

# INDIAN RIVER STATE COLLEGE

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2010



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

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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 Mark Smith, CPA, and the audit was supervised by Tim L. Tucker, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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## EXECUTIVE SUMMARY

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### 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 Indian River State College and its officers with administrative and stewardship responsibilities for College operations had:

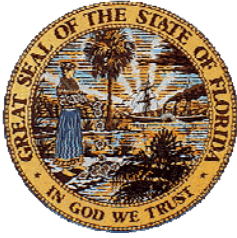
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied 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, 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. 2011-014.

### 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

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Indian 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, 2010, which collectively comprise the College's basic financial statements as shown on pages 13 through 33. 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. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*. 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 Indian River State 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 Indian 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* 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 12 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on pages 34 and 35 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  
March 15, 2011

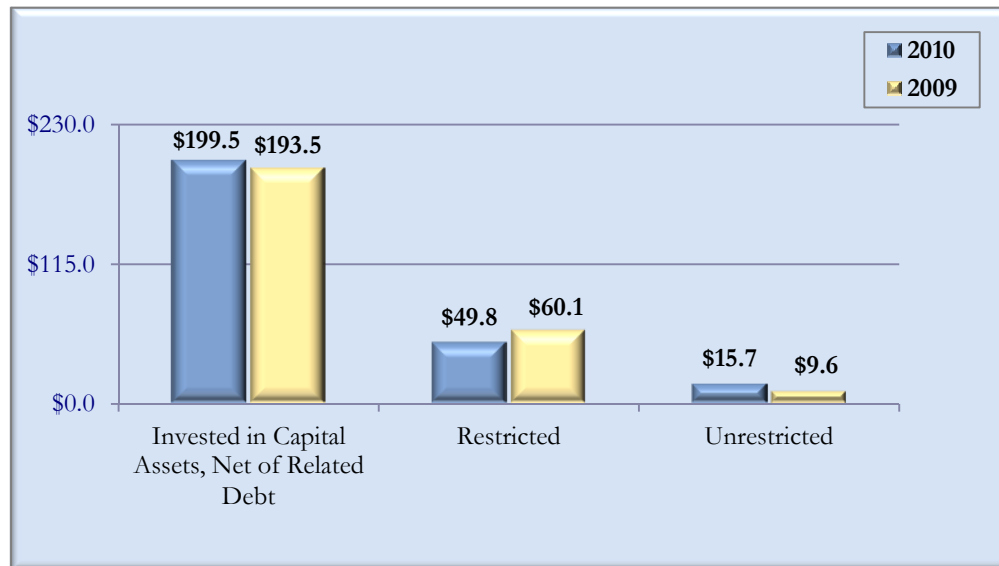
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

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, 2010, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

**FINANCIAL HIGHLIGHTS**

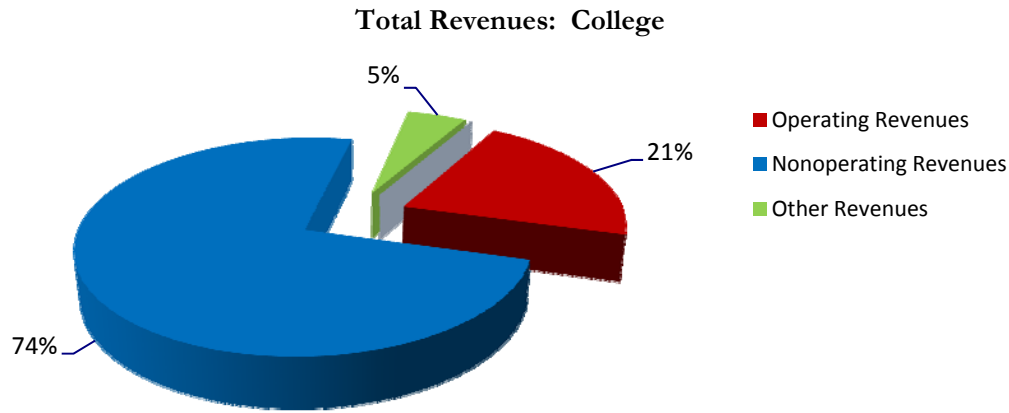
The College’s comparative total net assets by category totaling \$265 million and \$263.2 million for the respective fiscal years ended June 30, 2010, and June 30, 2009, are shown in the following chart:

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



The College’s financial position, as a whole, improved during the 2009-10 fiscal year as the College’s revenues and other support exceeded expenses, creating an increase in the College’s net assets of \$1.8 million, or 0.7 percent, from the prior fiscal year. This was primarily due to a \$6 million increase in invested in capital assets, net of related debt offset by a \$1 million decrease in cash and investments, a \$1.5 million decrease in accounts receivable and due from other government agencies, and a \$2 million net increase in current liabilities.

The College’s revenues by category totaling \$113.2 million for the 2009-10 fiscal year are shown in the following chart:



Net nonoperating revenues comprise 74 percent of total revenues, and represents State appropriations, American Recovery and Reinvestment Act funds, gifts and grants, and investment income. Operating revenues, representing 21 percent of total revenues, include student fees, grants and contracts, as well as auxiliary service operations. Other revenues comprise 5 percent of total revenues and include capital appropriations and capital gifts, grants, contracts, and fees.

**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:

- Indian 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.
- Indian 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 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 Indian River State 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 Indian River State College’s operating results.

