and reports their financial activities to the State of Florida.

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

One of the most important questions asked about the College’s finances is, “Is Gulf Coast Community College as a whole, better off or worse off as a result of the year’s activities?” The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in

net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Gulf Coast Community College's operating results.

These two statements report Gulf Coast Community College's net assets and changes in them. You can think of the College's net assets, the difference between assets and liabilities, as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indication of whether its financial health is improving or deteriorating. You will need to consider many other nonfinancial factors, such as certain trends, student retention, condition of the buildings, and the safety of the campus, to assess the College's overall financial health.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current fiscal year's revenues and expenses are taken into account regardless of when cash is received or paid.

A condensed statement of assets, liabilities, and net assets of the College and its component units for the fiscal years ended June 30, 2008, and June 30, 2007, is shown in the following table:

Assets, Liabilities, and Net Assets at June 30
(In Thousands)

	College		Component Units	
	2008	2007	2008	2007
Assets				
Current Assets	\$ 41,582	\$ 14,681	\$ 10,079	\$ 12,252
Capital Assets, Net	51,011	45,905	6	15
Other Noncurrent Assets	1,381	21,029	15,821	14,811
Total Assets	93,974	81,615	25,906	27,078
Liabilities				
Current Liabilities	2,122	525	130	96
Noncurrent Liabilities	3,270	3,574		
Total Liabilities	5,392	4,099	130	96
Net Assets				
Invested in Capital Assets, Net of Related Debt	50,032	44,840		
Restricted	34,906	29,327	25,518	26,764
Unrestricted	3,644	3,349	258	218
Total Net Assets	\$ 88,582	\$ 77,516	\$ 25,776	\$ 26,982
Increase (Decrease) in Net Assets	\$ 11,066	14.3%	\$ (1,206)	-4.5%

Revenues and expenses of the College and its component units for the 2007-08 and 2006-07 fiscal years are shown in the following table:

**Operating Results for the Fiscal Years
(In Thousands)**

	College		Component Units	
	2007-08	2006-07	2007-08	2006-07
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 6,095	\$ 5,811	\$	\$
Federal Grants and Contracts	2,208	2,590		
State and Local Grants and Contracts	66	174	612	1,789
Nongovernmental Grants and Contracts	691	15	953	797
Sales and Services of Educational Departments	157	120		
Auxiliary Enterprises, Net of Scholarship Allowances	2,212	2,095		
Other Operating Revenues	317	423	80	70
Total Operating Revenues	11,746	11,228	1,645	2,656
Less, Operating Expenses	43,400	41,373	2,213	1,526
Operating Income (Loss)	(31,654)	(30,145)	(568)	1,130
Nonoperating Revenues				
State Appropriations	20,872	20,653		
Gifts and Grants	6,788	5,923		
Other Nonoperating Revenues	310	479		3,360
Nonoperating Expenses	(53)	(57)	(638)	
Net Nonoperating Revenues (Expense)	27,917	26,998	(638)	3,360
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(3,737)	(3,147)	(1,206)	4,490
Capital Appropriations	13,254	18,253		
State and Local Grants - Capital	899			
Capital Grants, Contracts, Gifts, and Fees	650	621		
Increase (Decrease) in Net Assets	11,066	15,727	(1,206)	4,490
Net Assets, Beginning of Year	77,516	61,789	26,982	22,492
Net Assets, End of Year	\$ 88,582	\$ 77,516	\$ 25,776	\$ 26,982

