

GULF COAST COMMUNITY COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2010



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2009-10 fiscal year are listed below:

	<u>County</u>
Charles S. Isler, III, Vice Chair to 7-15-09, Chair from 7-16-09	Bay
Denise D. Butler, Vice Chair from 7-16-09	Franklin
William C. Cramer, Jr., to 12-28-09, Chair to 7-15-09 (1)	Bay
Karen L. Durden	Bay
Dan A. Estes	Bay
Shirley J. Jenkins from 9-02-09 (2)	Gulf
Dr. Stephen C. Myers (3)	Bay
William C. Sumner (3)	Gulf
Linda R. Wood	Gulf

Dr. Jim Kerley, President

- Notes: (1) Board member resigned effective December 28, 2009, and the position remained vacant to June 30, 2010.
- (2) Position remained vacant from July 1, 2009, to September 1, 2009.
- (3) Board member served beyond the end of his term, May 31, 2010.

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 Juan A. Fernandez, 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 reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**GULF COAST 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	12
Statement of Revenues, Expenses, and Changes in Net Assets.....	14
Statement of Cash Flows.....	15
Notes to Financial Statements	17
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress – Other Postemployment Benefits Plan	31
Notes to Required Supplementary Information.....	32
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.....	33
Compliance and Other Matters	34

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:

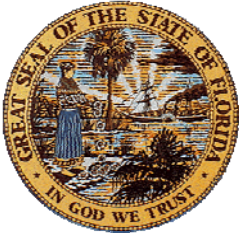
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied 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, 2010. 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 basic financial statements. We also examined various transactions to determine whether they were executed, in both 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. 2011-019.

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

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



PHONE: 850-488-5534
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Gulf Coast 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, 2010, which collectively comprise the College's basic financial statements as shown on pages 12 through 30. These financial statements are the responsibility of College 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 represents 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, insofar as it relates to the amounts included for the discretely presented component unit, is based on 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 Gulf Coast Community College and of its discretely presented component unit as of June 30, 2010, 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 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.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 11 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on pages 31 and 32 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,



David W. Martin, CPA
February 8, 2011

MANAGEMENT’S DISCUSSION AND ANALYSIS

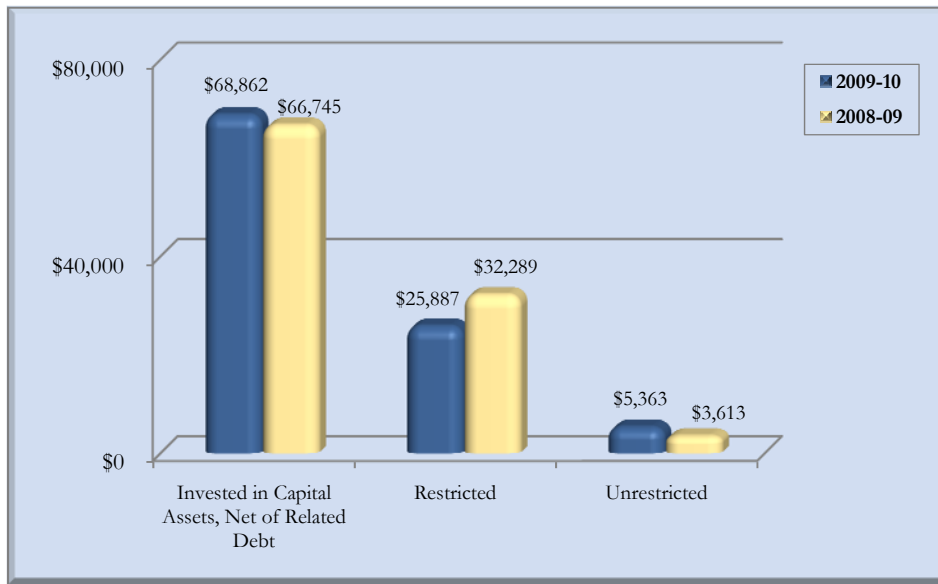
The management’s discussion and analysis (MD&A) provides an overview of the College’s financial activities for the fiscal year ended June 30, 2010. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and 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. The MD&A contains financial activities of the College and its component unit, the Gulf Coast Community College Foundation, Inc., for the 2008-09 and 2009-10 fiscal years. The Gulf Coast Athletic Association, Inc., was dissolved December 31, 2008, and its net assets were transferred to the Gulf Coast Community College Foundation, Inc. The MD&A should be read in conjunction with the accompanying financial statements and notes thereto.