These two statements report Indian River State 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 at the respective fiscal years ended, is shown in the following table:

	<b>Condensed Statement of Net Assets at (In Thousands)</b>			
	College		Component Unit	
	6-30-10	6-30-09	3-31-10	3-31-09
<b>Assets</b>				
Current Assets	\$ 56,940	\$ 68,459	\$ 25,061	\$ 19,641
Capital Assets, Net	202,652	196,917	2,690	2,827
Other Noncurrent Assets	24,785	15,782	29,199	23,257
<b>Total Assets</b>	<u>284,377</u>	<u>281,158</u>	<u>56,950</u>	<u>45,725</u>
<b>Liabilities</b>				
Current Liabilities	9,422	7,456	2,893	2,664
Noncurrent Liabilities	9,867	10,456	1,962	2,076
<b>Total Liabilities</b>	<u>19,289</u>	<u>17,912</u>	<u>4,855</u>	<u>4,740</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	199,507	193,507	615	
Restricted	49,835	60,118	48,857	47,250
Unrestricted	15,746	9,621	2,623	(6,265)
<b>Total Net Assets</b>	<u>\$ 265,088</u>	<u>\$ 263,246</u>	<u>\$ 52,095</u>	<u>\$ 40,985</u>
<b>Increase in Net Assets</b>	<u>\$ 1,842</u>	0.7%	<u>\$ 11,110</u>	27.11%

Total net assets increased by \$1.8 million, or 0.7 percent. This was primarily due to an increase in capital activity of \$5.7 million, offset by reductions in current and noncurrent assets of \$2.5 million and increases in current and noncurrent liabilities of \$1.9 million.

Additional detail on changes in net capital assets and construction contract commitments is located in the "Capital Assets and Debt Administration" section of this MD&A and the notes to financial statements.

Revenues and expenses of the College and its component unit for the respective fiscal years ended are shown in the following table:

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

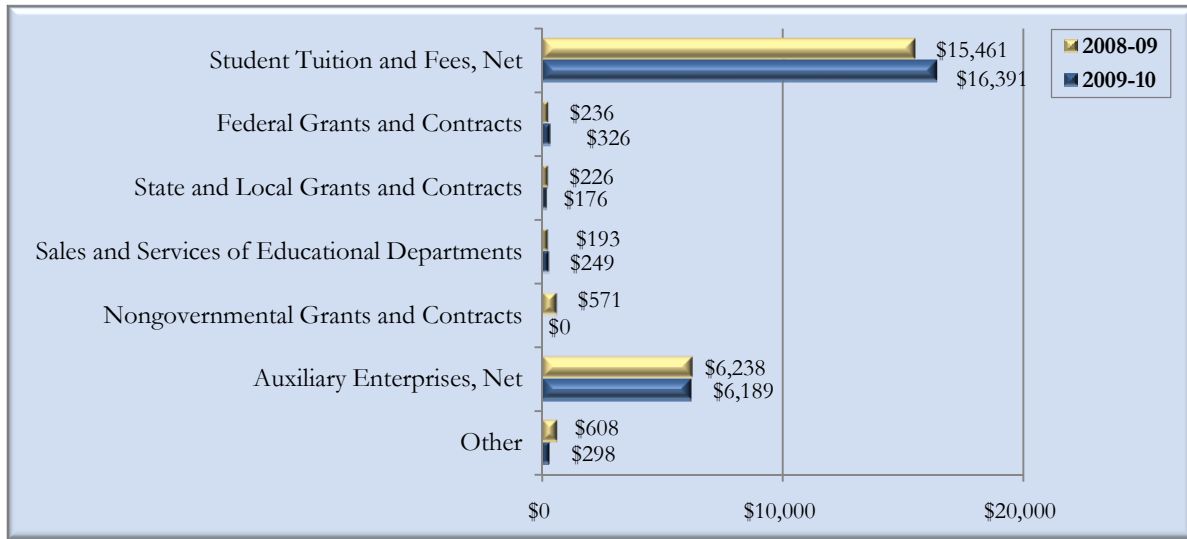
	College		Component Unit	
	6-30-10	6-30-09	3-31-10	3-31-09
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 16,391	\$ 15,461	\$	\$
Federal Grants and Contracts	326	236		
State and Local Grants and Contracts	176	226	80	1,418
Nongovernmental Grants and Contracts		571	2,676	2,906
Sales and Services of Educational Departments	249	193		
Auxiliary Enterprises, Net of Scholarship Allowances	6,189	6,238		
Other Operating Revenues	298	608		
<b>Total Operating Revenues</b>	<b>23,629</b>	<b>23,533</b>	<b>2,756</b>	<b>4,324</b>
Less, Operating Expenses	111,105	107,803	4,539	7,671
<b>Operating Loss</b>	<b>(87,476)</b>	<b>(84,270)</b>	<b>(1,783)</b>	<b>(3,347)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	41,976	47,678		
Other Nonoperating Revenues	41,569	21,538	12,565	3,094
Nonoperating Expenses	(207)	(173)	(128)	(18,188)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>83,338</b>	<b>69,043</b>	<b>12,437</b>	<b>(15,094)</b>
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>				
Capital Appropriations	1,969	30,762	142	228
Capital Grants, Contracts, Gifts, and Fees	4,011	4,728		
Additions to Permanent Endowments			314	929
<b>Increase (Decrease) in Net Assets</b>	<b>1,842</b>	<b>20,263</b>	<b>11,110</b>	<b>(17,284)</b>
Net Assets, Beginning of Year	263,246	242,983	40,985	58,269
<b>Net Assets, End of Year</b>	<b>\$ 265,088</b>	<b>\$ 263,246</b>	<b>\$ 52,095</b>	<b>\$ 40,985</b>

### 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)**



College operating revenues increased \$0.1 million, or 0.4 percent, as a result of increases in student tuition and fee rates and increases in student enrollment offset by reductions in nongovernmental grants and other operating receipts.

