

BREVARD 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:

James Theriac, Chair from 7-25-07
Alberta K. Wilson, Vice-Chair from 7-25-07
James W. Handley, Chair to 7-16-07 (1)
C.R. "Rick" McCotter, III, Interim Chair from 7-17-07
to 7-24-07, Vice-Chair to 7-24-07
Stephen G. Charpentier from 5-07-08
James H. Richey from 7-17-07 to 4-02-08 (2)
Dixie N. Sansom

Dr. James A. Drake, President

- Notes: (1) Board member served beyond the end of his term, May 31, 2007.
(2) Position vacant from 4-03-08 to 5-06-08.

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 Sherry J. Homayouni, CPA, and the audit was supervised by Brenda C. Racis, 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.

**BREVARD COMMUNITY COLLEGE
TABLE OF CONTENTS**

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS	1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	15
Statement of Revenues, Expenses, and Changes in Net Assets.....	17
Statement of Cash Flows.....	18
Notes to Financial Statements	20
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 <i>GOVERNMENT AUDITING STANDARDS</i>.....	
Internal Control Over Financial Reporting.....	38
Compliance and Other Matters	39

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 Brevard Community College and its officers with administrative and stewardship responsibilities for College operations had:

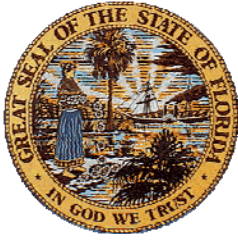
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied 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. 2009-150.

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.



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 Brevard Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2008, which collectively comprise the College's basic financial statements as shown on pages 15 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 the discretely presented component unit, is based solely upon the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Brevard Community College and of its discretely presented component unit as of June 30, 2008, and the respective changes in financial position 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 Brevard Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 14 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA
March 17, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College, and its component unit, the Brevard Community College Foundation, Inc., for the fiscal year ended June 30, 2008, with comparative figures for the 2006-07 fiscal year, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$150.4 million at June 30, 2008. This balance reflects a \$14.2 million, or 10.4 percent, increase from the 2006-07 fiscal year, resulting from increased cash, investments and amounts due from the State of Florida. While assets grew, liabilities increased by a lesser amount of \$1.5 million, or 8.5 percent, totaling \$18.8 million at June 30, 2008, compared to \$17.3 million at June 30, 2007. As a result, the College's net assets increased by \$12.7 million, reaching a year end balance of \$131.6 million.

The College's operating revenues totaled \$25.8 million for the 2007-08 fiscal year, representing an 11.4 percent increase over the 2006-07 fiscal year due mainly to increases in facilities usage fees. Operating expenses totaled \$85.6 million for the 2007-08 fiscal year, representing an increase of 6.1 percent over the 2006-07 fiscal year due mainly to cost-of-living salary increases and scholarships.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

THE STATEMENT OF NET ASSETS 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 Brevard 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 Brevard Community College's operating results.

These two statements report Brevard 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. Measured on this basis, the 10.7 percent increase in the College's net assets reflects a very positive 2007-08 fiscal year. You will need to consider many other nonfinancial factors, such as certain trends, student retention, condition of the buildings, and the safety of the campus, to assess the College's overall financial health.

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

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

	College		Component Unit	
	2008	2007	2008	2007
Assets				
Current Assets	\$ 44,014	\$ 30,827	\$ 4,928	\$ 4,166
Capital Assets, Net	102,208	99,992	203	205
Other Noncurrent Assets	4,175	5,349	10,934	11,093
Total Assets	150,397	136,168	16,065	15,464
Liabilities				
Current Liabilities	8,656	7,047	54	50
Noncurrent Liabilities	10,160	10,289		
Total Liabilities	18,816	17,336	54	50
Net Assets				
Invested in Capital Assets, Net of Related Debt	97,745	94,679	203	205
Restricted	24,112	18,302	14,734	14,603
Unrestricted	9,724	5,851	1,074	606
Total Net Assets	\$ 131,581	\$ 118,832	\$ 16,011	\$ 15,414
Increase in Net Assets	\$ 12,749	10.7%	\$ 597	3.9%

Current Assets

Current assets consist of cash and cash equivalents, investments, receivables, and inventory. Surplus cash not needed for operations is invested in governmental money market funds that seek to provide high current income, preservation of capital, and liquidity. Investment earnings are used to support current operations.

Receivables include amounts due from students, granting agencies (including the Federal government) and the State of Florida. Receivables increased approximately \$8 million or 65 percent from the previous year. This increase was primarily due to an increase in outstanding State of Florida Public Education Capital Outlay (PECO) funds appropriated for capital project construction expenditures (\$7.4 million) and amounts advanced to The Historic Cocoa Village Playhouse, Inc., a direct-support organization of the College, for the construction of a technical support annex (\$721 thousand). These increases were offset by small reductions in student and grant receivables.

Component unit receivables increased \$400 thousand due to outstanding accruals for corporate pledges and State matching grants.

Inventories, which include stockroom inventory of the Maintenance department and postage accumulated on the College's mail metering equipment, declined slightly from last year to \$151 thousand.

