REPORT NO. 2015-125
MARCH 2015

ST. JOHNS RIVER STATE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2014



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2013-14 fiscal year are listed below:

	County
Denise M. Bramlitt, Vice Chair to 3-11-14, Chair from 3-12-14 (1)	Putnam
Ron Coleman, Jr., Vice Chair from 3-12-14 (1)	Clay
John Nelson, Jr., to 2-19-14, Chair (2)	Putnam
Wendell D. Davis	Clay
Colonel Joseph "Mickey" Duren (1)	St. Johns
Mary Ellen Hancock (3)	St. Johns
Brian Keith from 2-20-14	Putnam
Marlene Lagasse from 2-20-14 (4)	Putnam

Joe H. Pickens, J.D., President

Notes: (1) Board member served beyond the end of term, May 31, 2014.
(2) Chair position remained vacant from February 20, 2014, to March 11, 2014.
(3) Board member's name was formerly Mary Ellen Webb.
(4) Position remained vacant from July 1 2013, through February 19, 2014.

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 Dennis Gay, CPA, and the audit was supervised by Randy R. Arend, 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) 412-2869.

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) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

ST. JOHNS RIVER STATE COLLEGE
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether St. Johns River State 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, 2014. 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.

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.

AUDITOR GENERAL
STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

PHONE: 850-412-2722
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

Report on the Financial Statements

We have audited the accompanying financial statements of St. Johns River State 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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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, 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 St. Johns River State College and of its discretely presented component unit as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, and **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of St. Johns River State 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* in considering St. Johns River State College's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 3, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2014, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2014, and June 30, 2013, and its component unit, St. Johns River State College Foundation, Inc., for the fiscal years ended March 31, 2014, and March 31, 2013.

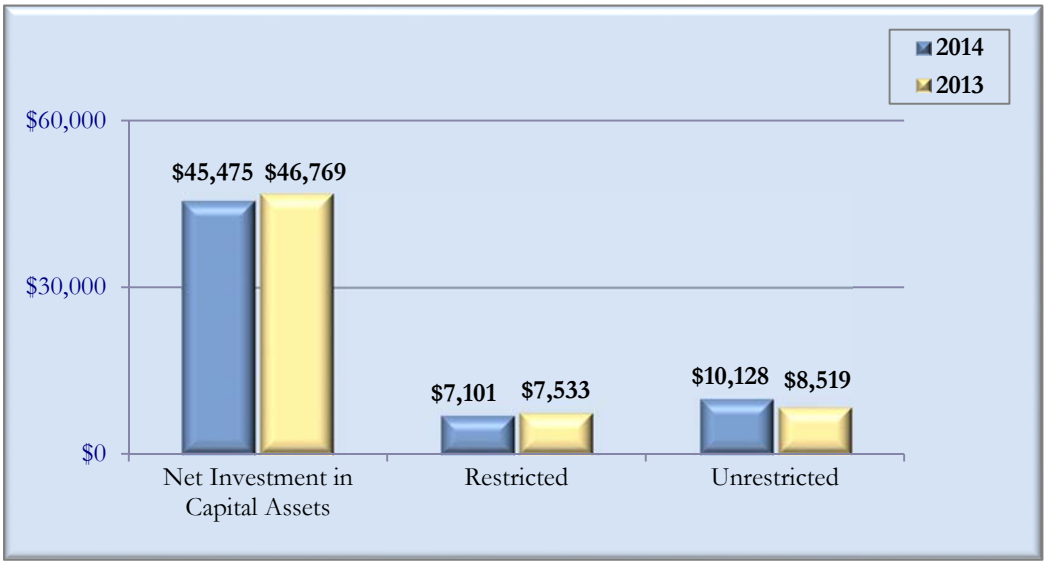
FINANCIAL HIGHLIGHTS

The College's assets totaled $67.3 million at June 30, 2014. This balance reflects a $0.7 million, or 1 percent, increase as compared to the 2012-13 fiscal year, resulting primarily from a $3 million increase in cash and cash equivalents, and a $0.5 million increase in accounts receivable, offset by a $1.4 million decrease in due from other agencies and a $1.3 million decrease in depreciable capital assets. Liabilities increased by $0.8 million, or 21.6 percent, totaling $4.6 million at June 30, 2014, as compared to $3.7 million at June 30, 2013. As a result, the College's net position decreased by $0.1 million, resulting in a year-end balance of $62.7 million.