FINANCIAL HIGHLIGHTS

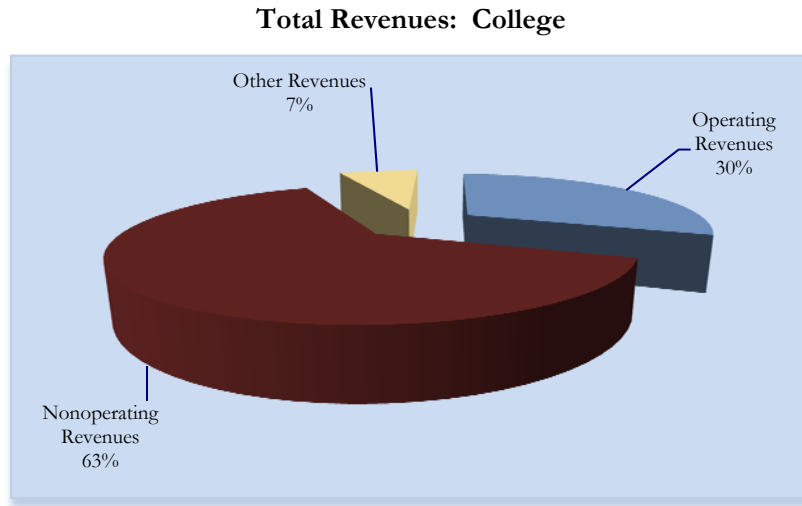
The College’s assets totaled \$110.5 million at June 30, 2010. This balance reflects a 1.5 percent, increase from the 2008-09 fiscal year, resulting primarily from an increase in depreciable capital assets. While assets grew, liabilities increased by a larger amount of \$4.2 million, or 67.9 percent, totaling \$10.3 million at June 30, 2010, compared to \$6.2 million at June 30, 2009. As a result, the College’s net assets decreased by \$2.5 million, reaching a year-end balance of \$100.1 million.

The net assets by category for the fiscal year ended June 30, 2010, and June 30, 2009, are shown in the following graph:

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



The following chart provides a graphical presentation of revenues by category for the 2009-10 fiscal year:



A current year loss from operations of \$32.2 million, other revenues of \$34.8 million, and other expenses of \$5.1 million resulted in a decrease in net assets of \$2.5 million for the 2009-10 fiscal year. Other revenues for the 2009-10 fiscal year included State appropriations of \$17.2 and \$3.6 million for capital appropriations and capital grants, contracts, gifts, and fees; \$13.8 million for gifts and grants; and \$0.1 million from investment income. For the 2008-09 fiscal year, the College reported a loss from operations of \$32.9 million and other revenues of \$47.6 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. (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 Gulf Coast Athletic Association, Inc., was dissolved on December 31, 2008.

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 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 unit as of June 30, 2010, and June 30, 2009, is shown in the following table:

**Condensed Statement of Net Assets at
(In Thousands)**

	College		Component Unit	
	6-30-10	6-30-09	6-30-10	6-30-09 (1)
Assets				
Current Assets	\$ 29,003	\$ 39,984	\$ 6,431	\$ 4,314
Capital Assets, Net	69,662	67,635	15	20
Other Noncurrent Assets	11,787	1,187	16,432	16,340
Total Assets	<u>110,452</u>	<u>108,806</u>	<u>22,878</u>	<u>20,674</u>
Liabilities				
Current Liabilities	1,014	2,881	286	60
Noncurrent Liabilities	9,326	3,278		
Total Liabilities	<u>10,340</u>	<u>6,159</u>	<u>286</u>	<u>60</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	68,862	66,745		
Restricted	25,887	32,289	22,510	20,532
Unrestricted	5,363	3,613	82	82
Total Net Assets	<u>\$ 100,112</u>	<u>\$ 102,647</u>	<u>\$ 22,592</u>	<u>\$ 20,614</u>
Increase (Decrease) in Net Assets	<u>\$ (2,535)</u>	-2.5%	<u>\$ 1,978</u>	9.6%

Note: (1) The Gulf Coast Athletic Association, Inc., was dissolved on December 31, 2008, and its net assets were transferred to the Gulf Coast Community College Foundation, Inc.

The College issued \$6.3 million in Capital Improvement Revenue Bonds and made debt repayments of approximately \$0.1 million. As a result, noncurrent liabilities increased. Also, the proceeds were unspent as of the end of the fiscal year, which resulted in an increase in other noncurrent assets.

Restricted Net Assets decreased primarily as a result of a repayment of Public Education Capital Outlay appropriations that reverted.