Other Noncurrent Assets

Other noncurrent assets consist primarily of unexpended cash for capital projects. Restricted cash and cash equivalents decreased \$1.2 million due to expenditures on various construction projects incurred during the year.

Component unit endowment investments decreased \$159 thousand as a result of market losses exceeding net interest and dividends, endowed contributions, and State matching grants.

Capital Assets

College capital assets increased \$8 million due to capitalized construction in progress expenditures for the following projects: (1) construction of The Historic Cocoa Village Playhouse technical support annex; (2) renovation of HVAC systems college-wide; and (3) renovation of the Bernard Simpkins Fine Arts Building on the Cocoa campus. These increases were partially offset by the depreciation and disposal of capitalized equipment. Depreciation expense totaled \$5.8 million for the 2007-08 fiscal year.

Liabilities

College liabilities increased \$1.5 million during the fiscal year. Accounts payable and construction retainage payable increased \$1.9 million and \$390 thousand, respectively, due to the accrual of contractor invoices for the ongoing construction projects in progress at June 30, 2008. Accruals for compensated absences increased \$836 thousand due to increases in salary rates and an increase in compensable hours carried by employees. These increases were offset by payment of principal on bonds and leases of \$850 thousand. Deposits held for others decreased \$605 thousand due to reductions in amounts held on behalf of The Historic Cocoa Village Playhouse which were expended on construction of the technical support annex.

Component unit liabilities increased \$3,900 during the year, primarily as a result of an increase in salaries and trade payables.

Net Assets

Net assets are presented in three major categories. The first category is invested in capital assets net of related debt, which represents the College's equity in its property, plant and equipment. This category increased \$3.1 million due to the capitalization of expenditures for construction and renovation projects partially offset by equipment disposals and depreciation of buildings and equipment.

The second category is restricted net assets, which are funds that are limited in terms of the purpose or time for which they may be expended. These restrictions are noted on the subclassification of expendable restricted net assets. Restricted nonexpendable net assets are endowments for which only the earnings may be spent. Restricted net assets increased \$5.8 million due to the increase in PECO funds that were appropriated for numerous construction projects.

The final category is unrestricted net assets which represent those balances from operational activities that have not been restricted by parties external to the College, such as grant agencies. These include funds that have been designated by the Board of Trustees for specific purposes as well as amounts that have been contractually committed for goods and services that have not been received. Unrestricted net assets increased \$3.9 million during the fiscal year.

Component unit restricted net assets increases due to donations and State matching grants were offset by declines in market value of the Foundation's investment portfolio and increased scholarship expenses resulting in an overall increase of \$131 thousand. Unrestricted net assets increased \$468 thousand as a result of corporate contributions to support College programs.

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

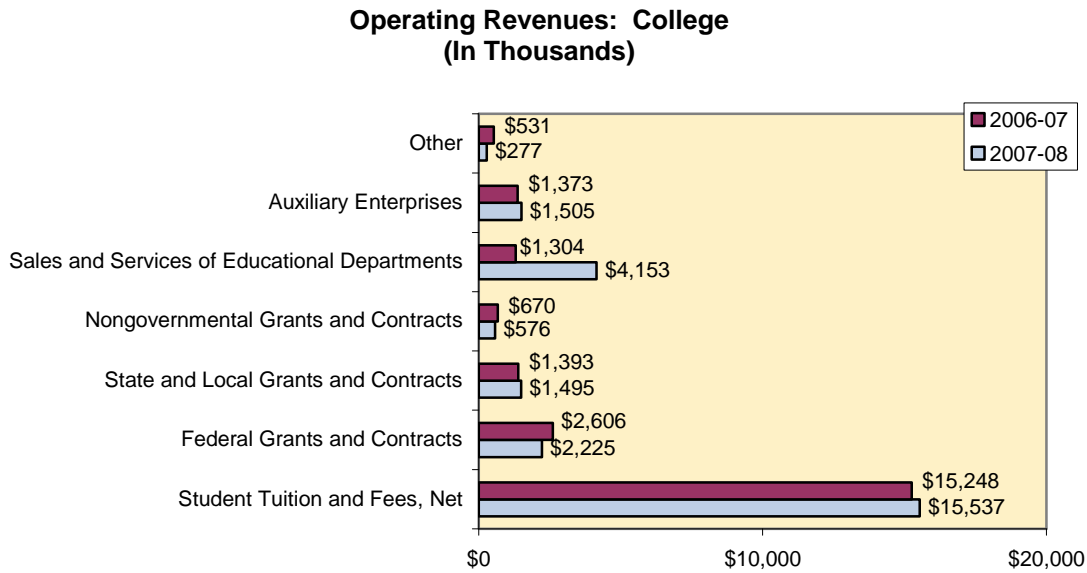
**Operating Results for the Fiscal Years
(In Thousands)**