The College's operating revenues totaled $12.7 million for the 2013-14 fiscal year, representing a 0.9 percent increase as compared to the 2012-13 fiscal year due mainly to increases in net student tuition and fees and auxiliary enterprises offset by a decrease in grants and contracts. Operating expenses totaled $48.8 million for the 2013-14 fiscal year, representing a decrease of 1.5 percent as compared to the 2012-13 fiscal year due mainly to a decrease in materials and supplies expenses.

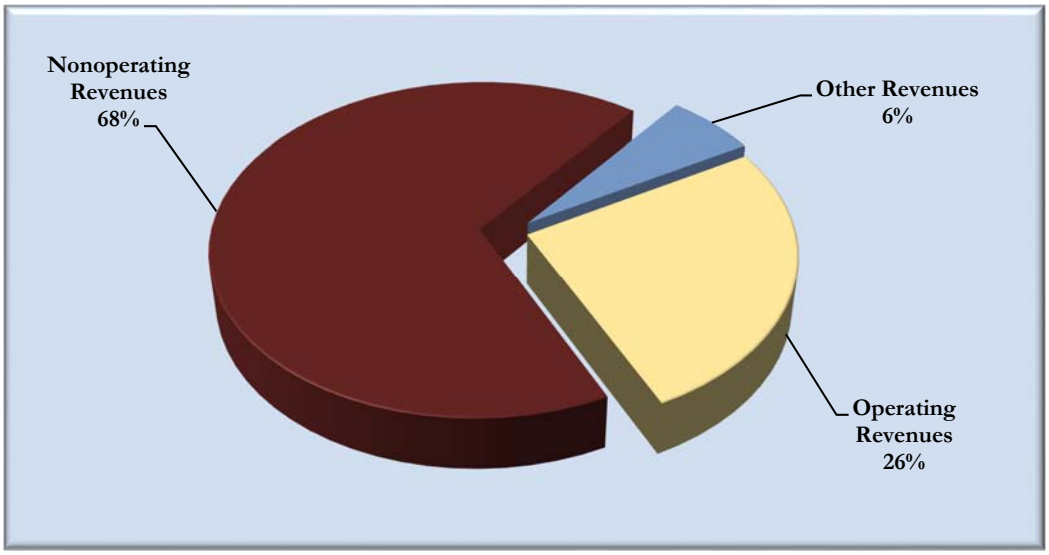
Net position represents the residual interest in the College's assets after deducting liabilities. The College's comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

Net Position: College
(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2013-14 fiscal year:

Total Revenues: College



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 position; the statement of revenues, expenses, and changes in net position; 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:

- St. Johns River State 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.
- St. Johns River State 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 POSITION

The statement of net position reflects the assets and liabilities of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. Assets, less liabilities, equals net position, which is one indicator of the College's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the College's financial condition.

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

Condensed Statement of Net Position at
(In Thousands)

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Assets				
Current Assets	$ 19,064	$ 18,150	$ 2,499	$ 2,205
Capital Assets, Net	45,475	46,769		
Other Noncurrent Assets	2,718	1,645	1,976	1,695
Total Assets	67,257	66,564	4,475	3,900
Liabilities				
Current Liabilities	2,068	1,364		
Noncurrent Liabilities	2,485	2,379		
Total Liabilities	4,553	3,743		
Net Position				
Net Investment in Capital Assets	45,475	46,769		
Restricted	7,101	7,533	3,514	3,171
Unrestricted	10,128	8,519	961	729
Total Net Position	$ 62,704	$ 62,821	$ 4,475	$ 3,900
(Decrease) Increase in Net Position	$ (117)	-0.2%	$ 575	14.7%

Although total net position did not change significantly, other noncurrent assets increased $1 million due mainly to a transfer of unrestricted funds to restricted capital outlay funds, offset by a $1.3 million decrease in depreciable capital assets primarily from annual depreciation of College assets exceeding capital asset additions.

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

The statement of revenues, expenses, and changes in net position presents the College's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the activities of the College and its component unit for the respective fiscal years ended:

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended
(In Thousands)

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Operating Revenues	$ 12,683	$ 12,567	$ 543	$ 556
Less, Operating Expenses	48,764	49,483	511	508
Operating Income (Loss)	(36,081)	(36,916)	32	48
Net Nonoperating Revenues	33,234	30,204	543	292
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,847)	(6,712)	575	340
Other Revenues	2,730	1,970		
Net Increase (Decrease) In Net Position	(117)	(4,742)	575	340
Net Position, Beginning of Year	62,821	67,563	3,900	3,560
Net Position, End of Year	$ 62,704	$ 62,821	$ 4,475	$ 3,900

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.