**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.

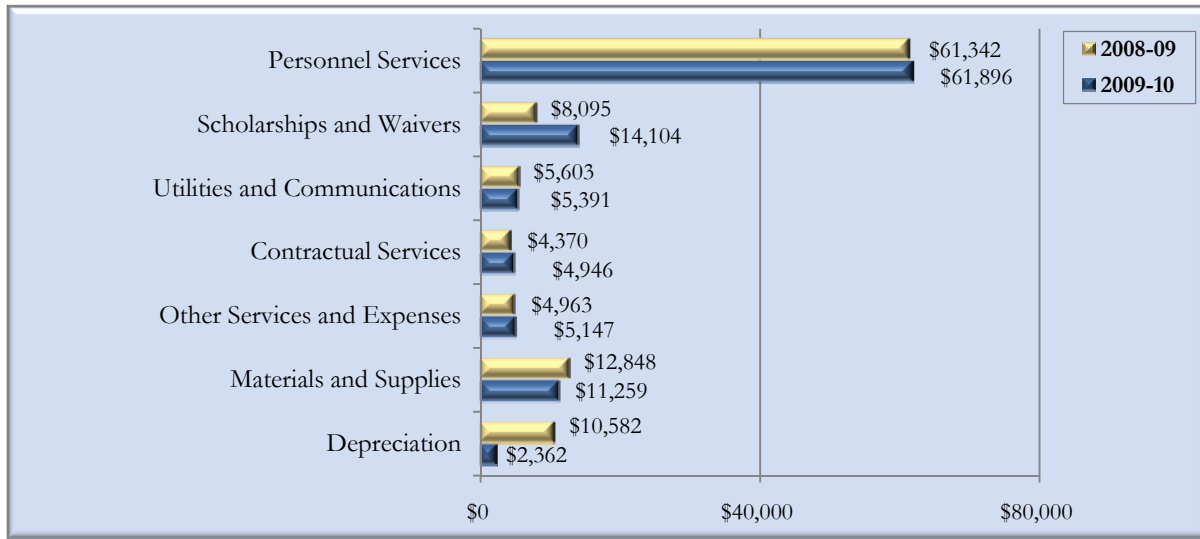
Operating expenses for the College and its component unit for the respective fiscal years ended are presented in the following table:

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

	College		Component Unit	
	6-30-10	6-30-09	3-31-10	3-31-09
<b>Operating Expenses</b>				
Personnel Services	\$ 61,896	\$ 61,342	\$ 262	\$ 253
Scholarships and Waivers	14,104	8,095	2,167	1,879
Utilities and Communications	5,391	5,603		
Contractual Services	4,946	4,370		
Other Services and Expenses	5,147	4,963	1,966	5,375
Materials and Supplies	11,259	12,848		
Depreciation	8,362	10,582	144	164
<b>Total Operating Expenses</b>	<b>\$111,105</b>	<b>\$ 107,803</b>	<b>\$ 4,539</b>	<b>\$ 7,671</b>

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

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



College operating expenses increased by \$3.3 million, or 3.1 percent, as a result of the following factors:

- Personnel services (salary and benefits) expenses increased \$0.6 million, or 0.9 percent, due to a nonrecurring 1 percent stipend paid to full-time College employees.
- Scholarships and waivers increased by \$6 million, or 74.2 percent, primarily due to increases in Federal Pell grants corresponding with increases in enrollment of students with financial need.
- Contractual services increased by \$0.6 million, or 13.2 percent, primarily due to outsourcing additional security guards to enhance campus security and safety as well as contracted training expenditures under two Quick Response grants.
- Materials and supplies decreased \$1.6 million, or 12.4 percent, primarily due to planned reductions in spending.

**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)**

	<u>2009-10</u>	<u>2008-09</u>
State Appropriations	\$41,976	\$47,678
Gifts and Grants	40,681	21,738
Investment Income	252	561
Unrealized Gain (Loss) on Investments	636	(768)
Interest on Capital Asset-Related Debt	(149)	(173)
Other Nonoperating Revenues (Expenses)	<u>(58)</u>	<u>7</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$83,338</u></b>	<b><u>\$69,043</u></b>

State appropriations decreased by \$5.7 million, or 12 percent, compared to the prior fiscal year. This net decrease is primarily due to the following:

- Net overall decrease of \$3.2 million in the Community College Program Fund for general revenue and performance based incentive funding.
- Decrease in lottery funding of \$0.4 million.
- Decrease of \$0.1 million in special State appropriations for the baccalaureate programs.
- Decrease in special appropriations of \$0.2 million for Workforce Development (Disabled) and Critical Jobs Programs.

Gifts and grants increased by \$18.9 million, or 87.1 percent, due to an \$11.1 million increase in Federal Pell grants and a \$2 million increase in numerous other grants, as student enrollment for students with higher financial need and new “year round” Federal Pell grant awards increased. In addition the College received \$4.2 million in State appropriated Federal American Recovery and Reinvestment Act (ARRA) funds.

**Other Revenues, Expenses, Gains, or Losses**

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

<b>Other Revenues, Expenses, Gains, or Losses: College</b>		
<b>(In Thousands)</b>		
	<u>2009-10</u>	<u>2008-09</u>
Capital Appropriations	\$ 1,969	\$ 30,762
Capital Grants, Contracts, Gifts, and Fees	<u>4,011</u>	<u>4,728</u>
<b>Total</b>	<b><u>\$ 5,980</u></b>	<b><u>\$ 35,490</u></b>

Capital appropriations decreased overall by \$28.8 million, or 93.6 percent, as compared to the prior year. This is due to a decrease in Public Education Capital Outlay (PECO) revenues of \$26.5 million as no new construction dollars were appropriated, and a decrease in \$2.3 million in State Facility Enhancement Challenge Grants.