Revenues and expenses of the College and its component unit for the 2009-10 and 2008-09 fiscal years are shown in the following table:

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets
(In Thousands)**

	College		Component Unit	
	2009-10	2008-09	2009-10	2008-09 (1)
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 6,827	\$ 6,095	\$	\$
Federal Grants and Contracts	4,679	2,956		
State and Local Grants and Contracts		72		
Nongovernmental Grants and Contracts	772	856		790
Sales and Services of Educational Departments	174	169		
Auxiliary Enterprises, Net of Scholarship Allowances	2,080	2,204		
Other Operating Revenues	321	297	632	39
Total Operating Revenues	14,853	12,649	632	829
Less, Operating Expenses	47,009	45,530	1,396	2,001
Operating Loss	(32,156)	(32,881)	(764)	(1,172)
Nonoperating Revenues				
State Appropriations	17,192	18,666		
Gifts and Grants	13,842	8,610		
Other Nonoperating Revenues	105	7	2,742	
Other Nonoperating Expenses	(44)	(617)		(3,990)
Net Nonoperating Revenues (Expenses)	31,095	26,666	2,742	(3,990)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
Capital Appropriations	(1,061)	(6,215)	1,978	(5,162)
State and Local Grants - Capital	1,624	15,124		
Capital Grants and Fees	2,002	2,555		
Other Expenses	(5,100)			
Increase (Decrease) in Net Assets	(2,535)	14,065	1,978	(5,162)
Net Assets, Beginning of Year	102,647	88,582	20,614	25,776
Net Assets, End of Year	\$ 100,112	\$ 102,647	\$ 22,592	\$ 20,614

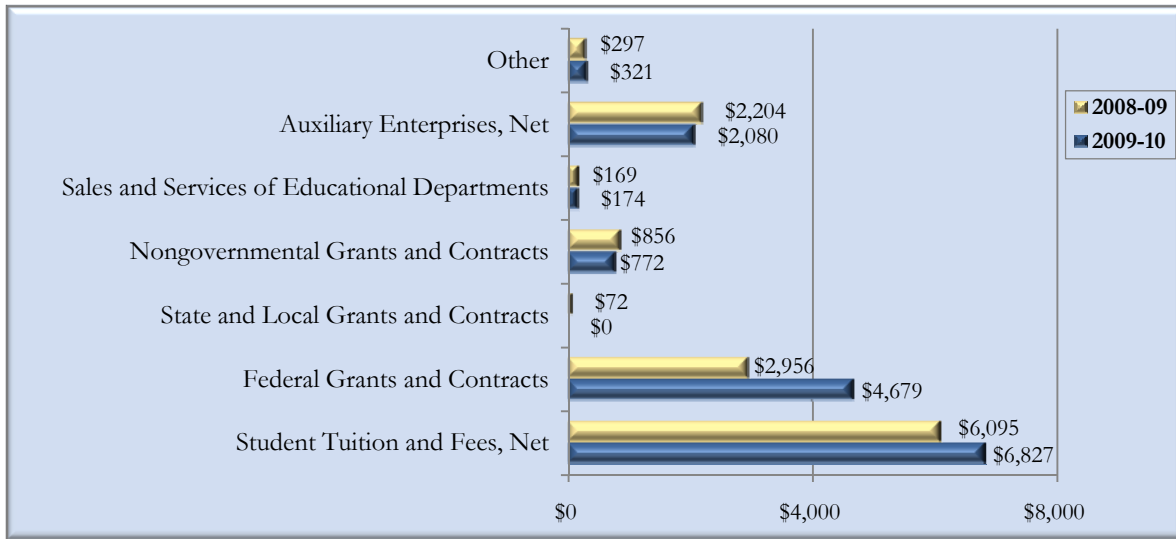
Note: (1) The Gulf Coast Athletic Association, Inc., was dissolved December 31, 2008.

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 gives or receives something of equal or similar value.

The following chart presents the College’s operating revenues for the 2009-10 and 2008-09 fiscal years:

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



When compared to the prior fiscal year, College operating revenue were fairly consistent with the exception of Federal Grants and Contracts which increased 58.3 percent, primarily from revenues from the Community Based Job Training Grant.

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.