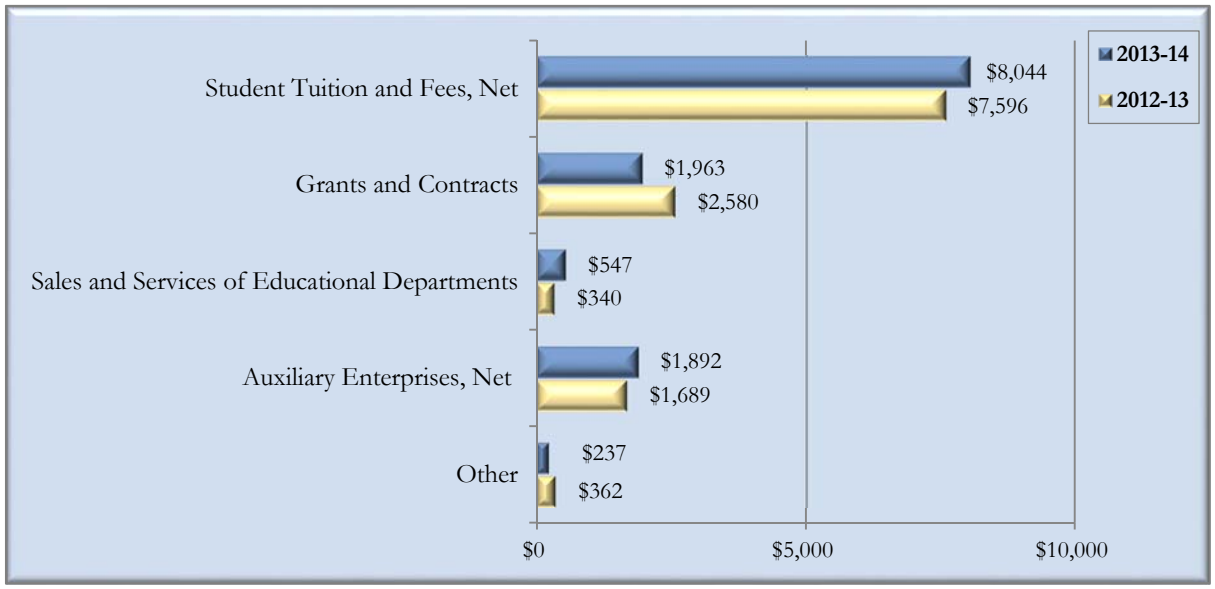
The following summarizes the operating revenues for the College and its component unit by source that were used to fund operating activities for the respective fiscal years ended:

Operating Revenues
For the Fiscal Years Ended
(In Thousands)

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Student Tuition and Fees, Net	$ 8,044	$ 7,596	$	$
Grants and Contracts	1,963	2,580		
Sales and Services of Educational Departments	547	340		
Auxiliary Enterprises, Net	1,892	1,689		
Other	237	362	543	556
Total Operating Revenues	$ 12,683	$ 12,567	$ 543	$ 556

The following chart presents the College's operating revenues for the 2013-14 and 2012-13 fiscal years:

Operating Revenues: College
(In Thousands)



College operating revenues did not significantly change from the 2012-13 fiscal year to the 2013-14 fiscal year. Net student tuition and fees increased $0.4 million, or 5.9 percent, primarily from increases in the number of nonresident student enrollments and students taking distance learning courses, and the implementation of a new access fee. Additionally, auxiliary enterprises increased $0.2 million, or 12 percent, primarily from an increase in College bookstore sales. These increases were offset by a decrease in grants and contracts of $0.6 million, or 23.9 percent, primarily from the expiration of a nonrecurring Federal grant for a textbook rental program.

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 position and has displayed the functional classification in the notes to financial statements.