Operating Revenues

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

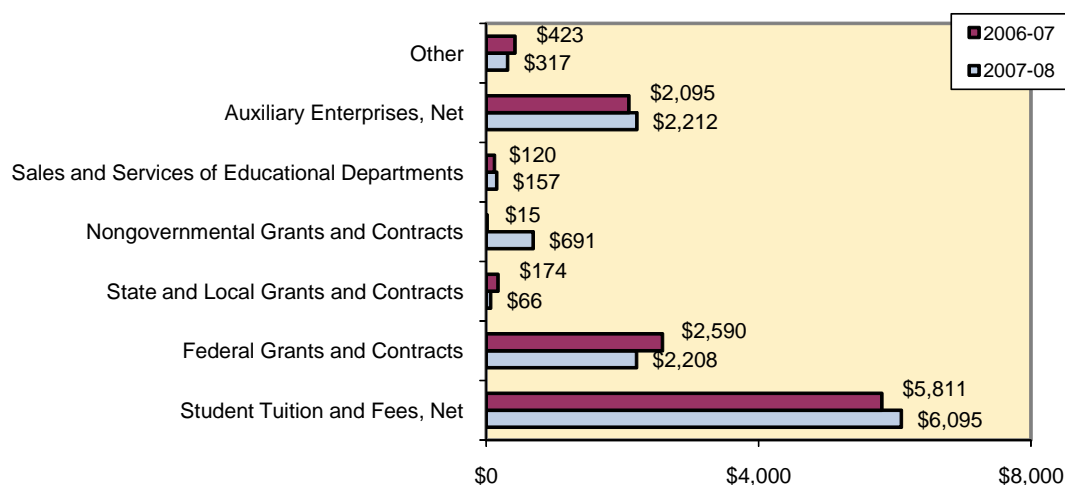
College operating revenues for the fiscal years ended June 30, 2008, and June 30, 2007, were \$11.7 and \$11.2 million, respectively, and primarily comprised of the following:

- Student tuition and fees net of scholarship allowances, of \$6.1 million and \$5.8 million for the 2007-08 and 2006-07 fiscal years, respectively.

- Federal grants and contracts totaling \$2.2 million and \$2.6 million for the 2007-08 and 2006-07 fiscal years, respectively. These totals were primarily from Federal Workforce Education programs.
- Auxiliary enterprises revenues of \$2.2 million and \$2.1 million for the 2007-08 and 2006-07 fiscal years, respectively. These revenues consisted of \$1.8 million and \$1.9 million generated by the College-owned bookstore for the 2007-08 and 2006-07 fiscal years, respectively, with the balance contributed by food service and other auxiliary units.

The following chart presents the College’s operating revenues for the 2007-08 and 2006-07 fiscal years:

**Operating Revenues: College
(In Thousands)**



When compared to the prior fiscal year, College operating revenues were fairly consistent, increasing only 5 percent in total.

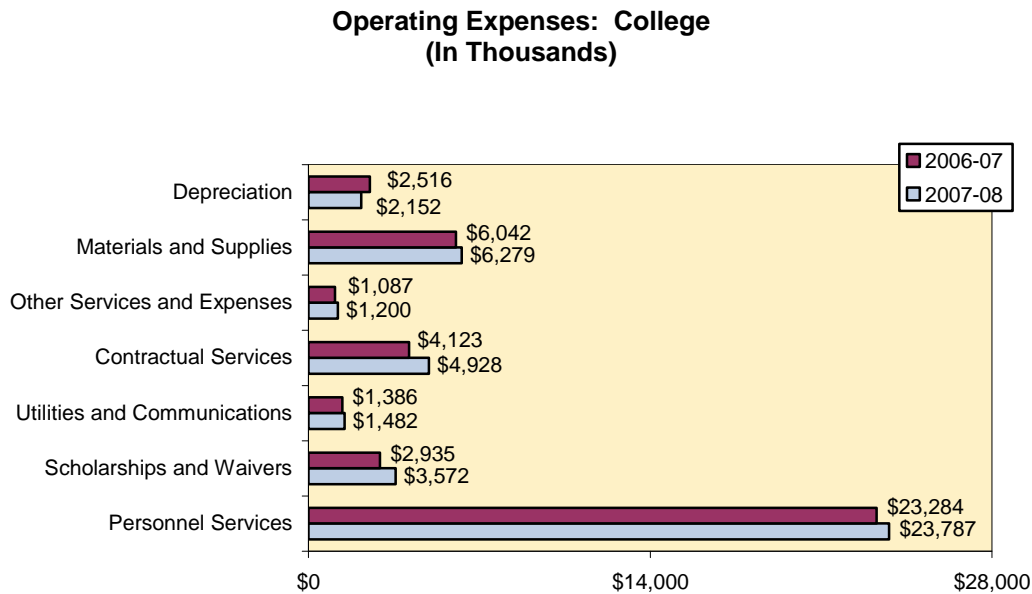
Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