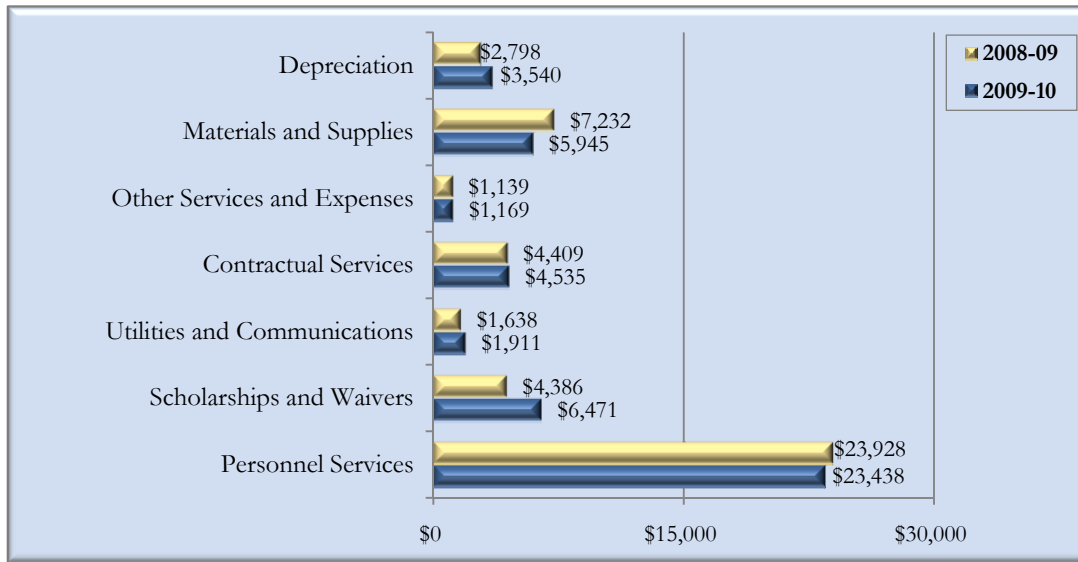
Operating expenses for the College and its component unit for the 2009-10 and 2008-09 fiscal years are presented in the following table:

**Operating Expenses
(In Thousands)**

	College		Component Unit	
	2009-10	2008-09	2009-10	2008-09
Operating Expenses				
Personnel Services	\$ 23,438	\$ 23,928	\$	\$ 205
Scholarships and Waivers	6,471	4,386	380	1,576
Utilities and Communications	1,911	1,638		
Contractual Services	4,535	4,409		22
Other Services and Expenses	1,169	1,139	1,016	187
Materials and Supplies	5,945	7,232		11
Depreciation	3,540	2,798		
Total Operating Expenses	\$ 47,009	\$ 45,530	\$ 1,396	\$ 2,001

The following chart presents the College’s operating expenses for the 2009-10 and 2008-09 fiscal years:

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



When compared to the prior fiscal year, College operating expenses were fairly consistent, increasing 3.2 percent in total, primarily as a result of increases in scholarships and waivers due to an increase in Federal student financial aid awards.

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 2009-10 and 2008-09 fiscal years:

**Nonoperating Revenues (Expenses): College
(In Thousands)**

	2009-10	2008-09
State Appropriations	\$ 17,192	\$ 18,666
Gifts and Grants	13,842	8,610
Investment Income	105	7
Interest on Capital Asset-Related Debt	(44)	(49)
Loss on Disposal of Capital Assets		(568)
Net Nonoperating Revenues	\$ 31,095	\$ 26,666

When compared to the prior fiscal year, College net nonoperating revenues increased by \$4.4 million, or 16.6 percent. This is a result of State Fiscal Stabilization Funds (SFSF) through the American Recovery and Reinvestment Act (ARRA) of approximately \$1.5 million and an increase in Federal student financial aid of approximately \$4 million, which was offset by the decrease in State Appropriations of approximately \$1.5 million.

Other Revenues, Expenses, Gains, or Losses

This category is composed of capital appropriations, and capital grants and fees. The following summarizes the College’s other revenues, expenses, gains, or losses for the 2009-10 and 2008-09 fiscal years:

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

	2009-10	2008-09
Capital Appropriations	\$ 1,624	\$15,124
State and Local Grants - Capital		2,601
Capital Grants and Fees	2,002	2,555
Other Expenses	(5,100)	
Total	\$ (1,474)	\$20,280

When compared to the prior fiscal year, total other revenues decreased by \$16.7 million, or 82.1 percent. Capital appropriations, which consist of Public Education Capital Outlay appropriations and support from the State-assessed motor vehicle license tax for bond debt service, decreased by \$13.5 million, due to a decrease in State appropriations to the College for capital projects. The College had received \$2.6 million for several large State-funded construction projects in the previous year and did not receive similar grants in the current year. Other expenses increased by \$5.1 million as a result of appropriations that reverted.