Capital grants, contracts, gifts, and fees decreased \$0.7 million, or 15.2 percent, due to a \$0.7 million prior year award of Federal Emergency Management Agency (FEMA) mitigation funds.

**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	\$ (82,219)	\$ (73,097)
Noncapital Financing Activities	82,599	69,423
Capital and Related Financing Activities	(2,294)	(3,442)
Investing Activities	(11,532)	(4,827)
<b>Net Decrease in Cash and Cash Equivalents</b>	(13,446)	(11,943)
Cash and Cash Equivalents, Beginning of Year	31,513	43,456
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 18,067</b>	<b>\$ 31,513</b>

The College's overall cash and cash equivalents, end of year, decreased by \$13.4 million, or 42.7 percent, compared to the prior fiscal year. The following factors contributed to the net decrease in cash and cash equivalents:

- The net cash used by operating activities increased \$9.1 million (decrease to cash) compared to the prior fiscal year. Outflows of cash from operating activities included: increased payments for student aid and scholarships of \$6 million; increases in payments to employees for salaries and benefits in the amount of \$1.6 million; a \$2.6 million increase in other payments; and a reduction of \$0.4 million in auxiliary services cash receipts. The major inflow of cash from operating activities was a \$1.3 million reduction in payments made to suppliers and utilities as the College reduced spending and continued with energy conservation measures; and a \$0.2 million increase in cash received from student tuition and fees.
- The net cash provided by noncapital financing activities increased \$13.2 million (increase to cash) compared to the prior fiscal year. This increase in cash inflows was due to increases in Federal Pell grants and receipt of \$4.2 million of State appropriated ARRA funds.
- The net cash used for capital and related financing activities decreased \$1.1 million (increase to cash) compared to the prior fiscal year. Cash outflows comprised of the following capital appropriations decreased \$12.5 million as PECO authorized capital projects were completed and no new PECO funds were appropriated, a decrease of \$1.3 million in Foundation capital campaign gifts and contributions, and a decrease of \$0.7 million due to a prior year award of Federal Emergency Management Agency (FEMA) mitigation funds. These outflows were offset by the following cash inflows: a \$1.3 million increase in student capital improvement fees due to increased enrollment and the new technology fee; a \$13.9 million decrease in purchases of capital assets and construction compared to the prior fiscal year as existing construction projects were completed; and a \$0.3 million decrease in payments on capital leases due to a prior year payoff.
- The net cash used by investing activities increased \$6.7 million (decrease to cash) compared to the prior fiscal year. Cash outflows included \$12.2 million for the purchase of investments and \$0.5 million in proceeds from sales and maturities of investments.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **CAPITAL ASSETS**

At June 30, 2010, the College had \$286.5 million in capital assets, less accumulated depreciation of \$83.9 million, for net capital assets of \$202.6 million. Depreciation charges for the current fiscal year totaled \$8.4 million. The following table summarizes the College's and its component unit's net capital assets for the respective fiscal years ended:

**Net Capital Assets, for the Fiscal Years Ended  
(In Thousands)**

Capital Assets	College		Component Unit	
	6-30-10	6-30-09	3-31-10	3-31-09
Land	\$ 20,060	\$ 19,974	\$	\$
Buildings	169,130	119,985		
Other Structures and Improvements	2,804	1,095		
Furniture, Machinery, and Equipment	5,662	6,681		
Leasehold Improvements	106	159		
Construction in Progress	4,890	49,023		
Component Unit Property and Equipment			2,690	2,827
<b>Capital Assets, Net</b>	<b>\$ 202,652</b>	<b>\$ 196,917</b>	<b>\$ 2,690</b>	<b>\$ 2,827</b>

Capital asset additions during the year include the following:

- Land additions consisted of purchased land parcels located adjacent to the main campus (\$86 thousand).
- Building additions consisted of multiple projects completed and closed out in the 2009-10 fiscal year and were primarily funded by the Gross Receipts Tax PECO funds, local capital improvement fees, and the Facilities Enhancement Challenge Grant. These building additions consisted of a number of facilities located at the Treasure Coast Public Safety Training Complex adjacent to the main campus (\$34.7 million); renovation and remodeling of the Koblegard Student Union, Administration and Annex, Childcare Education, and Cosmetology Training buildings at the main campus (\$10.5 million); and the Brackett Library at the Mueller campus (\$8.9 million). Other building additions included the renovation of the Baccalaureate Education Suite located at the main campus and various classrooms located throughout the District.
- Other structures and improvements additions included the College Lane Extension and Bridge Project at the Mueller campus (\$1.9 million); landscaping and irrigation improvements of various buildings located at the Treasure Coast Public Safety Training complex located on 55 acres adjacent to the main campus (\$0.2 million), and landscaping and irrigation improvements for the Childcare Education and the Cosmetology Training buildings at the main campus (\$32 thousand).
- Furniture, machinery, and equipment additions consisted of various network security appliances; network and technology infrastructure; upgrades in computer technology; instructional audio and video equipment; and furniture, office, and maintenance equipment to support the opening and use of new buildings. Some highlights include a new equipment sterilization system for the science labs, new maintenance equipment for the baseball fields, a new athletic equipment for the Fitness Center; new vehicle for the utility partnership training program; and an audio automation and web site integration system for WQCS, 88.9 FM, the College’s public radio station.
- Construction in progress additions included the Brown Center for Innovation and Entrepreneurship at the main campus (\$2 million) and the Science, Technology, Engineering, and Mathematics (STEM) Building at the St. Lucie West campus (\$0.9 million). As projects are completed, construction in progress is transferred to building or other structures and improvements asset classes as appropriate.