Operating expenses for the College and its component units for the 2007-08 and 2006-07 fiscal years are presented in the following table:

	College		Component Units	
	2007-08	2006-07	2007-08	2006-07
Operating Expenses				
Personnel Services	\$ 23,787	\$ 23,284	\$ 112	\$ 93
Scholarships and Waivers	3,572	2,935	1,704	1,177
Utilities and Communications	1,482	1,386		
Contractual Services	4,928	4,123	30	23
Other Services and Expenses	1,200	1,087	248	153
Materials and Supplies	6,279	6,042	118	77
Depreciation	2,152	2,516	1	3
Total Operating Expenses	\$ 43,400	\$ 41,373	\$ 2,213	\$ 1,526

The following chart presents the College’s operating expenses for the 2007-08 and 2006-07 fiscal years:



The College’s total operating expenses increased by \$2 million, or 4.9 percent, mainly due to increases in personnel services expense, scholarship and waivers, and contractual services. The College’s personnel services expenses, which account for 54.8 percent of the College’s operating expenses totaled \$23.8 million for the 2007-08 fiscal year compared to \$23.3 million for the 2006-07 fiscal year. The increase was due mainly to a 4 percent salary increase.

Component units’ scholarship expense totaled \$2 million for the 2007-08 fiscal year, or 77 percent of operating expenses.

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 2007-08 and 2006-07 fiscal years:

Nonoperating Revenues (Expenses): College (In Thousands)

	<u>2007-08</u>	<u>2006-07</u>
State Appropriations	\$ 20,872	\$ 20,653
Gifts and Grants	6,788	5,923
Investment Income	310	479
Interest on Capital Asset-Related Debt	<u>(53)</u>	<u>(57)</u>
Net Nonoperating Revenues	<u>\$ 27,917</u>	<u>\$ 26,998</u>

The College's net nonoperating revenues increased \$1 million, or 3.4 percent, mainly due to an increase in State appropriations and gifts and grants.

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 2007-08 and 2006-07 fiscal years:

Other Revenues, Expenses, Gains, or Losses: College (In Thousands)

	<u>2007-08</u>	<u>2006-07</u>
Capital Appropriations	\$ 13,254	\$ 18,253
State and Local Capital Grants and Contracts	899	
Capital Grants, Contracts, Gifts, and Fees	<u>650</u>	<u>621</u>
Total	<u>\$ 14,803</u>	<u>\$ 18,874</u>

The College's other revenues decreased \$4 million, or 21.6 percent, mainly due to a decrease in capital appropriations.

THE STATEMENT OF CASH FLOWS

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period.

The statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows.
- Its ability to meet its obligations as they come due.
- Its need for external financing.

A summary of the College's cash flows for the 2007-08 and 2006-07 fiscal years is presented in the following table:

**Condensed Statement of Cash Flows: College
(In Thousands)**

	2007-08	2006-07
Cash Provided (Used) by:		
Operating Activities	\$ (29,355)	\$ (26,923)
Noncapital Financing Activities	27,661	19,407
Capital and Related Financing Activities	(4,402)	9,234
Investing Activities	299	479
Net Increase (Decrease) in Cash and Cash Equivalents	(5,797)	2,197
Cash and Cash Equivalents, Beginning of Year	13,758	11,561
Cash and Cash Equivalents, End of Year	\$ 7,961	\$ 13,758

Major sources of funds came from State appropriations (\$20.9 million), net student tuition and fees (\$6.1 million), gifts and grants for other than capital purposes (\$6.8 million), operating grants and contracts (\$2.9 million), and bookstore receipts (\$1.8 million).