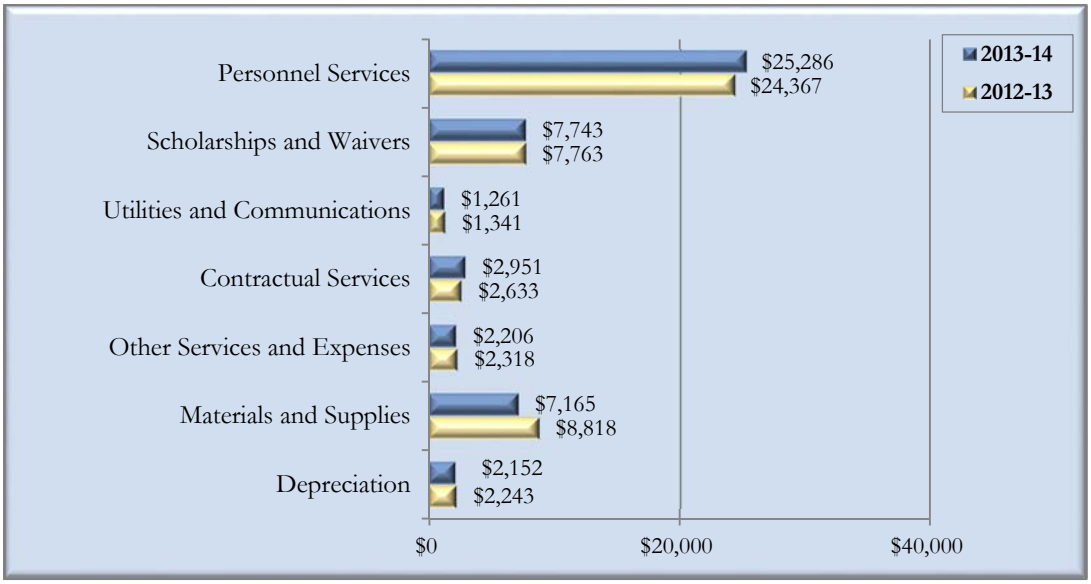
The following summarizes operating expenses by natural classification for the College and its component unit for the respective fiscal years ended:

Operating Expenses
For the Fiscal Years Ended
(In Thousands)

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Personnel Services	$ 25,286	$ 24,367	$	$
Scholarships and Waivers	7,743	7,763	288	278
Utilities and Communications	1,261	1,341		
Contractual Services	2,951	2,633	29	13
Other Services and Expenses	2,206	2,318	194	217
Materials and Supplies	7,165	8,818		
Depreciation	2,152	2,243		
Total Operating Expenses	$ 48,764	$ 49,483	$ 511	$ 508

The following chart presents the College's operating expenses for the 2013-14 and 2012-13 fiscal years:

Operating Expenses: College
(In Thousands)



College operating expenses decreased by $0.7 million, or 1.5 percent as compared to the prior fiscal year. Personnel services increased $0.9 million, or 3.8 percent, primarily as a result of hiring 34 additional instructors and increases in employee retirement and health insurance benefits expenses. Materials and supplies expenses decreased $1.7 million,

or 18.7 percent, mainly as a result of decreases in purchases of minor equipment with individual costs less than $5,000 and noncapital maintenance and remodeling expenses.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, 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 2013-14 and 2012-13 fiscal years:

Nonoperating Revenues (Expenses): College
(In Thousands)

	2013-14	2012-13
State Noncapital Appropriations	$ 19,189	$ 17,010
Federal and State Student Financial Aid	13,776	13,171
Investment Income	263	2
Gain on Disposal of Capital Assets	8	23
Other Nonoperating Expenses	(2)	(2)
Net Nonoperating Revenues	$ 33,234	$ 30,204

Net nonoperating revenues increased as compared to the prior fiscal year by $3 million, or 10 percent, due mainly to increases in Florida College System Program Fund and Educational Enhancement Trust Fund appropriations ($2.2 million) and Federal and State student financial aid ($0.6 million).

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2013-14 and 2012-13 fiscal years:

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

	2013-14	2012-13
State Capital Appropriations	$ 756	$ 257
Capital Grants, Contracts, Gifts, and Fees	1,974	1,713
Total	$ 2,730	$ 1,970

Other revenues increased 38.6 percent due mainly to an increase in State Public Education Capital Outlay appropriations.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections. 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.