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 2009-10 and 2008-09 fiscal years is presented in the following table:

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

	2009-10	2008-09
Cash Provided (Used) by:		
Operating Activities	\$ (30,088)	\$ (29,888)
Noncapital Financing Activities	31,033	27,275
Capital and Related Financing Activities	7,694	4,082
Investing Activities	(353)	14
Net Increase in Cash and Cash Equivalents	8,286	1,483
Cash and Cash Equivalents, Beginning of Year	9,444	7,961
Cash and Cash Equivalents, End of Year	\$ 17,730	\$ 9,444

Major sources of funds came from State appropriations (\$17.2 million), net student tuition and fees (\$6.3 million), grants and contracts (\$4.8 million), and gifts and grants receipts (\$13.8 million). Major uses of funds were for payments to employees (\$23.4 million) and to providers of goods and services (\$13.8 million).

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2010, the College had \$104.1 million in capital assets, less accumulated depreciation of \$34.4 million, for net capital assets of \$69.7 million. Depreciation charges for the current fiscal year totaled \$3.5 million. The following table summarizes the College’s capital assets at June 30:

**Capital Assets, Net at June 30: College
(In Thousands)**

<u>Capital Assets</u>	<u>2010</u>	<u>2009</u>
Land	\$ 3,523	\$ 3,508
Buildings	59,713	46,056
Other Structures and Improvements	3,092	2,349
Furniture, Machinery, and Equipment	2,582	1,972
Construction in Progress	752	13,750
Capital Assets, Net	\$ 69,662	\$ 67,635

During the 2009-10 fiscal year the College finished renovations to the administration annex building and completed construction on the new Public Safety/Emergency Operations Center. 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 \$7.1 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2010, and June 30, 2009:

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

	<u>2010</u>	<u>2009</u>
State Board of Education:		
Capital Outlay Bonds	\$ 800	\$ 890
Florida Department of Education:		
Capital Improvement Revenue Bonds	6,300	
Total	\$ 7,100	\$ 890

The State Board of Education and Florida Department of Education issued bonds on behalf of the College. During the 2009-10 fiscal year, the College issued \$6.3 million in Capital Improvement Revenue Bonds and made debt repayments of approximately \$0.1 million. 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. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the coming year. In response to a decrease in State appropriations, the Board of Trustees increased the tuition rate 8 percent to take effect beginning with the Fall 2010 term. The College’s current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services. The amount of state appropriations is expected to decrease over the next year. The State is using Federal stimulus dollars to bridge the deficit. It is estimated that it is going to take several years to return to the

level of funding of previous years. The College remains cautious regarding budgeting for the future. Accordingly, the College's Board of Trustees approved a conservative budget for the 2009-10 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 the laid-off unemployed workforce looking for new careers and an enrollment management plan that will meet the needs of the untraditional student will enable it to maintain its present level of services.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, or other required supplementary information and financial statements and notes thereto, or requests for additional financial information should be addressed to John Mercer, Vice President of 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 June 30, 2010

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 6,139,085	\$ 317,453
Restricted Cash and Cash Equivalents	269,827	
Investments		5,969,738
Accounts Receivable, Net	699,872	137,781
Notes Receivable, Net	8,727	
Due from Other Governmental Agencies	20,720,917	
Inventories	699,273	
Prepaid Expenses	318,931	
Other Assets	146,311	5,990
Total Current Assets	29,002,943	6,430,962
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	11,320,981	
Restricted Investments	465,859	16,431,658
Depreciable Capital Assets, Net	65,386,447	15,596
Nondepreciable Capital Assets	4,275,409	
Total Noncurrent Assets	81,448,696	16,447,254
TOTAL ASSETS	\$ 110,451,639	\$ 22,878,216
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 473,825	\$ 285,796
Salary and Payroll Taxes Payable	917	
Retainage Payable	159,830	
Due to Other Governmental Agencies	30,017	
Deposits Held for Others	2,261	
Long-Term Liabilities - Current Portion:		
Bonds Payable	310,000	
Compensated Absences Payable	37,477	
Total Current Liabilities	1,014,327	285,796
Noncurrent Liabilities:		
Bonds Payable	6,790,000	
Compensated Absences Payable	2,496,328	
Other Postemployment Benefits Payable	39,349	
Total Noncurrent Liabilities	9,325,677	
TOTAL LIABILITIES	10,340,004	285,796

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2010**

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 68,861,856	\$
Restricted:		
Nonexpendable:		
Endowment		10,213,897
Expendable:		
Grants and Loans	810,897	
Scholarships and Other Educational Purposes		12,295,922
Capital Projects	24,567,678	
Debt Service	508,299	
Unrestricted	5,362,905	82,601
Total Net Assets	100,111,635	22,592,420
TOTAL LIABILITIES AND NET ASSETS	\$ 110,451,639	\$ 22,878,216