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

- The College reported net cash used by operating activities of \$29.4 million and \$26.9 million for the fiscal years ended June 30, 2008, and June 30, 2007, respectively. State appropriations totaling \$20.9 million and \$13.5 million and grants received for other than capital purposes totaling \$6.8 million and \$5.9 million, respectively, for the 2007-08 and 2006-07 fiscal years, are reported as cash flows from noncapital financing activities, and are used by the College to finance normal operating activities.
- Major sources of cash provided by operating revenues for the 2007-08 fiscal year were primarily from student tuition and fees totaling \$6.1 million, grants and contracts totaling \$2.9 million, and auxiliary enterprises totaling \$2.2 million. Primary uses of cash for operations were for personnel expenses totaling \$24 million, payments to suppliers of \$12.3 million, and expenditures for student scholarships of \$3.5 million.

- Net cash used by capital and related financing activities for the 2007-08 fiscal year totaled \$4.4 million, consisting primarily of capital asset purchases of \$6 million which was partially offset by capital grants and gifts of \$1.5 million.
- The investing activity market conditions declined over the fiscal year. Continued emphasis on cash management resulted in cash provided by investment income of \$309,879 and \$478,700 for the 2007-08 and 2006-07 fiscal years, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2008, the College had \$80.5 million in capital assets, less accumulated depreciation of \$29.5 million, for net capital assets of \$51 million. Depreciation charges for the current fiscal year totaled \$2.2 million. The following table summarizes the College's capital assets at June 30:

Capital Assets: College at June 30 (In Thousands)

Capital Assets	College	
	2008	2007
Land	\$ 3,315	\$ 3,238
Buildings	37,655	40,543
Other Structures and Improvements	101	126
Furniture, Machinery, and Equipment	1,221	999
Construction in Progress	8,720	999
Capital Assets, Net	\$ 51,012	\$ 45,905

During the 2007-08 fiscal year, the College continued to renovate the Health Sciences and Administration Annex buildings and the Public Service Firing Range. Also, for the 2007-08 fiscal year, the College began construction on the Public Safety/Emergency Operation Center and relocation of the Communications Tower to the North Bay Center. For the 2008-09 fiscal year, the College plans to begin planning and construction of a new Advanced Technology Center. More information on the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$1 million in long-term debt outstanding. The State Board of Education issues capital outlay bonds on behalf of the College. During the 2007-08 fiscal year, debt service payments totaled \$138,250. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Gulf Coast Community College's economic condition is closely tied to that of the State of Florida. Increased fuel cost, housing costs, property taxes, and insurance rates are affecting the current economy. Although State appropriations for the 2008-09 fiscal year are expected to remain constant with the 2007-08 fiscal year, the College remains cautious regarding budgeting for the future. Accordingly, the College's Board of Trustees approved a conservative budget for the 2008-09 fiscal year knowing that the existing unrestricted net assets may need to be used to partially fund normal operating activities in the future.

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

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

GULF COAST COMMUNITY COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS As of June 30, 2008

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 4,944,595	\$ 218,196
Restricted Cash and Cash Equivalents	1,646,091	
Investments		9,702,842
Grants Receivable		85,268
Accounts Receivable, Net	383,298	41,613
Notes Receivable, Net	4,128	
Due from Other Governmental Agencies	33,819,846	
Inventories	458,861	
Prepaid Expenses	303,564	653
Other Assets	21,174	30,753
Total Current Assets	41,581,557	10,079,325
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,369,851	
Restricted Investments	11,363	15,820,550
Depreciable Capital Assets, Net	38,976,488	6,186
Nondepreciable Capital Assets	12,035,119	
Total Noncurrent Assets	52,392,821	15,826,736
TOTAL ASSETS	\$ 93,974,378	\$ 25,906,061
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 1,044,958	\$ 130,022
Retainage Payable	534,240	
Due to Other Governmental Agencies	302	
Deposits Held for Others	354,638	
Long-Term Liabilities - Current Portion:		
Bonds Payable	90,000	
Compensated Absences Payable	98,294	
Total Current Liabilities	2,122,432	130,022
Noncurrent Liabilities:		
Bonds Payable	890,000	
Compensated Absences Payable	2,344,411	
Postemployment Health Care Benefits Payable	35,339	
Total Noncurrent Liabilities	3,269,750	
TOTAL LIABILITIES	5,392,182	130,022

GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2008

	College	Component Units
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 50,031,607	\$
Restricted:		
Nonexpendable:		
Endowment		15,826,048
Expendable:		
Grants and Loans	699,493	
Scholarships and Other Educational Purposes		9,691,867
Capital Projects	34,159,186	
Debt Service	47,810	
Unrestricted	3,644,100	258,124
Total Net Assets	88,582,196	25,776,039
TOTAL LIABILITIES AND NET ASSETS	\$ 93,974,378	\$ 25,906,061

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

GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2008

	<u>College</u>	<u>Component Units</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$3,153,900	\$ 6,094,636	\$
Federal Grants and Contracts	2,207,698	
State and Local Grants and Contracts	65,919	612,213
Nongovernmental Grants and Contracts	690,641	952,408
Sales and Services of Educational Departments	157,629	
Auxiliary Enterprises, Net of Scholarship Allowances of \$651,969	2,212,210	
Other Operating Revenues	317,571	80,254
Total Operating Revenues	11,746,304	1,644,875
EXPENSES		
Operating Expenses:		
Personnel Services	23,787,245	111,949
Scholarships and Waivers	3,571,929	1,704,079
Utilities and Communications	1,482,287	
Contractual Services	4,927,918	30,236
Other Services and Expenses	1,200,230	247,561
Materials and Supplies	6,278,414	117,690
Depreciation	2,152,217	941
Total Operating Expenses	43,400,240	2,212,456
Operating Loss	(31,653,936)	(567,581)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	20,872,166	
Gifts and Grants	6,788,305	
Investment Income (Loss)	309,879	(637,718)
Interest on Capital Asset-Related Debt	(53,250)	
Net Nonoperating Revenues (Expenses)	27,917,100	(637,718)
Loss Before Other Revenues, Expenses, Gains, or Losses	(3,736,836)	(1,205,299)
Capital Appropriations	13,254,574	
State and Local Capital Grants and Contracts	898,560	
Capital Grants, Contracts, Gifts, and Fees	649,942	
Total Other Revenues	14,803,076	
Increase (Decrease) in Net Assets	11,066,240	(1,205,299)
Net Assets, Beginning of Year	77,515,956	26,981,338
Net Assets, End of Year	\$ 88,582,196	\$ 25,776,039

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

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2008**

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 6,128,769
Grants and Contracts	2,883,870
Payments to Suppliers	(12,329,540)
Payments for Utilities and Communications	(1,494,896)
Payments to Employees	(20,034,700)
Payments for Employee Benefits	(3,940,693)
Payments for Scholarships	(3,528,326)
Net Loans Issued to Students	(602)
Auxiliary Enterprises	2,212,210
Sales and Service of Educational Departments	157,629
Other Receipts	591,587
	(29,354,692)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	20,872,166
Gifts and Grants	6,788,305
	27,660,471
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	154,520
Capital Grants and Gifts	1,548,502
Purchases of Capital Assets	(5,967,004)
Principal Paid on Capital Debt	(85,000)
Interest Paid on Capital Debt	(53,250)
	(4,402,232)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	309,879
Purchase of Investments	(11,363)
	298,516
Net Decrease in Cash and Cash Equivalents	
Cash and Cash Equivalents, Beginning of Year	13,758,474
Cash and Cash Equivalents, End of Year	\$ 7,960,537

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2008**

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (31,653,936)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,152,217
Changes in Assets and Liabilities:	
Receivables, Net	33,530
Due from Other Governments	(80,388)
Inventories	77,021
Other Assets and Prepaid Expenses	30,996
Deposits Held for Others	274,016
Compensated Absences Payable	(223,487)
Post Employment Healthcare Benefits Payable	35,339
	\$ (29,354,692)
NET CASH USED BY OPERATING ACTIVITIES	

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

GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The College's component units are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The audited financial statements of these organizations are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the audited financial statements of the organizations for the fiscal year ended June 30, 2008. Additional condensed financial statements for the College's component units are included in a subsequent note.