	College		Component Unit	
	2007-08	2006-07	2007-08	2006-07
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 15,537	\$ 15,248	\$	\$
Federal Grants and Contracts	2,225	2,606		
State and Local Grants and Contracts	1,495	1,393		
Nongovernmental Grants and Contracts	576	670		
Sales and Services of Educational Departments	4,153	1,304		
Auxiliary Enterprises	1,505	1,373		
Other Operating Revenues	277	531	61	27
Total Operating Revenues	25,768	23,125	61	27
Less, Operating Expenses	85,562	80,656	1,582	1,248
Operating Loss	(59,794)	(57,531)	(1,521)	(1,221)
Nonoperating Revenues (Expenses)				
State Appropriations	42,635	42,722	471	470
Other Nonoperating Revenues	13,852	12,890	1,487	2,536
Nonoperating Expenses	(278)	(331)	(536)	
Net Nonoperating Revenues	56,209	55,281	1,422	3,006
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
Capital Appropriations	12,538	8,317		
Capital Grants, Contracts, Gifts, and Fees	3,796	1,849		
Additions to Permanent Endowments			696	690
Increase in Net Assets	12,749	7,916	597	2,475
Net Assets, Beginning of Year	118,832	110,916	15,414	12,939
Net Assets, End of Year	\$ 131,581	\$ 118,832	\$ 16,011	\$ 15,414

Operating Revenues

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

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



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

- Enrollment increases of 887.8 full-time equivalent students, or 8.9 percent, combined with increased fee rates resulting in a \$290 thousand, or 1.9 percent, increase in net student fees recorded for the 2007-08 fiscal year. Gross student tuition and fee revenue increased by \$1.9 million, or 9.9 percent. This increase was the result of a 5 percent mid-year increase in tuition and fees and an increase in enrollment.
- Federal grants and contracts decreased by \$381 thousand, or 14.6 percent. This decrease resulted from the discontinuation of certain Federal programs in the 2007-08 fiscal year.
- State grants and contracts increased by \$102 thousand, or 7.3 percent, as a result of State support of The Historic Cocoa Village Playhouse historic preservation grant, the Microgravity Training Program, the Center for Exposure Assessment Modeling (CEAM), and other new programs. These new programs were partially offset by small funding reductions for other State funded programs.
- Sales and services revenue increased by \$2.8 million, or 218.5 percent as a result of the College leasing its facilities and unused educational broadband service channels.

Operating Expenses

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

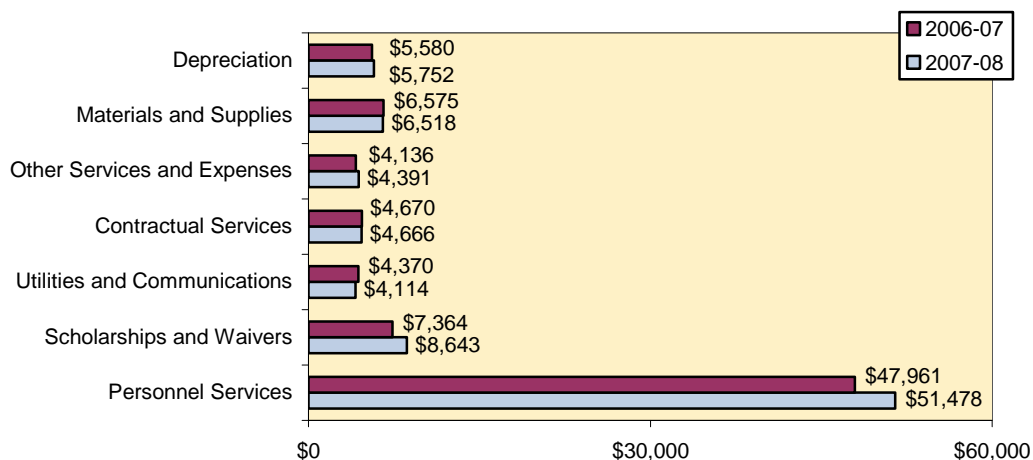
Operating expenses for the College and its component unit for the 2007-08 and 2006-07 fiscal years are presented in the following table:

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

	College		Component Unit	
	2007-08	2006-07	2007-08	2006-07
Operating Expenses				
Personnel Services	\$ 51,478	\$ 47,961	\$ 557	\$ 470
Scholarships and Waivers	8,643	7,364	636	404
Utilities and Communications	4,114	4,370	1	1
Contractual Services	4,666	4,670	63	69
Other Services and Expenses	4,391	4,136	259	214
Materials and Supplies	6,518	6,575	64	88
Depreciation	5,752	5,580	2	2
Total Operating Expenses	\$ 85,562	\$ 80,656	\$1,582	\$ 1,248

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

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



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

- There was an increase of personnel services (salary and benefits) expenditures totaling \$3.5 million, or 7.3 percent. This increase was mainly due to an annual salary increase, and termination costs associated with administrative position eliminations made in response to state appropriation reductions.
- Gross scholarship expense increased by \$2.9 million due to increases in Federal student financial aid, including Academic Competiveness Grants, and State financial aid, such as Bright Futures and Florida Student Assistant Grants. Institutional scholarships, funded by financial aid fees and auxiliary revenues increased \$102 thousand for the year. Scholarship expenses, like tuition and fees, are shown net of

scholarship allowances (amounts received from other than students and third-party payers). Since scholarship allowances increased \$1.6 million, net scholarship expenses increased only \$1.3 million.

- Utilities expenses decreased by \$256 thousand, or 5.9 percent. The College implemented a four-day workweek in 2007 to reduce energy consumption. Savings from this new operating schedule more than offset higher rates for electricity and higher fuel prices.