The following summarizes the College's cash flows for the 2013-14 and 2012-13 fiscal years:

Condensed Statement of Cash Flows: College
(In Thousands)

	2013-14	2012-13
Cash Provided (Used) by:		
Operating Activities	$ (33,077)	$ (35,180)
Noncapital Financing Activities	32,963	30,179
Capital and Related Financing Activities	2,823	2,690
Investing Activities	305	40
Net Increase (Decrease) in Cash and Cash Equivalents	3,014	(2,271)
Cash and Cash Equivalents, Beginning of Year	15,370	17,641
Cash and Cash Equivalents, End of Year	$ 18,384	$ 15,370

Major sources of cash inflows came from State noncapital appropriations ($19.2 million), Federal and State student financial aid ($13.8 million), Federal Direct Student Loan program receipts ($10 million), net student tuition and fees ($7.9 million), grants and contracts ($2 million), capital gifts and grants ($2 million), and net auxiliary enterprise revenues ($1.9 million). Major cash outflows were for payments to employees ($19.9 million), disbursements to students for Federal Direct Student Loans ($10 million), payment to suppliers ($12.1 million), payments for scholarships ($7.7 million), and payments for employee benefits ($5.1 million).

The College's overall cash and cash equivalents increased $3 million, or 19.6 percent from the prior year. Cash used by operating activities decreased by $2.1 million due mainly to a $1.8 million decrease in payments to suppliers for equipment purchases with individual costs less than $5,000 and noncapital maintenance and remodeling expenses. Cash provided by noncapital financing activities increased by $2.8 million primarily from increases in Florida College System Program Fund and Educational Enhancement Trust Fund appropriations.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2014, the College had $73.1 million in capital assets, less accumulated depreciation of $27.6 million, for net capital assets of $45.5 million. Depreciation charges for the current fiscal year totaled $2.2 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

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

Capital Assets	2014	2013
Land	$ 687	$ 687
Buildings	42,767	44,224
Other Structures and Improvements	441	347
Furniture, Machinery, and Equipment	1,580	1,511
Capital Assets, Net	$45,475	$46,769

CAPITAL EXPENSES AND COMMITMENTS

During the 2013-14 fiscal year, the College had $.09 million in expenses for capital assets. The College had no construction commitments at June 30, 2014.

DEBT ADMINISTRATION

At fiscal year end, the College had no long-term capital debt outstanding.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The 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, the College cannot rely solely on State noncapital appropriations to fund cost increases. The College's 2014-15 Florida College System Program Fund and Educational Enhancement Trust Fund (Lottery) appropriations are $1.3 million less due mainly to a $1.5 million nonrecurring appropriation that was included in the 2013-14 fiscal year Florida College System Program Fund appropriation. In addition, the Board of Trustees approved a budget with no increase in student tuition and fee rates for the 2014-15 fiscal year. The College provided a nonrecurring salary payment to employees averaging 2.9 percent that was funded from reserves for the 2014-15 fiscal year, and anticipates maintaining other expenditures within revenues to ensure adequate fund balance reserves.

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 the Vice President for Finance and Administration/CFO, St. Johns River State College, 5001 St. Johns Avenue, Palatka, Florida 32177.

BASIC FINANCIAL STATEMENTS

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION
June 30, 2014

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 15,457,687	$ 709,438
Restricted Cash and Cash Equivalents	233,759	
Investments		1,764,343
Accounts Receivable, Net	1,577,101	
Contributions Receivable		25,000
Due from Other Governmental Agencies	1,113,582	
Due from Component Unit	19,932	
Inventories	626,269	
Prepaid Expenses	35,564	
Total Current Assets	19,063,894	2,498,781
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,692,414	
Investments	25,771	1,877,179
Contributions Receivable		99,600
Depreciable Capital Assets, Net	44,787,470	
Nondepreciable Capital Assets	687,582	
Total Noncurrent Assets	48,193,237	1,976,779
TOTAL ASSETS	67,257,131	4,475,560
LIABILITIES		
Current Liabilities:		
Accounts Payable	575,141	
Salary and Payroll Taxes Payable	1,342,873	
Retainage Payable	63,119	
Deposits Held for Others	18,277	
Long-Term Liabilities - Current Portion:		
Compensated Absences Payable	68,508	
Total Current Liabilities	2,067,918	
Noncurrent Liabilities:		
Compensated Absences Payable	2,132,010	
Other Postemployment Benefits Payable	352,791	
Total Noncurrent Liabilities	2,484,801	
TOTAL LIABILITIES	4,552,719	

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2014

	College	Component Unit
NET POSITION		
Net Investment in Capital Assets	$ 45,475,052	$
Restricted:		
Nonexpendable:		
Endowment		1,877,179
Expendable:		
Grants and Loans	62,776	1,637,669
Scholarships	177,633	
Capital Projects	6,861,093	
Unrestricted	10,127,858	960,712
TOTAL NET POSITION	$ 62,704,412	$ 4,475,560