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

The College's component units, as described above, are also direct-support organizations, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, are financially accountable to the College. These entities are managed independently, outside the College's budgeting process, and their powers generally are vested in a governing board pursuant to various State statutes. These entities receive, hold, invest, and administer property and make expenditures to or for the benefit of the College.

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

GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

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

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

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

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue and auxiliary enterprises revenue.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows for Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash with State Board of Administration (SBA) Fund Local Government Surplus Funds Trust Fund (LGIP) and the State Treasury Special Purpose Investment Accounts (SPIA). For the purpose of reporting cash flows, the College considers all highly liquid

GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the SPIA and LGIP 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, 2008, the College reported as cash equivalents at fair value \$510 of moneys held in the SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.31 years at June 30, 2008. The College and its component units rely on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool.

At June 30, 2008, the College reported as cash equivalents at fair value \$10,883 of moneys held in the LGIP administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The College's investments in the LGIP, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2008, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The LGIP carried a credit rating of AAAm by Standard and Poor's and had a weighted-average days to maturity (WAM) of 20.22 days as of June 30, 2008. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the LGIP to interest rate changes. The investments in the LGIP are reported at fair value, which is amortized cost.

Capital Assets. College capital assets consist of land; buildings; other structures and improvements; furniture, machinery, and equipment; and construction in progress. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Interest costs incurred during construction of capital assets are not considered material and are not capitalized as part of the cost of construction. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

- 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

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statute. As such, pursuant to Section 218.415(16), Florida Statutes, the College is authorized to invest in the Local Government Surplus Funds Trust Fund investment pools 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 and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

State Board of Administration Fund B Surplus Funds Trust Fund

On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund (LGIP) to also establish the Fund B Surplus Funds Trust Fund. Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the LGIP.

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

At June 30, 2008, the College reported investments at fair value of \$11,363 for amounts held in Fund B. The College's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.923331 at June 30, 2008. The weighted-average life (WAL) of Fund B at June 30, 2008, was 9.22 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2008. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

Component Units Investments

The College's component units' investments at June 30, 2008, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Common Fund:	
Bond Mutual Funds	\$ 6,967,143
Equity Mutual Funds	15,702,899
Short-Term Funds	2,405,663
Certificates of Deposit	400,000
Investment in Real Property	47,687
Total Component Unit Investments	<u><u>\$ 25,523,392</u></u>

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation has no formal investment policy that limits investment maturities. The Foundation relies on policies developed by the Commonfund's investment manager for managing interest rate risk for these investments. As of June 30, 2008, the weighted average maturity for the Commonfund bond mutual funds was 7.8 years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation has no formal investment policy on credit risk. The Foundation relies on policies developed by the Commonfund's investment manager for managing credit risk for these investments. As of June 30, 2008, the credit quality rating for the Commonfund bond mutual funds was AA.

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and grant reimbursements due from third parties. These receivables are reported net of a \$360,728 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 \$5,053 allowance for uncollectible notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$32,777,960 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

6. INVENTORIES

Inventories consist of items for resale by the campus bookstore and cafeteria and ammunition at the firing range. Inventories at the cafeteria and at the firing range are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation. Inventories at the bookstore are valued using the moving average method of inventory valuation. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, is shown below:

GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 3,237,622	\$ 77,688	\$	\$ 3,315,310
Construction in Progress	998,555	7,721,254		8,719,809
Total Nondepreciable Capital Assets	\$ 4,236,177	\$ 7,798,942	\$	\$ 12,035,119
Depreciable Capital Assets:				
Buildings	\$ 62,124,008	\$	\$ 3,124,417	\$ 58,999,591
Other Structures and Improvements	3,087,764	7,368		3,095,132
Furniture, Machinery, and Equipment	6,174,772	800,571	610,142	6,365,201
Total Depreciable Capital Assets	71,386,544	807,939	3,734,559	68,459,924
Less, Accumulated Depreciation:				
Buildings	21,580,863	1,544,389	1,780,917	21,344,335
Other Structures and Improvements	2,961,325	33,157		2,994,482
Furniture, Machinery, and Equipment	5,175,890	574,671	605,942	5,144,619
Total Accumulated Depreciation	29,718,078	2,152,217	2,386,859	29,483,436
Total Depreciable Capital Assets, Net	\$ 41,668,466	\$ (1,344,278)	\$ 1,347,700	\$ 38,976,488