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)**

	2007-08	2006-07
State Appropriations	\$ 42,635	\$ 42,722
Gifts and Grants	13,359	10,650
Investment Income	484	1,149
Other Nonoperating Revenue	9	1,091
Interest on Capital Asset-Related Debt	(278)	(331)
Net Nonoperating Revenues	\$ 56,209	\$ 55,281

Nonoperating changes were the result of the following factors:

- State appropriations decreased by \$87 thousand, or 0.2 percent, for the 2007-08 fiscal year. The Florida Legislature initially approved increases to appropriations of \$1.5 million. Appropriations were later reduced during a special session of the Florida Legislature and again during the 2008 regular legislative session by \$734 thousand, and \$760 thousand, respectively.
- The College also received special appropriations in the amount of \$791 thousand for the SUCCEED, Florida Teaching, Nursing and Allied Health programs.
- Investment income decreased by \$665 thousand, or 57.9 percent, as a result of market fluctuations, redemption fees and unrealized losses associated with the withdrawal freeze and downgrading of securities held by the State Board of Administration Local Government Investment Pool, which the College previously used for investment of surplus funds.

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)**

	2007-08	2006-07
Capital Appropriations	\$ 12,538	\$ 8,317
Capital Grants, Contracts, Gifts, and Fees	3,796	1,849
Total	\$ 16,334	\$ 10,166

Changes in other revenues, expenses, gains and losses were the result of the following:

- Capital appropriations increased by \$4.2 million, or 50.8 percent, due to increased funding appropriated to the College to support capital projects including renovations to the Bernard Simpkins Fine Arts Building, the Melbourne auditorium, science building, and multi-purpose building. Capital variances from year to year are expected based on the methods the Florida Legislature uses to allocate capital appropriations. Project expenses will continue in the 2008-09 fiscal year.
- Capital grants, contracts, gifts, and fees include \$1.8 million from The Historic Cocoa Village Playhouse capital campaign for the construction of the technical support annex.
- Capital improvement and technology fees charged to students increased by \$283 thousand.

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	\$ (50,917)	\$ (51,139)
Noncapital Financing Activities	55,304	53,875
Capital and Related Financing Activities	(843)	2,804
Investing Activities	(689)	1,149
Net Increase in Cash and Cash Equivalents	2,855	6,689
Cash and Cash Equivalents, Beginning of Year	23,754	17,065
Cash and Cash Equivalents, End of Year	\$ 26,609	\$ 23,754

Major sources of funds came from State and capital appropriations (\$47.7 million), grants and contracts (\$20.9 million), net student tuition and fees (\$15.5 million), and sales and services receipts (\$4.2 million).

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

- Operating activities used \$222 thousand less cash compared to the previous fiscal year. This reduction was the result of increases in sales and services cash receipts (up \$2.9 million) and decreases in payments to suppliers (down \$2.3 million) and utility providers (down \$272 thousand). Cash used for operating purposes was impacted by increases in personnel services (salary and benefits) payments totaling \$4 million and increases in scholarship payments of \$1.2 million.
- Capital related activities used \$3.6 million more cash compared to the prior fiscal year. Payments to contractors and vendors increased \$4.7 million over the previous fiscal year as several significant construction and remodeling projects commenced during the 2007-08 fiscal year. Cash due from The Historic Cocoa Village Playhouse for construction of the technical support annex contributed to the increase in cash outflows for capital related activities.
- Cash flows from investing activities are the result of interest income primarily from the College's investments in the State Board of Administration (SBA) and other investments. These cash flows decreased \$1.8 million compared to the prior fiscal year primarily due to the reclassification of \$1.2 million in the SBA Fund B from cash and cash equivalents to investments. This reclassification was necessary because the investment in SBA Fund B no longer meets the criteria to be classified as a cash equivalent. Interest income declined \$664 thousand due to a decrease in interest rates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2008, the College had \$189 million in capital assets, less accumulated depreciation of \$86.8 million, for net capital assets of \$102.2 million. Depreciation charges for the current fiscal year totaled \$5.8 million. The following table summarizes the College's capital assets for the 2007-08 fiscal year:

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

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 6,844	\$	\$ 2	\$ 6,842
Buildings	132,476			132,476
Other Structures and Improvements	18,088			18,088
Furniture, Machinery, and Equipment	16,872	1,133	168	17,837
Assets Under Capital Leases	6,326			6,326
Construction in Progress	631	6,837		7,468
Total	181,237	7,970	170	189,037
Less, Accumulated Depreciation:				
Buildings	53,458	2,992		56,450
Other Structures and Improvements	11,933	821		12,754
Furniture, Machinery, and Equipment	12,206	1,267	168	13,305
Assets Under Capital Leases	3,648	672		4,320
Total Accumulated Depreciation	81,245	5,752	168	86,829
Capital Assets, Net	\$ 99,992	\$ 2,218	\$ 2	\$102,208

The College has \$6.4 million in all construction contract commitments at June 30, 2008. The contract commitments are for projects that include renovation to the Bernard Simpkins Fine Arts Building, further renovation of college-wide HVAC systems, and renovations to the Melbourne auditorium, science building, and multi-purpose buildings. State appropriations together with local funds are expected to finance these projects. More information about the College’s capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$4.5 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2008, and June 30, 2007:

**Long-Term Debt, at June 30: College
(In Thousands)**

	2008	2007
SBE Capital Outlay Bonds	\$ 1,805	\$ 1,995
Capital Leases	2,658	3,318
Total	\$ 4,463	\$ 5,313

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2007-08 fiscal year, there were no bond sales and debt repayments on bonds and capital leases totaled \$850 thousand. Additional information about the College’s long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Brevard Community College's economic condition is closely tied to that of the State of Florida. Because of declining State revenues and increased demand for State resources, State funding is anticipated to decline in the coming years. In response to a \$1.5 million reduction in State appropriations for the 2008-09 fiscal year, the Board of Trustees increased the tuition rate by 6 percent effective for the Fall 2008 term.

Enrollment increases are projected as State universities are capping enrollment for incoming freshmen, and the College focuses on improving retention rates of current students.

In addition, the College has committed to significantly increase service to students and the community by increasing funds for instruction, student support, and new aerospace retraining initiatives.

With unrestricted net assets now exceeding 11 percent of operating expenses, the College is poised to endure the projected reductions in State funding without a significant disruption to operations. As state revenues are projected to decline for an extended period of time, the College is looking to alternative funding sources, including maximizing auxiliary operations and private support for college programs. Toward that end, the College has devoted significant resources to expand planned giving and major gifts fundraising in the 2008-09 fiscal year.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Associate Vice President for Financial Services, Brevard Community College, 1519 Clearlake Road, Cocoa, Florida 32922.

BASIC FINANCIAL STATEMENTS

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

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 22,435,051	\$ 4,362,868
Investments	1,173,774	156,023
Accounts Receivable, Net	1,910,521	314,180
Notes Receivable, Net	8,051	
Due from Other Governmental Agencies	18,327,702	92,456
Inventories	151,233	
Prepaid Expenses	6,950	1,331
Deposits - Other	804	600
Total Current Assets	44,014,086	4,927,458
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	4,174,484	
Investments		10,934,106
Depreciable Capital Assets, Net	87,897,941	28,278
Nondepreciable Capital Assets	14,310,499	174,984
Total Noncurrent Assets	106,382,924	11,137,368
TOTAL ASSETS	\$ 150,397,010	\$ 16,064,826
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,292,383	\$ 10,026
Salary and Payroll Taxes Payable	2,046,713	42,014
Retainage Payable	414,574	
Estimated Claims Payable	155,676	
Deferred Revenue	80,467	
Deposits Held for Others	1,370,290	2,081
Long-Term Liabilities - Current Portion:		
Bonds Payable	195,000	
Capital Leases Payable	662,525	
Special Termination Benefits Payable	152,826	
Compensated Absences Payable	285,517	
Total Current Liabilities	8,655,971	54,121
Noncurrent Liabilities:		
Bonds Payable	1,610,000	
Capital Leases Payable	1,995,854	
Special Termination Benefits Payable	131,448	
Compensated Absences Payable	6,345,421	
Postemployment Health Care Benefits Payable	77,735	
Total Noncurrent Liabilities	10,160,458	
TOTAL LIABILITIES	18,816,429	54,121

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

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 97,745,061	\$ 203,262
Restricted:		
Nonexpendable:		
Endowment		9,658,856
Expendable:		
Grants and Loans	2,137,612	1,933,657
Scholarships	2,724	3,141,435
Capital Projects	21,927,236	
Debt Service	44,219	
Unrestricted	9,723,729	1,073,495
Total Net Assets	131,580,581	16,010,705
TOTAL LIABILITIES AND NET ASSETS	\$ 150,397,010	\$ 16,064,826

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

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

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$5,299,834	\$ 15,537,145	\$
Federal Grants and Contracts	2,225,319	
State and Local Grants and Contracts	1,495,265	
Nongovernmental Grants and Contracts	575,466	
Sales and Services of Educational Departments	4,153,030	
Auxiliary Enterprises	1,504,509	
Other Operating Revenues	<u>277,232</u>	<u>61,481</u>
Total Operating Revenues	<u>25,767,966</u>	<u>61,481</u>
EXPENSES		
Operating Expenses:		
Personnel Services	51,478,074	557,128
Scholarships and Waivers	8,642,628	636,037
Utilities and Communications	4,114,204	538
Contractual Services	4,666,092	63,513
Other Services and Expenses	4,390,860	258,586
Materials and Supplies	6,517,920	64,033
Depreciation	<u>5,752,086</u>	<u>1,960</u>
Total Operating Expenses	<u>85,561,864</u>	<u>1,581,795</u>
Operating Loss	<u>(59,793,898)</u>	<u>(1,520,314)</u>
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	42,635,104	470,524
Gifts and Grants	13,358,858	1,350,829
Investment Income (Loss)	484,202	(535,599)
Other Nonoperating Revenues	8,645	135,635
Interest on Capital Asset-Related Debt	<u>(277,959)</u>	
Net Nonoperating Revenues	<u>56,208,850</u>	<u>1,421,389</u>
Loss Before Other Revenues, Expenses, Gains, or Losses	<u>(3,585,048)</u>	<u>(98,925)</u>
Capital Appropriations	12,537,859	
Capital Grants, Contracts, Gifts, and Fees	3,795,642	
Additions to Permanent Endowments		<u>695,975</u>
Total Other Revenues	<u>16,333,501</u>	<u>695,975</u>
Increase in Net Assets	12,748,453	597,050
Net Assets, Beginning of Year	<u>118,832,128</u>	<u>15,413,655</u>
Net Assets, End of Year	<u>\$ 131,580,581</u>	<u>\$ 16,010,705</u>