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

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2014

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $5,371,255	$ 8,043,603	$
Federal Grants and Contracts	1,686,611	
State and Local Grants and Contracts	108,358	
Nongovernmental Grants and Contracts	169,121	
Sales and Services of Educational Departments	546,772	
Auxiliary Enterprises, Net of Scholarship Allowances of $1,194,282	1,892,239	
Other Operating Revenues	236,662	542,887
Total Operating Revenues	12,683,366	542,887
EXPENSES		
Operating Expenses:		
Personnel Services	25,286,449	
Scholarships and Waivers	7,742,905	287,703
Utilities and Communications	1,261,337	
Contractual Services	2,950,703	28,790
Other Services and Expenses	2,205,494	194,281
Materials and Supplies	7,165,124	
Depreciation	2,152,491	
Total Operating Expenses	48,764,503	510,774
Operating Income (Loss)	(36,081,137)	32,113
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	19,188,970	
Federal and State Student Financial Aid	13,775,740	
Investment Income	263,647	542,801
Gain on Disposal of Capital Assets	7,845	
Other Nonoperating Expenses	(2,127)	
Net Nonoperating Revenues	33,234,075	542,801
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(2,847,062)	574,914
State Capital Appropriations	756,138	
Capital Grants, Contracts, Gifts, and Fees	1,974,147	
Total Other Revenues	2,730,285	
Increase (Decrease) in Net Position	(116,777)	574,914
Net Position, Beginning of Year	62,821,189	3,900,646
Net Position, End of Year	$ 62,704,412	$ 4,475,560

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

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 7,946,407
Grants and Contracts	1,964,090
Payments to Suppliers	(12,143,425)
Payments for Utilities and Communications	(1,261,337)
Payments to Employees	(19,948,300)
Payments for Employee Benefits	(5,104,815)
Payments for Scholarships	(7,742,905)
Sales and Service of Educational Departments	546,772
Auxiliary Enterprises, Net	1,892,239
Other Receipts	773,860
Net Cash Used by Operating Activities	(33,077,414)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	19,188,970
Federal and State Student Financial Aid	13,775,740
Federal Direct Loan Program Receipts	10,019,959
Federal Direct Loan Program Disbursements	(10,019,959)
Other Nonoperating Disbursements	(2,127)
Net Cash Provided by Noncapital Financing Activities	32,962,583
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,664,432
Capital Grants and Gifts	1,974,147
Proceeds from Sale of Capital Assets	7,845
Purchases of Capital Assets	(823,071)
Net Cash Provided by Capital and Related Financing Activities	2,823,353
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	41,388
Investment Income	263,647
Net Cash Provided by Investing Activities	305,035
Net Increase in Cash and Cash Equivalents	3,013,557
Cash and Cash Equivalents, Beginning of Year	15,370,303
Cash and Cash Equivalents, End of Year	$ 18,383,860

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (36,081,137)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,152,491
Changes in Assets and Liabilities:	
Accounts Receivables, Net	(97,193)
Inventories	177,895
Prepaid Expenses	(3,782)
Payables	619,734
Deposits Held for Others	18,277
Compensated Absences Payable	102,620
Other Postemployment Benefits Payable	33,681
NET CASH USED BY OPERATING ACTIVITIES	$ (33,077,414)

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

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of St. Johns River State College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of seven 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 Clay, Putnam, and St. Johns Counties.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *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. Based upon the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activities 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 St. Johns River State College Foundation, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

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 March 31, 2014.

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 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:

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - 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 follows GASB standards of accounting and financial reporting.

The College's component unit uses the economic resources measurement focus and 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.

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 noncapital appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects.

The statement of net position 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 position is presented by major sources and is reported net of tuition and book scholarship allowances. Tuition and book scholarship allowances are the difference 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 is able to identify, within its accounting system, amounts paid for tuition, fees, and book charges by financial aid. To the extent that these

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenues and against auxiliary enterprise revenues.

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, a certificate of deposit, and cash placed with the State Treasury Special Purpose Investment Account (SPIA) and the State Board of Administration (SBA) Florida PRIME investment pools. 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 State Treasury SPIA and SBA Florida PRIME investment pools to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2014, the College reported as cash equivalents at fair value $12,478,332 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 A+f by Standard & Poor's, had an effective duration of 2.57 years, and had a fair value factor of 1.0074 at June 30, 2014. 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 SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2014, the College reported as cash equivalents $11,682 in the 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, 2014, 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 days to maturity (WAM) of 40 days as of June 30, 2014. 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.