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, 2010

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$5,362,127	\$ 6,826,794	\$
Federal Grants and Contracts	4,679,368	
Nongovernmental Grants and Contracts	772,128	
Sales and Services of Educational Departments	174,421	
Auxiliary Enterprises, Net of Scholarship		
Allowances of \$1,156,416	2,080,364	
Other Operating Revenues	320,541	632,266
Total Operating Revenues	14,853,616	632,266
EXPENSES		
Operating Expenses:		
Personnel Services	23,438,159	
Scholarships and Waivers	6,471,127	379,917
Utilities and Communications	1,910,530	
Contractual Services	4,535,292	
Other Services and Expenses	1,169,281	1,015,825
Materials and Supplies	5,945,316	
Depreciation	3,539,583	
Total Operating Expenses	47,009,288	1,395,742
Operating Loss	(32,155,672)	(763,476)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	17,192,345	
Gifts and Grants	13,841,426	
Investment Income	104,908	2,741,556
Interest on Capital Asset-Related Debt	(44,500)	
Net Nonoperating Revenues	31,094,179	2,741,556
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(1,061,493)	1,978,080
Capital Appropriations	1,624,108	
Capital Grants and Fees	2,001,664	
Other Expenses	(5,100,000)	
Total Other Expenses	(1,474,228)	
Increase (Decrease) in Net Assets	(2,535,721)	1,978,080
Net Assets, Beginning of Year	102,647,356	20,614,340
Net Assets, End of Year	\$ 100,111,635	\$ 22,592,420

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, 2010**

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 6,333,324
Grants and Contracts	4,750,459
Payments to Suppliers	(11,910,358)
Payments for Utilities and Communications	(1,910,530)
Payments to Employees	(19,178,101)
Payments for Employee Benefits	(4,222,596)
Payments for Scholarships	(6,471,127)
Net Loans Issued to Students	(4,061)
Auxiliary Enterprises, Net	2,080,364
Sales and Service of Educational Departments	174,421
Other Receipts	269,850
	(30,088,355)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	17,192,345
Gifts and Grants Received for Other Than Capital or Endowment Purposes	13,841,426
	31,033,771
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	6,300,000
Capital Appropriations	5,240,622
Capital Grants and Fees	3,707,571
Purchases of Capital Assets	(7,419,836)
Principal Paid on Capital Debt	(90,000)
Interest Paid on Capital Debt	(44,500)
	7,693,857
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	107,394
Purchase of Investments, Net	(460,816)
	(353,422)
Net Increase in Cash and Cash Equivalents	8,285,851
Cash and Cash Equivalents, Beginning of Year	9,444,042
Cash and Cash Equivalents, End of Year	\$ 17,729,893

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2010**

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (32,155,672)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,539,583
Changes in Assets and Liabilities:	
Receivables, Net	(362,095)
Due From Other Governments	(701,036)
Inventories	(110,582)
Other Assets and Prepaid Expenses	(114,117)
Accounts Payable	(140,661)
Deposits Held for Others	(80,319)
Compensated Absences Payable	59,617
Other Postemployment Benefits Payable	(23,073)
NET CASH USED BY OPERATING ACTIVITIES	\$ (30,088,355)

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, 2010

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 Florida 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 Unit. Based on the application of the criteria for determining component units, the Gulf Coast 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, 2010.

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.

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

GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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
- Other Required Supplementary Information

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

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

The College follows GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless the FASB pronouncements conflict with GASB pronouncements. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College has the option to elect to apply all pronouncements of FASB issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

Significant 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 a nonoperating expense.

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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 of 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 funds invested with the State Board of Administration (SBA) in Florida PRIME, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool, and the State Treasury Special Purpose Investment Accounts (SPIA). For reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the SPIA and Florida PRIME investment pool to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents and investments 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, 2010, the College reported as cash equivalents at fair value \$10,803,322 of moneys held in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of Af by Standard & Poor's and had an effective duration of 1.81 years at June 30, 2010. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2010, the College reported as cash equivalents at fair value \$15,772 of moneys held in Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2010, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average

GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

days to maturity (WAM) of 46 days as of June 30, 2010. 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 Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

Capital Assets. College capital assets consist of land; construction in progress; buildings; other structures and improvements; and furniture, machinery, and equipment. 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 other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of bonds payable, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year.

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

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

State Board of Administration Debt Service Accounts

The College reported investments at fair value totaling \$465,859 at June 30, 2010, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education and Florida Department of Education for the benefit of the College. The College’s investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State’s Comprehensive Annual Financial Report.