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

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

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 15,473,226
Grants and Contracts	4,412,560
Payments to Suppliers	(13,416,626)
Payments for Utilities and Communications	(4,116,656)
Payments to Employees	(40,989,702)
Payments for Employee Benefits	(9,712,346)
Payments for Scholarships	(8,526,249)
Sales and Service of Educational Departments	4,168,982
Other Receipts	1,789,614
	(50,917,197)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	42,635,104
Gifts and Grants	13,353,234
Other Nonoperating Disbursements	(684,298)
	55,304,040
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	5,114,879
Capital Grants and Gifts	3,088,482
Proceeds from Sale of Capital Assets	11,334
Purchases of Capital Assets	(7,929,533)
Principal Paid on Capital Debt and Leases	(849,646)
Interest Paid on Capital Debt and Leases	(277,959)
	(842,443)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	484,575
Purchase of Investments	(1,173,774)
	(689,199)
Net Increase in Cash and Cash Equivalents	2,855,201
Cash and Cash Equivalents, Beginning of Year	23,754,334
Cash and Cash Equivalents, End of Year	\$ 26,609,535

BREVARD 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	\$ (59,793,898)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,752,086
Changes in Assets and Liabilities:	
Receivables, Net	85,536
Inventories	15,653
Other Assets	(723)
Accounts Payable	2,098,016
Deferred Revenue	(9,119)
Compensated Absences Payable	857,517
Postemployment Health Care Benefits Payable	77,735
NET CASH USED BY OPERATING ACTIVITIES	\$ (50,917,197)

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2008.

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

BREVARD COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

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

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

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

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

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

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

BREVARD COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

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

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

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

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows for Proprietary and 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, institutional governmental money market funds, and cash placed with the State Board of Administration (SBA) Local Government Surplus Funds Trust Fund Investment Pool (LGIP). 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 placed in the 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

BREVARD COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

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 also reported as cash equivalents at fair value \$21,730,013 of moneys held in an institutional governmental money market fund. The fund invests in direct obligations of the U.S. government and securities issued by agencies and instrumentalities of the U.S. Government. The fund also may invest up to 10 percent of its assets in Federal Deposit Insurance Corporation insured certificates of deposit of banks and savings and loan institutions, and adjustable rate government securities with final maturities in excess of 397 days and in repurchase agreements, which may be viewed as a type of secured lending by fund. The weighted-average days to maturity, as of June 30, 2008, was 16 days.

The principal risks associated with the College's investment in the fund include credit risk and interest rate risk. Credit risk refers to the possibility that the issuer of a security will be unable to make interest payments and/or repay the principal on its debt. Interest rate risk refers to fluctuations in the value of a debt security resulting from changes in the general level of interest rates. Interest rate risk and credit risk is controlled through active management of the fund with at least 80 percent of fund assets invested in high quality, short-term U.S. government securities. Repurchase agreements and insured certificates of deposit may involve a greater degree of credit risk. The fund carried a credit rating of AAAm by Standard and Poor's as of June 30, 2008.

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

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

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

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

Land, buildings, and equipment of the College's component unit, the Brevard Community College Foundation, Inc., are stated at cost except for donated property which is stated at fair market value at the date of donation, and is net of accumulated depreciation of \$90,365. The College's component unit depreciates building and equipment using the straight-line method or double-declining balance over estimated useful lives ranging from 5 to 39 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 Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments.

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). Fund B, which is administered by the SBA pursuant to Section 218.405 and 218.417, Florida Statutes, is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are

BREVARD COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

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.

At June 30, 2008, the College reported investments at fair value of \$1,173,774 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 at June 30, 2008. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

Component Unit Investments

Investments held by the College's component unit (Foundation) at June 30, 2008, are reported at fair value based on quoted market prices, as follows:

Investment Type	Investment Maturities (In Years)				
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Investment in Debt Obligations:					
United States Government Obligations	\$ 1,966,048	\$	\$ 1,221,128	\$ 412,755	\$ 332,165
United States Agency Obligations	1,415,818	100,867	1,314,951		
Corporate Bonds	1,646,684		1,104,678	407,878	134,128
Total Investment in Debt Obligations	5,028,550	\$ 100,867	\$ 3,640,757	\$ 820,633	\$ 466,293
Other Investments:					
Equity Securities	5,905,556				
SBA Fund B	156,023				
Total Other Investments	6,061,579				
Total Component Unit Investments	\$ 11,090,129				

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

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy limits investments to securities with a credit rating of "A" or better at the time of purchase. Obligations of United States government agencies and instrumentalities and domestic equities do not require disclosure of credit quality. Corporate bonds held by the Foundation at June 30, 2008, were rated as follows by Standard & Poor's:

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

	Fair Value	Rating
Corporate Bonds	\$ 159,609	AAA
	269,003	AA
	541,703	A
	137,999	A+
	434,331	AA-
	104,039	BB+
Total Corporate Bonds	\$ 1,646,684	

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation’s investment policy limits interest rate risk by requiring that investment maturities shall not be greater than 15 years at the time of purchase.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for various student services provided by the College (\$1,068,464); fees and commissions due for auxiliary services (\$314,427); grant reimbursements due from third parties (\$30,521); and a construction loan due from The Historic Cocoa Village Playhouse, Inc., a direct-support organization of the College (\$721,249). These receivables are reported net of a \$224,140 allowance for uncollectible accounts.

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This receivable includes amounts due for Public Education Capital Outlay allocations for construction of College facilities (\$17,796,971); amounts due for various State grants (\$442,670); amounts due for various State student tuition contracts (\$64,615); and amounts due for State childcare center grants (\$23,446).

BREVARD COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

5. CAPITAL ASSETS

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 6,844,403	\$	\$ 1,603	\$ 6,842,800
Construction in Progress	631,087	6,836,612		7,467,699
Total Nondepreciable Capital Assets	\$ 7,475,490	\$ 6,836,612	\$ 1,603	\$ 14,310,499
Depreciable Capital Assets:				
Buildings	\$ 132,475,964	\$	\$	\$ 132,475,964
Other Structures and Improvements	18,088,277			18,088,277
Furniture, Machinery, and Equipment	16,871,796	1,133,119	168,176	17,836,739
Assets Under Capital Leases	6,325,672			6,325,672
Total Depreciable Capital Assets	173,761,709	1,133,119	168,176	174,726,652
Less, Accumulated Depreciation:				
Buildings	53,457,800	2,992,148		56,449,948
Other Structures and Improvements	11,933,007	821,454		12,754,461
Furniture, Machinery, and Equipment	12,205,758	1,266,475	168,176	13,304,057
Assets Under Capital Leases	3,648,236	672,009		4,320,245
Total Accumulated Depreciation	81,244,801	5,752,086	168,176	86,828,711
Total Depreciable Capital Assets, Net	\$ 92,516,908	\$ (4,618,967)	\$	\$ 87,897,941

6. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2008, include bonds, capital leases, special termination benefits payable, 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	\$ 1,995,000	\$	\$ 190,000	\$ 1,805,000	\$ 195,000
Capital Leases Payable	3,318,025		659,646	2,658,379	662,525
Special Termination Benefits Payable	262,365	118,542	96,633	284,274	152,826
Compensated Absences Payable	5,795,331	1,192,813	357,206	6,630,938	285,517
Postemployment Health Care Benefits Payable		93,191	15,456	77,735	
Total Long-Term Liabilities	\$ 11,370,721	\$ 1,404,546	\$ 1,318,941	\$ 11,456,326	\$ 1,295,868

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

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, 2008:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds:			
Series 2002-B	\$ 1,165,000	3.50 - 5.375	2015
Series 2005-A	255,000	5.00	2016
Series 2005-B	<u>385,000</u>	5.00	2018
Total Bonds Payable	<u>\$ 1,805,000</u>		

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	\$ 195,000	\$ 89,725	\$ 284,725
2010	205,000	82,075	287,075
2011	210,000	71,262	281,262
2012	230,000	60,219	290,219
2013	245,000	50,369	295,369
2014-2018	<u>720,000</u>	<u>76,963</u>	<u>796,963</u>
Total	<u>\$ 1,805,000</u>	<u>\$ 430,613</u>	<u>\$ 2,235,613</u>

BREVARD COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

Capital Leases Payable. Cooling plant energy saving equipment in the amount of \$5,931,250 and copiers in the amount of \$394,422 are being acquired under capital lease agreements. The stated interest rate for the cooling plant equipment ranged from 5.94 to 6.5 percent. The imputed interest rate for the copiers was 4.4933 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2008, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2009	\$ 803,913
2010	791,643
2011	741,703
2012	<u>641,824</u>
Total Minimum Payments	2,979,083
Less, Amount Representing Interest	<u>320,704</u>
Present Value of Minimum Payments	<u><u>\$ 2,658,379</u></u>

Special Termination Benefits Payable. The College Board of Trustees has adopted an Executive Benefit Plan for full Vice Presidents or above who are employed at executive salary grade levels III and IV. The Plan included provisions for severance pay to be paid to the employee upon separation of employment through retirement, termination, or death. Accrued benefits for eleven participants at June 30, 2008, totaled \$284,274, and are included in special termination benefits payable.

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 \$6,630,938. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program, or those known to be retiring during the next fiscal year.

Postemployment Health Care Benefit 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

BREVARD COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

benefits provided by the Florida Community Colleges Risk Management Consortium (Consortium) and life insurance benefits through purchased commercial insurance. The requirements of this Statement are being implemented prospectively, with the actuarially determined liability of \$746,022 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 plan administered by the Consortium for postemployment health care benefits and is a single-employer defined-benefit plan for life insurance benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's 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 health coverage as soon as they are eligible. The College and the Consortium do not issue stand-alone annual reports for the Plans and they are 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 contribution rates 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, 29 retirees received postemployment health care benefits, and 61 retirees received postemployment life insurance benefits. The College provided required contributions of \$15,456 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$231,589.