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2008, include bonds, compensated absences, and postemployment health care benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2008, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 1,065,000	\$	\$ 85,000	\$ 980,000	\$ 90,000
Compensated Absences Payable	2,666,192	239,042	462,529	2,442,705	98,294
Postemployment Health Care Benefits Payable		74,558	39,219	35,339	
Total Long-Term Liabilities	\$ 3,731,192	\$ 313,600	\$ 586,748	\$ 3,458,044	\$ 188,294

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

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

resources, and compliance with reserve requirements. The College had the following bonds payable outstanding at June 30, 2008:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds: Series 2005-A	\$ 980,000	5	2017

Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2009	\$ 90,000	\$ 49,000	\$ 139,000
2010	90,000	44,500	134,500
2011	95,000	40,000	135,000
2012	105,000	35,250	140,250
2013	110,000	30,000	140,000
2014-2017	490,000	61,750	551,750
Total	\$ 980,000	\$ 260,500	\$ 1,240,500

9. 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, 2008, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$2,442,705. Of this amount, \$98,294 is considered a current liability as this is expected to be paid in the coming fiscal year. The current portion of the compensated absences liability is calculated based on terminal leave pay anticipated for those employees who have expressed their intent to retire during the 2008-09 fiscal year.

GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

10. POSTEMPLOYMENT HEALTH CARE BENEFITS PAYABLE

Effective for the 2007-08 fiscal year, the College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits administered by the Florida Community Colleges Risk Management Consortium (Consortium). The requirements of this Statement are being implemented prospectively, with the actuarially determined liability of \$635,671 at July 1, 2007, the date of transition, amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care and life insurance benefits liability at the date of transition.

Plan Description. The College contributes to a cost-sharing, multiple-employer, defined-benefit health care plan administered by the Consortium. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the Consortium for health care and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average, than those of active employees. The College does not offer any explicit subsidies. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The Consortium does not issue a stand-alone report and is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Board of Trustees. The College has not advance funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2007-08 fiscal year, 60 retirees received postemployment health care benefits and 59 retirees received postemployment life insurance benefits. The College's contributions to the OPEB obligation, is the implicit subsidy rate for retirees, which was \$39,219. Retiree contributions totaled \$344,643.

Annual OPEB Cost and Net OPEB Obligation. The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year

**GULF COAST COMMUNITY COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the College’s net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 42,127
Amortization of Unfunded Actuarial:	
Accrued Liability	32,431
Interest on Normal Cost and Amortization	-
Annual Required Contribution	74,558
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	74,558
Contribution Toward the OPEB Cost	<u>(39,219)</u>
Increase in Net OPEB Obligation	35,339
Net OPEB Obligation, Beginning of Year	<u>-</u>
Net OPEB Obligation, End of Year	<u>\$ 35,339</u>

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2008 (year of implementation), was as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Beginning Balance, July 1, 2007	\$		\$
2007-08	74,558	52.6%	35,339

Funded Status and Funding Progress. As of June 30, 2008, the actuarial accrued liability for benefits was \$635,671, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$635,671. The covered payroll (annual payroll of active participating employees) was \$16,697,660 for the 2007-08 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.8 percent.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the health care cost trends. Amounts determined regarding the funded status of the plan and the annual required

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's initial OPEB actuarial valuation as of July 1, 2007, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2008, and to estimate the 2007-08 fiscal year annual required contribution. This method was selected because it is the same method used in the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual health care cost trend rate of 9 percent initially for the 2007-08 fiscal year, reduced by 1 percent per year for two years, then 0.5 percent per year thereafter, to an ultimate rate of 5 percent after six years. The unfunded actuarial accrued liability is being amortized over 30 years using the level dollar method. The remaining amortization period at June 30, 2008, was 29 years.