Component Unit Investments

The College’s component unit’s investments at June 30, 2010, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Common Fund	\$ 21,810,446
State Treasury SPIA	18,971
Certificates of Deposit	524,292
Investment in Real Property	<u>47,687</u>
Total Component Unit Investments	<u>\$ 22,401,396</u>

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 \$452,968 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 \$10,415 allowance for uncollectible notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$19,108,805 of Public Education Capital Outlay allocations due from the State to the College 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

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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, 2010, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 3,507,945	\$ 15,231	\$	\$ 3,523,176
Construction in Progress	13,749,576	751,696	13,749,039	752,233
Total Nondepreciable Capital Assets	\$ 17,257,521	\$ 766,927	\$ 13,749,039	\$ 4,275,409
Depreciable Capital Assets:				
Buildings	\$ 68,667,396	\$ 15,763,050	\$	\$ 84,430,446
Other Structures and Improvements	5,611,855	1,122,447		6,734,302
Furniture, Machinery, and Equipment	7,065,884	1,671,926	84,557	8,653,253
Total Depreciable Capital Assets	81,345,135	18,557,423	84,557	99,818,001
Less, Accumulated Depreciation:				
Buildings	22,611,393	2,105,825		24,717,218
Other Structures and Improvements	3,262,537	380,300		3,642,837
Furniture, Machinery, and Equipment	5,093,799	1,053,458	75,758	6,071,499
Total Accumulated Depreciation	30,967,729	3,539,583	75,758	34,431,554
Total Depreciable Capital Assets, Net	\$ 50,377,406	\$ 15,017,840	\$ 8,799	\$ 65,386,447

For capital assets partially financed with United States Department of Commerce National Telecommunications and Information Administration (NTIA)/Public Telecommunications Facilities Program (PTFP) grants, the Federal Government requires a ten-year lien establishing it as the priority secured creditor. This is to enforce its reversionary interest in the fixed asset for a ten-year period (dating from the PTFP's approval of the final inventory for the grant) in case the College defaults on the terms and conditions of the grant. The capital assets against which the Federal Government has a lien are:

<u>Capital Assets</u>	<u>DOC Grant No.</u>	<u>Original Cost</u>	<u>Lien Through</u>
Tower	12-01-N06013	\$ 438,387	2019

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2010, include bonds payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2010, is shown below:

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 890,000	\$6,300,000	\$ 90,000	\$7,100,000	\$310,000
Compensated Absences Payable	2,474,188	250,805	191,188	2,533,805	37,477
Other Postemployment Benefits Payable	62,422	29,479	52,552	39,349	
Total Long-Term Liabilities	\$3,426,610	\$6,580,284	\$333,740	\$9,673,154	\$347,477

Bonds Payable. The various bonds were issued to finance capital outlay projects of the College. The following is a description of the bonded debt issues:

- State Board of Education Capital Outlay Bonds. 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.
- Capital Improvement Revenue Bonds, Series 2010A. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the Capital Improvement Fees collected pursuant to Section 1009.23(11), Florida Statutes, by the 2010A participating colleges on a parity with the outstanding bonds and any additional bonds issued subsequent to the issuance of the 2010A bonds. These bonds constitute the third series of bonds to be issued pursuant to a Master Authorizing Resolution. Upon the issuance of additional bonds, all bonds will share a parity first lien on the revenues pledged by the colleges participating in such additional bonds. The bonds were issued for new construction and equipment, renovation and remodeling of educational facilities.

The College had the following bonds payable at June 30, 2010:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds: Series 2005A	\$ 800,000	5	2017
Florida Department of Education Capital Improvement Revenue Bonds: Series 2010A	<u>6,300,000</u>	3.00 - 4.375	2030
Total	<u>\$ 7,100,000</u>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 310,000	\$ 291,330	\$ 601,330
2012	335,000	270,700	605,700
2013	345,000	258,550	603,550
2014	360,000	246,000	606,000
2015	375,000	232,900	607,900
2016-2020	1,635,000	955,350	2,590,350
2021-2025	1,685,000	639,850	2,324,850
2026-2030	2,055,000	269,656	2,324,656
Total	\$ 7,100,000	\$ 3,164,336	\$ 10,264,336

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, 2010, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$2,533,805. 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 2010-11 fiscal year.

Other Postemployment Benefits Payable. The College follows Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain other postemployment healthcare and life insurance benefits provided by the Florida College System Risk Management Consortium (Consortium).

Plan Description. The College contributes to an agent multiple-employer defined-benefit 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 College’s healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the plans 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 plans on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the plans and they are not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend the benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

OPEB obligation, and the plans are financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 59 retirees received postemployment healthcare benefits, and 68 retirees received postemployment life insurance benefits. The College provided required contributions of \$52,099 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 \$416,385.