The Foundation, for reporting cash flows, considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2014, the component unit had $73,231 in demand accounts, $186,602 in money market accounts, and $449,605 in its separate State Treasury SPIA account.

Capital Assets. College capital assets consist of land; buildings; other structures and improvements; and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of $5,000 for tangible personal property and $25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

Noncurrent Liabilities. Noncurrent liabilities include 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 SBA; 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 Administration Fund B Surplus Funds Trust Fund. The Fund B Surplus Funds Trust Fund (Fund B) is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, and is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME investment pool, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B on December 4, 2007. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

At June 30, 2014, the College reported investments at fair value of $25,771 in Fund B. The College's investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.84438408 at June 30, 2014. The weighted-average life (WAL) of Fund B at June 30, 2014, was 2.86 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

maturity dates for Fund B as of June 30, 2014. 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 March 31, 2014, are reported at fair value as follows:

Investment Type	Fair Value	Maturity in Years		Credit Quality Rating
		Less Than 1	1 - 5	
Investment in Debt Obligations:				
United States Government Obligations	$ 60,068	$	$ 60,068	AA+
Corporate Bonds	305,311		305,311	Baa1
Total Investments in Debt Obligations	365,379	$	$365,379	
Other Investments:				
Equities	3,276,143			
Total Component Unit Investments	$3,641,522			

The Foundation invested in various debt and equity securities. The following risks apply to its 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 does not have a formal investment policy that limits debt obligations maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy requires that debt securities be rated "Baa" or "BBB" or better by Moody's or Standard & Poor's rating services, respectively.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. The Foundation's investments in United States Government obligations and corporate debt securities are uninsured, were not registered in the Foundation's name, and were held by a counterparty. The Foundation does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Foundation's investment policy does not limit the amount that may be invested in one issuer.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, and contract and grant reimbursements due from third parties. These receivables are reported net of a $357,300 allowance for doubtful accounts.

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of $536,790 of Public Education Capital Outlay allocations due from the State for maintenance and repair of College facilities, and $567,945 of reimbursements due from the Federal government for Federal student financial aid programs.

5. DUE FROM COMPONENT UNIT

The amount due from component unit consists of amounts owed to the College for scholarships and student aid. The College's financial statements are reported for the fiscal year ended June 30, 2014, and the component unit's financial statements are reported for the fiscal year ended March 31, 2014. Accordingly, although the College reported a due from component unit of $19,932 for the fiscal year ended June 30, 2014, there was no amount due to the College by the component unit as of March 31, 2014.

6. INVENTORIES

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

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 687,582	$	$	$ 687,582
Total Nondepreciable Capital Assets	$ 687,582	$	$	$ 687,582
Depreciable Capital Assets:				
Buildings	$ 62,529,676	$	$	$ 62,529,676
Other Structures and Improvements	4,242,371	218,500		4,460,871
Furniture, Machinery, and Equipment	4,950,402	640,357	215,573	5,375,186
Total Depreciable Capital Assets	71,722,449	858,857	215,573	72,365,733
Less, Accumulated Depreciation:				
Buildings	18,306,123	1,457,239		19,763,362
Other Structures and Improvements	3,895,625	124,257		4,019,882
Furniture, Machinery, and Equipment	3,439,597	570,995	215,573	3,795,019
Total Accumulated Depreciation	25,641,345	2,152,491	215,573	27,578,263
Total Depreciable Capital Assets, Net	$ 46,081,104	$ (1,293,634)	$	$ 44,787,470

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2014, include compensated absences payable and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	$ 2,097,898	$ 358,950	$ 256,330	$ 2,200,518	$ 68,508
Other Postemployment Benefits Payable	319,110	95,342	61,661	352,791	
Total Long-Term Liabilities	$ 2,417,008	$ 454,292	$ 317,991	$ 2,553,309	$ 68,508

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 noncapital 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, 2014, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $2,200,518. The current portion of the compensated absences liability, $68,508, is the amount to be paid for employees with accrued leave expected to retire or participate in the Deferred Retirement Option Program during the 2014-15 fiscal year.