11. RETIREMENT PROGRAMS

Florida Retirement System. The Florida Retirement System (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 benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

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 2007-08 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, 2006, June 30, 2007, and June 30, 2008, totaled \$999,358, \$1,302,789, and \$1,366,033, 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. Benefits in the plan vest at one year of service. There were 56 College participants during the 2007-08 fiscal year. Required contributions made to the PEORP totaled \$185,937.

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

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 34 College participants during the 2007-08 fiscal year. Required employer contributions made to the Program totaled \$224,125.

12. SPECIAL TERMINATION BENEFITS

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

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JUNE 30, 2008

13. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2008, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Health Sciences Renovation:			
Architect	\$ 639,000	\$ 570,308	\$ 68,692
General Contractor	8,634,609	4,029,433	4,605,176
Public Safety/Emergency Operation Center:			
Architect	1,101,859	911,788	190,071
General Contractor	11,413,865	631,487	10,782,378
Administration Annex:			
Architect	179,500	152,575	26,925
General Contractor	2,389,010	185,625	2,203,385
North Bay Center Communications Tower:			
Engineer	22,710		22,710
General Contractor	1,356,034		1,356,034
Total	\$ 25,736,587	\$ 6,481,216	\$ 19,255,371

14. 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 through February 29, 2008, and up to \$200 million effective March 1, 2008. Insurance coverage obtained through the Consortium included health and hospitalization, life, dental, long-term disability, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

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

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JUNE 30, 2008**

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	\$ 17,164,456
Gross Receipts Tax (Public Education Capital Outlay)	13,040,054
Education Enhancement Trust Fund (Lottery)	1,996,056
Restricted Contracts and Grants	1,361,299
Bright Futures Scholarship Program	1,342,131
Florida Student Assistance Grants	1,150,077
Performance Based Incentives	353,355
Motor Vehicle License Tax (Capital Outlay and Debt Service)	<u>214,520</u>
Total	<u><u>\$ 36,621,948</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 service. However, when the primary mission of the department consists of instructional program

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JUNE 30, 2008**

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	\$ 16,700,714
Public Services	359,966
Academic Support	2,242,413
Student Services	7,367,719
Institutional Support	4,686,525
Operation and Maintenance of Plant	6,489,859
Scholarships and Fellowships	427,526
Depreciation	2,152,217
Auxiliary Enterprises	<u>2,973,301</u>
Total Operating Expenses	<u>\$ 43,400,240</u>

17. COMPONENT UNITS

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

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	Gulf Coast Community College Foundation, Inc.	Gulf Coast Athletic Association, Inc.	Total
Condensed Statement of Net Assets			
Assets:			
Current Assets	\$ 9,910,503	\$ 168,822	\$ 10,079,325
Capital Assets, Net	5,498	688	6,186
Other Noncurrent Assets	15,820,550		15,820,550
Total Assets	25,736,551	169,510	25,906,061
Liabilities:			
Current Liabilities	130,022		130,022
Net Assets:			
Restricted	25,517,915		25,517,915
Unrestricted	88,614	169,510	258,124
Total Net Assets	\$ 25,606,529	\$ 169,510	\$ 25,776,039
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			
Operating Revenues	\$ 1,375,362	\$ 269,513	\$ 1,644,875
Operating Expenses	1,981,705	230,751	2,212,456
Operating Income (Loss)	(606,343)	38,762	(567,581)
Net Nonoperating Revenues (Expenses)	(640,087)	2,369	(637,718)
Increase (Decrease) in Net Assets	(1,246,430)	41,131	(1,205,299)
Net Assets, Beginning of Year	26,852,959	128,379	26,981,338
Net Assets, End of Year	\$ 25,606,529	\$ 169,510	\$ 25,776,039



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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 INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of Gulf Coast Community College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2008, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units 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 operational matters that we reported to College management in our audit report No. 2009-062, dated December 2008.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
March 16, 2009