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. 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 OPEB cost for the year, the amount actually contributed to the plans, and changes in the College’s net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 32,884
Amortization of Unfunded Actuarial Accrued Liability	<u>19,215</u>
Annual Required Contribution	52,099
Interest on Net OPEB Obligation	1,199
Adjustment to Annual Required Contribution	<u>(23,819)</u>
Annual OPEB Cost (Expense)	29,479
Contribution Toward the OPEB Cost	<u>(52,552)</u>
Decrease in Net OPEB Obligation	(23,073)
Net OPEB Obligation, Beginning of Year	<u>62,422</u>
Net OPEB Obligation, End of Year	<u><u>\$ 39,349</u></u>

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation as of June 30, 2010, and for the transition and preceding years, were 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
2008-09	74,440	63.6%	62,422
2009-10	29,479	178.3%	39,349

Funded Status and Funding Progress. As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$559,668 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$559,668 and a funded ratio of 0 percent. The covered payroll (annual payroll of active

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

participating employees) was \$15,891,559 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.5 percent.

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 healthcare 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 expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. 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 OPEB actuarial valuation as of July 1, 2009, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the College's 2009-10 fiscal year ARC. 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 healthcare cost trend rate of 8 percent for the 2009-10 fiscal year, reduced by 0.1 to 0.3 percent per year, to an ultimate rate of 4.5 percent after 18 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, 2010, was 27 years.

9. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS 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. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Employees in the Plan vest at six years of service. All vested 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; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability and death benefits, and annual cost-of-living adjustments.

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 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 2009-10 fiscal year were as follows:

Class	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	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class 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, 2008, June 30, 2009, and June 30, 2010, totaled \$1,366,033, \$1,293,946, and \$1,239,432, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State 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, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were

GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

68 College participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$289,531.

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 College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible college instructors and administrators. The Program is designed to aid 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 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 college to the participant's annuity account.

There were 28 College participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled \$207,325.

10. 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.

11. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2010, are as follows:

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

Project Description	Total Committed	Completed to Date	Balance Committed
Advanced Technology Center:			
Architect	\$ 2,098,084	\$ 654,092	\$ 1,443,992
Construction Manager	50,000		50,000
Total	\$ 2,148,084	\$ 654,092	\$ 1,493,992

12. 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 College System Risk Management Consortium (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 \$175 million through February 28, 2010, and \$150 million starting March 1, 2010. Insurance coverage obtained through the Consortium included health and hospitalization, life, dental, 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 fiscal years.

13. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the 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 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.

**GULF COAST COMMUNITY COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 14,768,714
Education Enhancement Trust Fund (Lottery)	2,083,578
Gross Receipts Tax (Public Education Capital Outlay)	1,412,908
Bright Futures Scholarship Program	1,361,528
Florida Student Assistance Grants	1,121,603
Restricted Contracts and Grants	1,027,619
Motor Vehicle License Tax (Capital Outlay and Debt Service)	<u>211,200</u>
Total	<u><u>\$ 21,987,150</u></u>

14. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 16,024,451
Public Services	355,694
Academic Support	1,962,784
Student Services	4,608,194
Institutional Support	4,830,567
Operation and Maintenance of Plant	5,435,663
Scholarships and Fellowships	6,471,127
Depreciation	3,539,583
Auxiliary Enterprises	<u>3,781,225</u>
Total Operating Expenses	<u><u>\$ 47,009,288</u></u>

**GULF COAST COMMUNITY COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN**

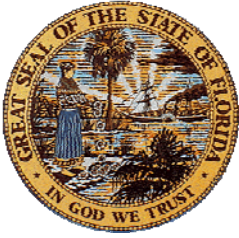
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 635,671	\$ 635,671	0%	\$ 16,697,660	3.8%
7/1/2009	\$	\$ 559,668	\$ 559,668	0%	\$ 15,891,559	3.5%

Note: (1) The actuarial cost method used by the College is the projected unit credit method.

**GULF COAST COMMUNITY COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS

The July 1, 2009, unfunded actuarial liability of \$559,668 was lower than the July 1, 2007, liability of \$635,671 as a result of changes in actuarial assumptions related to higher withdrawal rates and reductions in the assumptions for married and participation coverage.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
FAX: 850-488-6975

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

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

We have audited the financial statements of Gulf Coast 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, 2010, 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 opinion 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to College management in our operational audit report No. 2011-019.

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
February 8, 2011