The College has construction commitments totaling \$15.7 million to be satisfied in the coming years. Major projects include the construction of the Brown Center for Innovation and Entrepreneurship at the Main campus. The other projects include completion of brick repairs to the Wynne Black Box Theatre and the McAlpin Fine Arts Center and continued building remodeling and renovation.

**DEBT ADMINISTRATION**

At fiscal year-end, the College had \$3.1 million in long-term debt outstanding. The following table summarizes the College’s and its component unit’s long-term debt by type for the respective fiscal years ended:

	<b>Long-Term Debt at (In Thousands)</b>			
	<u>College</u>		<u>Component Unit</u>	
	<u>6-30-10</u>	<u>6-30-09</u>	<u>3-31-10</u>	<u>3-31-09</u>
SBE Capital Outlay Bonds	\$ 3,145	\$ 3,410	\$	\$
Student Revenue Housing Bonds			2,075	2,182
<b>Total</b>	<b>\$ 3,145</b>	<b>\$ 3,410</b>	<b>\$ 2,075</b>	<b>\$ 2,182</b>

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2009-10 fiscal year, there were no bonds issued and no new capital lease agreements entered. Debt repayments and reductions totaled \$265 thousand for the SBE bonds. Additional information about the College’s long-term debt is presented in the notes to financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

Indian River State 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 the anticipated State funding levels, 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.

**REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A and financial statements and notes thereto, or requests for additional financial information should be addressed to Mr. Barry Keim, Vice President of Administration and Finance, Indian River State College, 3209 Virginia Avenue, Fort Pierce, FL 34981.

**BASIC FINANCIAL STATEMENTS**

**INDIAN RIVER STATE COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS  
June 30, 2010**

	<b>College</b>	<b>Component Unit</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 8,226,825	\$ 6,791,837
Restricted Cash and Cash Equivalents	4,742,056	
Investments		14,120,372
Accounts Receivable	1,182,315	40
Contributions Receivable		605,347
Due from Other Governmental Agencies	40,725,650	
Due from Component Unit	49,434	
Inventories	1,901,174	
Prepaid Expenses	94,850	
Deposits - Other	17,533	
Prepaid Tuition		3,543,062
<b>Total Current Assets</b>	<b>56,939,837</b>	<b>25,060,658</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,098,272	
Investments	12,826,526	26,694,001
Restricted Investments	6,859,891	
Contributions Receivable		2,000,164
Depreciable Capital Assets, Net	177,702,458	2,438,829
Nondepreciable Capital Assets	24,949,741	251,407
Other Assets		504,921
<b>Total Noncurrent Assets</b>	<b>227,436,888</b>	<b>31,889,322</b>
<b>TOTAL ASSETS</b>	<b>\$ 284,376,725</b>	<b>\$ 56,949,980</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 262,676	\$ 16,785
Salary and Payroll Taxes Payable	2,256,276	
Retainage Payable	134,408	
Due to Other Governmental Agencies	8,834	
Deferred Revenue	4,873,840	
Deposits Held for Others	1,217,158	2,763,272
Long-Term Liabilities - Current Portion:		
Bonds Payable	280,000	112,748
Compensated Absences Payable	388,126	
<b>Total Current Liabilities</b>	<b>9,421,318</b>	<b>2,892,805</b>
Noncurrent Liabilities:		
Bonds Payable	2,865,000	1,962,262
Compensated Absences Payable	6,829,321	
Other Postemployment Benefits Payable	172,593	
<b>Total Noncurrent Liabilities</b>	<b>9,866,914</b>	<b>1,962,262</b>
<b>TOTAL LIABILITIES</b>	<b>19,288,232</b>	<b>4,855,067</b>

**INDIAN RIVER STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**June 30, 2010**

	<u>College</u>	<u>Component Unit</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 199,507,199	\$ 615,226
Restricted:		
Nonexpendable:		
Endowment		19,316,494
Expendable:		
Grants and Loans	4,646,238	
Scholarships	617,099	21,160,554
Capital Projects	44,462,313	
Debt Service	109,454	2,075,010
Other		6,304,366
Unrestricted	<u>15,746,190</u>	<u>2,623,263</u>
<b>Total Net Assets</b>	<u>265,088,493</u>	<u>52,094,913</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 284,376,725</u>	<u>\$ 56,949,980</u>

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

**INDIAN RIVER STATE 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
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$11,749,129	\$ 16,391,292	\$
Federal Grants and Contracts	325,697	
State and Local Grants and Contracts	175,983	80,203
Nongovernmental Grants and Contracts		2,675,796
Sales and Services of Educational Departments	248,916	
Auxiliary Enterprises, Net of Scholarship		
Allowances of \$2,990,168	6,189,365	
Other Operating Revenues	297,722	
	23,628,975	2,755,999
<b>Total Operating Revenues</b>		
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	61,896,112	261,806
Scholarships and Waivers	14,104,376	2,166,837
Utilities and Communications	5,390,786	
Contractual Services	4,945,967	
Other Services and Expenses	5,146,556	1,966,237
Materials and Supplies	11,259,182	
Depreciation	8,362,325	143,975
	111,105,304	4,538,855
<b>Total Operating Expenses</b>		
<b>Operating Loss</b>	<b>(87,476,329)</b>	<b>(1,782,856)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	41,975,637	
Gifts and Grants	40,681,588	
Investment Income	252,081	674,596
Unrealized Gain on Investments	636,159	10,911,852
Other Nonoperating Revenues		979,165
Interest on Capital Asset-Related Debt	(149,456)	(128,186)
Other Nonoperating Expenses	(57,699)	
	83,338,310	12,437,427
<b>Net Nonoperating Revenues</b>		
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(4,138,019)</b>	<b>10,654,571</b>
Capital Appropriations	1,968,960	141,746
Capital Grants, Contracts, Gifts, and Fees	4,011,973	
Additions to Permanent Endowments		313,647
	5,980,933	455,393
<b>Total Other Revenues</b>		
<b>Increase in Net Assets</b>	<b>1,842,914</b>	<b>11,109,964</b>
Net Assets, Beginning of Year	263,245,579	40,984,949
	<b>\$ 265,088,493</b>	<b>\$ 52,094,913</b>
<b>Net Assets, End of Year</b>		