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

Plan Description. The College contributes to an agent, multiple-employer, defined-benefit plan (Plan) administered by the Consortium for postemployment 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 healthcare 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 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 Plan and the Plan is 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 plan 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 OPEB obligation,

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

and the Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 39 retirees received postemployment healthcare benefits and 22 retirees received postemployment life insurance benefits. The College provided required contributions of $61,661 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 $233,696, which represents 1.4 percent of covered payroll.

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 GASB 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 fiscal 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)	$ 54,192
Amortization of Unfunded Actuarial Accrued Liability	39,023
Annual Required Contribution	93,215
Interest on Net OPEB Obligation	12,764
Adjustment to Annual Required Contribution	(10,637)
Annual OPEB Cost (Expense)	95,342
Contribution Toward the OPEB Cost	(61,661)
Increase in Net OPEB Obligation	33,681
Net OPEB Obligation, Beginning of Year	319,110
Net OPEB Obligation, End of Year	$ 352,791

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, 2014, and for the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	$ 117,914	36.5%	$ 240,450
2012-13	118,413	33.6%	319,110
2013-14	95,342	64.7%	352,791

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was $1,170,682 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $1,170,682 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $16,520,351 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.1 percent.

ST. JOHNS RIVER STATE COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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, 2013, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the College's 2013-14 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 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 4 percent per year, an inflation rate of 3 percent per year, and an annual healthcare cost trend rate of 8.5 percent pre-Medicare and 6.25 percent Medicare for the 2013-14 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 5 years for pre-Medicare and 4 years for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2014, was 23 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 the 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. The 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), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at

ST. JOHNS RIVER STATE COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable 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, 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.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee 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 the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

		(A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.
(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 including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled $814,857, $879,837, and $1,309,365, respectively, which were equal to the required contributions for each fiscal year.

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

There were 120 College participants in the Investment Plan during the 2013-14 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled $646,241, which was equal to the required contribution for the 2013-14 fiscal year.

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' Web site (www.myfloridacfo.com). 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 Division of Retirement's Web site (www.frs.myflorida.com).

10. 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 purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage for property insurance of up to $125 million to February 28, 2014, and up to $150 million from March 1, 2014. Insurance coverage obtained through the Consortium included health and hospitalization, life, dental, vision, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

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 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 position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Functional Classification	Amount
Instruction	$ 14,798,729
Public Services	726,288
Academic Support	2,948,068
Student Services	4,141,646
Institutional Support	6,500,697
Operation and Maintenance of Plant	7,475,648
Scholarships and Waivers	7,742,905
Depreciation	2,152,491
Auxiliary Enterprises	2,278,031
Total Operating Expenses	$ 48,764,503

12. CAPITAL CREDITS

The College participated in a nonprofit electric cooperative established under Chapter 425, Florida Statutes. In accordance with this Statute, revenues in excess of operating expenses, unless otherwise determined by a vote of membership, are disbursed by the cooperative on a pro rata basis to its member's accounts. Annually, the Cooperative makes payments for designated prior years' capital credits. During the 2013-14 fiscal year, the College recognized new capital credits of $23,298 and received $6,621 related to the portions of capital credits earned from the 1987 through 2012 calendar years. At June 30, 2014, the accumulated credits to the College's accounts were $414,149.

ST. JOHNS RIVER STATE 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]
7/1/2009	$ -	$ 560,911	$ 560,911	0%	$ 13,954,110	4.0%
7/1/2011	-	964,996	964,996	0%	13,800,060	7.0%
7/1/2013	-	1,170,682	1,170,682	0%	16,520,351	7.1%

Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the actuarial accrued liability.

ST. JOHNS RIVER STATE COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2013, unfunded actuarial accrued liability of $1,170,682 was significantly higher than the July 1, 2011, liability of $964,996 as a result of the following factors:

- Demographic assumptions (rates of termination, retirement, disability, and mortality) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capita costs of healthcare were updated.
- The rates of healthcare inflation used to project the per capita healthcare costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.
- The conditions for retirement eligibility and rates of retirement were supplemented to accommodate those active employees hired on or after July 1, 2011.

AUDITOR GENERAL
STATE OF FLORIDA

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

DAVID W. MARTIN, CPA
AUDITOR GENERAL

PHONE: 850-412-2722
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*

Report on the Financial Statements

We have audited, in accordance with the 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, the financial statements of St. Johns River State 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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 3, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who 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 of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of the **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*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 3, 2015