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 and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual

BREVARD COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

OPEB cost for the year, the amount actually contributed to the plan, and changes in the College's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	\$ 68,324
Amortization of Unfunded Actuarial:	
Accrued Liability	24,867
Interest on Normal Cost and Amortization	-
Annual Required Contribution	93,191
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	93,191
Contribution Toward the OPEB Cost	15,456
Increase in Net OPEB Obligation	77,735
Net OPEB Obligation, Beginning of Year	-
Net OPEB Obligation, End of Year	\$ 77,735

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:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$	\$	\$
2007-08	93,191	16.6%	77,735

Funded Status and Funding Progress. As of June 30, 2008, the actuarial accrued liability for benefits was \$746,022 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$746,022. The covered payroll (annual payroll of active participating employees) was \$33,715,254 for the 2007-08 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 2.2 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 contributions of the employer are subject to continual revision as actual results are compared with past

BREVARD COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

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 ARC. This method was selected because it is the same method used in 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 10 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 as a level percentage of payroll amortized over 30 years. The remaining amortization period at June 30, 2008, was 29 years.

7. 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 penalty 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.

BREVARD 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 \$2,220,998, \$2,674,471, and \$3,547,925, 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 174 College participants during the 2007-08 fiscal year. Required contributions made to the PEORP totaled \$593,020.

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

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

8. CONSTRUCTION COMMITMENTS

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

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Retainage Amount</u>	<u>Balance Committed</u>
Cocoa - HVAC Phase IIIB	\$ 2,986,523	\$ 1,310,316	\$ 99,920	\$ 1,576,287
Cocoa - C4 Renovate	5,073,382	2,594,488	88,365	2,390,529
Total	\$ 8,059,905	\$ 3,904,804	\$ 188,285	\$ 3,966,816

9. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida Community Colleges Risk Management Consortium, which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide 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 fire and extended property, general and automobile liability, workers’ compensation, health and hospitalization, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

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

BREVARD COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008

10. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the Community College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college's apportionment considering the following components: base budget, which includes the State appropriation to the Community College Program Fund in the current year plus the related student tuition and fees assigned in the current General Appropriations Act; the cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which are determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates are deducted from the sum of these components to determine the net annual State apportionment to each college.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the College on an annual basis. The College is authorized to receive and expend these resources only upon applying for and receiving an encumbrance authorization from the Florida Department of Education.

The following is a summary of State revenue sources and amounts:

<u>Source</u>	<u>Amount</u>
Community College Program Fund	\$ 36,623,730
Gross Receipts Tax (Public Education Capital Outlay)	11,507,211
Education Enhancement Trust Fund (Lottery)	4,291,523
Bright Futures Scholarship Program	2,853,308
Florida Student Assistance Grants	1,621,086
Restricted Contracts and Grants	1,281,061
Succeed Florida Grants	791,145
Performance Based Incentives	754,446
Facility Enhancement Challenge Grant	528,045
Motor Vehicle License Tax (Capital Outlay and Debt Service)	502,603
Other State Sources	260,147
State and Local Contracts and Grants	<u>235,192</u>
Total	<u><u>\$ 61,249,497</u></u>

11. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity

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

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	\$ 29,211,264
Public Services	2,462,764
Academic Support	5,726,224
Student Services	6,537,907
Institutional Support	14,680,238
Operation and Maintenance of Plant	12,730,521
Scholarships and Fellowships	8,460,860
Depreciation	5,752,086
Total Operating Expenses	\$ 85,561,864

12. RELATED ORGANIZATIONS TRANSACTIONS

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

Information for each direct-support organization based on its financial statements as of June 30, 2008, is summarized in the following table:

	Maxwell C. King Center for the Performing Arts, Inc.	The Historic Cocoa Village Playhouse, Inc.
Assets	\$8,460,822	\$122,596
Liabilities	711,944	798,467
Revenues	6,974,790	998,721
Expenses	6,752,850	2,658,875

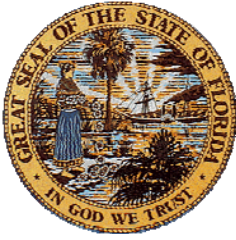
**BREVARD COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2008**

13. JOINT PARTICIPATION AGREEMENT

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

The joint participation agreement provides for conversion of master control facilities for each College, the installation of a joint-use, digital antenna, and to jointly lease tower space. The Colleges will share equally the lease payments and other obligations contained in the tower lease agreement. Also, the Colleges agreed to equally share the costs of maintenance and repair of the equipment and facilities and common expenses relating to the joint-use of the leased tower, the digital antenna, the transmission lines, and other common equipment. In addition, the Colleges agreed to share any such engineering fees or consulting fees as may be occasioned for the common benefit of the Colleges.

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



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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 basic financial statements of Brevard Community College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 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 operational matters that we reported to College management in our report No. 2009-150, dated March 2009.

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 17, 2009