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

**INDIAN RIVER STATE COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS  
For the Fiscal Year Ended June 30, 2010**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 15,508,246
Grants and Contracts	614,151
Payments to Suppliers	(21,429,311)
Payments for Utilities and Communications	(5,390,786)
Payments to Employees	(50,633,620)
Payments for Employee Benefits	(11,510,777)
Payments for Scholarships	(14,104,376)
Auxiliary Enterprises, Net	5,862,480
Sales and Service of Educational Departments	248,916
Other Payments	(1,384,123)
	<b>(82,219,200)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	41,975,637
Gifts and Grants Received for Other Than Capital or Endowment Purposes	40,681,588
Other Nonoperating Disbursements	(57,699)
	<b>82,599,526</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Appropriations	8,657,292
Capital Grants, Contracts, Gifts and Fees	4,011,973
Proceeds from Sale of Capital Assets	67,504
Purchases of Capital Assets	(14,616,383)
Principal Paid on Capital Debt and Leases	(265,000)
Interest Paid on Capital Debt and Leases	(149,456)
	<b>(2,294,070)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	451,480
Investment Income	252,081
Purchase of Investments	(12,235,672)
	<b>(11,532,111)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(13,445,855)</b>
Cash and Cash Equivalents, Beginning of Year	31,513,008
	<b>\$ 18,067,153</b>

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

	<b>College</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (87,476,329)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	8,362,325
Changes in Assets and Liabilities:	
Receivables	(1,200,797)
Inventories	(77,606)
Prepaid Expenses	31,222
Deposits - Other	(983)
Accounts Payable	(1,952,091)
Due to Other Governmental Agencies	5,322
Salaries and Payroll Taxes Payable	6,249
Deferred Revenue	103,337
Deposits Held for Others	234,685
Compensated Absences Payable	(325,612)
Other Postemployment Benefits Payable	71,078
	\$ (82,219,200)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	

**SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITY**

Unrealized gains on investments were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ 636,159
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The accompanying notes to financial statements are an integral part of this statement.

**INDIAN RIVER STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** The governing body of Indian 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 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 Martin, St. Lucie, Indian River, and Okeechobee 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 Indian River State 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 March 31, 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

**INDIAN RIVER STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO THE 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.

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, and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

**INDIAN RIVER STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO THE 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 fees and auxiliary 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) Florida PRIME Investment Pool, formerly known as the Local Government Surplus Funds Trust Fund Investment Pool. 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 SBA 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 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 \$4,191,006 of moneys held 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, 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 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; furniture, machinery, and equipment; and leasehold improvements. 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

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

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 (excluding disaster restoration). 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, or 10 years
  - Furniture – 7 or 10 years
- Leasehold Improvements – 4 or 10 years

Land, buildings, and equipment of the College's component unit are stated at cost except for donated property which is stated at fair market value at the date of the donation, and is net of accumulated depreciation of \$2,909,212. The College's component unit depreciates buildings and equipment using the straight-line method over estimated life ranging from 3 to 40 years.

**Noncurrent Liabilities.** Noncurrent liabilities include 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 payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

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

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

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 1,051,213
State Board of Administration Debt Service Accounts	109,454
Certificates of Deposit	2,028,638
Mutual Funds	<u>16,497,112</u>
<b>Total College Investments</b>	<b><u>\$ 19,686,417</u></b>

The goals of the College's investment program are set forth in the investment policy as approved by the District Board of Trustees. The primary objective is for principal preservation and liquidity, with a secondary objective of maximizing investment income and providing minimal risk of market volatility, while being consistent with the Florida Statutes and State Board of Education Rules. The majority of assets will be invested in cash and cash equivalents, short-term money market fund, and indirect funds invested in United States Government securities.

**State Board of Administration Fund B Surplus Funds Trust Fund**

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

At June 30, 2010, the College reported investments at fair value of \$1,051,213 for amounts held in Fund B. The College's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.67353149 at June 30, 2010. The weighted-average life (WAL) of Fund B at June 30, 2010, was 8.05 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2010. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

**State Board of Administration Debt Service Accounts**

The College reported investments at fair value totaling \$109,454 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 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.

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

**Other Investments**

The College reported other investments at fair value totaling \$18,525,750 at June 30, 2010. The following risks apply to other College investments:

*Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The College's investment policy limits interest rate risk by requiring that investment maturities shall not be greater than five years from the date of purchase. To limit volatility and provide maximum diversification in the short-term portfolio, no more than 20 percent of the portfolio may have maturities greater than three years and no less than 10 percent of the fund shall have an effective maturity of one year or less. The College's investment in Federated United States Government Securities Fund mutual fund amounting to \$6,278,840 had a weighted average maturity of 2.1 years. The College's investment in Ridgeworth United States Government Securities Ultra-Short Bond Fund mutual fund amounting to \$10,218,272 had a weighted average maturity of 3.78 years. The College's investments in certificates of deposits ranged in maturities from March 2011 to May 2012.

*Credit Risk.* Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy addresses credit risk by authorizing investments be limited to fixed income securities selected from the following types: United States Treasury Bills, Notes, Bonds, and Strips and other obligations whose principal and interest are backed by the full faith and credit of the United States of America or any of its agencies or instrumentalities, money market funds registered with the Securities Exchange Commission and other investments authorized by the College's policy. The College's investment in the mutual funds contains United States government treasury securities and securities issued by its agencies or instrumentalities, as authorized by the College's investment policy. The College limits the face value of each certificate of deposit purchased to less than \$250,000 to insure that the College's certificates of deposit are fully insured by the Federal Deposit Insurance Corporation.

*Custodial Credit Risk.* Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The College's investment policy addresses this by requiring that all securities purchased by Indian River State College shall be properly designated as an asset of the College and held in safekeeping by a third-party custodial bank or institution. Further, the policy states that no withdrawal of securities, in whole or in part, shall be made from safekeeping except by those individuals designated in the Investment Management and Custodial Agreement between the custodian and Indian River State College. The College's investments of \$18,525,750 are all held by the safekeeping agent in the name of the College.

**Component Unit Investments**

Investments held by the College's component unit at March 31, 2010, are reported at fair value as follows:

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<u>Investment Type</u>	<u>Component Unit</u>
Equities	\$ 34,854,455
Fixed Income Investments	<u>5,959,918</u>
<b>Total Component Unit Investments</b>	<b><u>\$ 40,814,373</u></b>

**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 contract and grant reimbursements due from third parties. These receivables are deemed fully collectible and therefore no allowance for uncollectible accounts has been recognized.

**4. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$34,462,606 of Public Education Capital Outlay allocations due from the State and \$3,948,500 of Federal grant funds due from the Economic Development Administration, United States Department of Commerce, to the College for construction of College facilities.

**5. DUE FROM COMPONENT UNIT**

The College recorded an amount of \$49,434 representing scholarships that will be reimbursed by the Indian River State College Foundation, Inc. (Foundation), pursuant to agreements between the College and the Foundation to support College grants providing faculty with financial support to strengthen academic programs. The College’s financial statements are reported for the fiscal year ended June 30, 2010. The College’s component unit’s financial statements are reported as of March 31, 2010. Accordingly, although the College reported an amount as due from the component unit on the statement of net assets, the component unit has not reported an amount due to the College.

**6. INVENTORIES**

Inventories consist of items for resale by the campus bookstore, computer parts sold to various departments by the Network Support department, and items for resale by the Cosmetology department, and are valued using the last invoice cost, which approximates the first-in, first-out method of inventory valuation.

**7. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2010, is shown below:

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Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 19,974,197	\$ 85,961	\$	\$ 20,060,158
Construction in Progress	49,022,965	12,914,636	57,048,018	4,889,583
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 68,997,162</b>	<b>\$ 13,000,597</b>	<b>\$ 57,048,018</b>	<b>\$ 24,949,741</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 173,352,863	\$ 54,906,151	\$	\$ 228,259,014
Other Structures and Improvements	9,277,446	2,141,868		11,419,314
Furniture, Machinery, and Equipment	20,516,102	1,164,916	392,713	21,288,305
Leasehold Improvements	1,185,070		595,834	589,236
<b>Total Depreciable Capital Assets</b>	<b>204,331,481</b>	<b>58,212,935</b>	<b>988,547</b>	<b>261,555,869</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	53,367,619	5,760,977		59,128,596
Other Structures and Improvements	8,182,987	432,641		8,615,628
Furniture, Machinery, and Equipment	13,835,778	2,115,598	325,208	15,626,168
Leasehold Improvements	1,025,744	53,109	595,834	483,019
<b>Total Accumulated Depreciation</b>	<b>76,412,128</b>	<b>8,362,325</b>	<b>921,042</b>	<b>83,853,411</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 127,919,353</b>	<b>\$ 49,850,610</b>	<b>\$ 67,505</b>	<b>\$ 177,702,458</b>

## 8. DEFERRED REVENUE

Deferred revenue primarily consists of \$3,948,500 of a Federal grant awarded to significantly enhance the Brown Center for Innovation and Entrepreneurship building project from the Economic Development Administration, United States Department of Commerce, since no grant revenue was earned during the fiscal year.

## 9. 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:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 3,410,000	\$	\$ 265,000	\$ 3,145,000	\$ 280,000
Compensated Absences Payable	7,543,059	375,809	701,421	7,217,447	388,126
Other Postemployment Benefits Payable	101,515	137,833	66,755	172,593	
<b>Total Long-Term Liabilities</b>	<b>\$ 11,054,574</b>	<b>\$ 513,642</b>	<b>\$ 1,033,176</b>	<b>\$ 10,535,040</b>	<b>\$ 668,126</b>

**Bonds Payable.** The State Board of Education issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The State Board of Education and the State Board

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of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2010:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds:			
Series 2003A	\$ 1,585,000	3.00 - 4.25	2023
Series 2005A	1,560,000	5	2017
<b>Total</b>	<b>\$ 3,145,000</b>		

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

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2011	\$ 280,000	\$ 165,175	\$ 445,175
2012	295,000	150,725	445,725
2013	305,000	135,500	440,500
2014	325,000	119,775	444,775
2015	335,000	103,025	438,025
2016-2020	1,105,000	279,525	1,384,525
2021-2023	500,000	56,375	556,375
<b>Total</b>	<b>\$ 3,145,000</b>	<b>\$ 1,010,100</b>	<b>\$ 4,155,100</b>

**Bonds Payable – Component Unit.** A summary of the long-term obligations of the component unit as of March 31, 2010, is as follows:

	<u>Amount</u>
Student Housing Revenue Bonds, Series 1993, Secured by Property With a Cost of \$3,574,000 and Leases, Due \$19,696 Principal Monthly Plus Interest at 5.94 Percent Per Annum, With a Final Balloon Payment Due August 1, 2012.	<u>\$2,075,010</u>

**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 \$7,217,447. Of the total liability for compensated absences, \$388,126 is considered the current portion of the compensated absences leave liability that is expected to be paid in the coming

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fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program.

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

*Plan Description.* The College contributes to an agent, multiple-employer defined-benefit plan administered by the Consortium for postemployment healthcare benefits and has a single-employer defined benefit plan for life insurance benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's 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 the plans are not included in the annual report of a public employees' 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 OPEB obligation, and the plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 116 retirees received postemployment healthcare benefits and 23 retirees received life insurance benefits. The College provided required contributions of \$66,755 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 \$582,131.

*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 year, the amount actually contributed to the plans, and changes in the College's net OPEB obligation:

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Description	Amount
Normal Cost (Service Cost for One Year)	\$ 75,150
Amortization of Unfunded Actuarial Accrued Liability	59,760
<b>Annual Required Contribution</b>	134,910
Interest on Net OPEB Obligation	3,147
Adjustment to Annual Required Contribution	(224)
<b>Annual OPEB Cost (Expense)</b>	137,833
Contribution Toward the OPEB Cost	(66,755)
<b>Increase in Net OPEB Obligation</b>	71,078
Net OPEB Obligation, Beginning of Year	101,515
<b>Net OPEB Obligation, End of Year</b>	\$ 172,593

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:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	110,721	49.5%	55,924
2008-09	110,535	58.8%	101,515
2009-10	137,833	48.4%	172,593

*Funded Status and Funding Progress.* As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$1,740,587, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$1,740,587 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$38,172,643 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.6 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 plans 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

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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 17 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years. The remaining amortization period at June 30, 2010, was 27 years.

#### **10. 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).

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:

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JUNE 30, 2010**

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
Florida Retirement System, Special Risk	0.00	20.92
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 \$3,312,799, \$3,342,964, and \$3,328,663, 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 158 College participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$611,932.

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.

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JUNE 30, 2010**

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 20 College participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled \$223,744.

**11. CONSTRUCTION COMMITMENTS**

The College’s major construction commitment at June 30, 2010, is as follows:

<u>Project Description</u>	<u>Total Committed</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Fort Pierce/Main Campus: Brown Center for Innovation and Entrepreneurship	\$ 17,723,620	\$ 2,021,438	\$ 15,702,182
<b>Total</b>	<b>\$ 17,723,620</b>	<b>\$ 2,021,438</b>	<b>\$ 15,702,182</b>

**12. OPERATING LEASE COMMITMENTS**

The College leased building space, a vehicle, and six copiers under operating leases, which expire between years 2011 and 2013. These leased assets and the related commitments are not reported on the College’s statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases with remaining terms in excess of one year as of June 30, 2010, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2011	\$ 166,884
2012	160,522
2013	146,202
<b>Total Minimum Payments Required</b>	<b>\$ 473,608</b>

**13. RISK MANAGEMENT PROGRAMS**

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks 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

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JUNE 30, 2010**

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 up to \$150 million starting March 1, 2010. Insurance coverage obtained through the Consortium included health, 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.

Life insurance is obtained through a commercial carrier.

**14. 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.

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

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 36,356,312
Education Enhancement Trust Fund (Lottery)	5,129,165
Restricted Contracts and Grants	2,749,473
Bright Futures Scholarship Program	2,475,929
Florida Student Assistance Grants	1,742,013
Gross Receipts Tax (Public Education Capital Outlay)	1,466,560
Motor Vehicle License Tax (Capital Outlay and Debt Service)	502,400
Special Appropriation - Other:	
Baccalaureate Funding	370,045
Workforce Development (Disabled)	110,302
Critical Jobs	9,813
<b>Total</b>	<b><u>\$ 50,912,012</u></b>

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JUNE 30, 2010**

**15. 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	\$ 41,218,911
Public Services	779,362
Academic Support	7,572,560
Student Services	7,866,127
Institutional Support	7,385,896
Operation and Maintenance of Plant	15,407,873
Scholarships and Fellowships	13,990,309
Depreciation	8,362,325
Auxiliary Enterprises	<u>8,521,941</u>
<b>Total Operating Expenses</b>	<b><u>\$ 111,105,304</u></b>

**16. SUBSEQUENT EVENT**

A Guaranteed Maximum Price (GMP) construction contract was approved by the Board on November 23, 2010, in the amount of \$14,560,000 for construction of the Science, Technology, Engineering, and Math (STEM) Building at the St. Lucie West Campus.

**17. RELATED PARTY TRANSACTIONS**

As permitted by Section 1004.70, Florida Statutes, the College receives direct and indirect support from its direct-support organization, the Indian River State College Foundation, Inc. (Foundation). The Foundation is included within the College’s reporting entity as a discretely presented component unit.

The Board approved lease agreements with the Foundation for the College’s use of classroom and office space at the Indian River Academy in Fort Pierce at total annual rents of \$118,455 during the 2009-10 fiscal year.

In April 1993, the College entered into an agreement with the Foundation to lease 2.5 acres of land to the Foundation for the establishment of student housing. The agreement provided for a lease term of 99 years in consideration of a one-time payment of \$99 for the life of the lease.

**INDIAN 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]
7/1/2007	\$	\$ 1,552,591	\$ 1,552,591	0%	\$ 36,553,257	4.2%
7/1/2009	\$	\$ 1,740,587	\$ 1,740,587	0%	\$ 38,172,643	4.6%

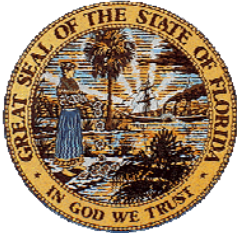
Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the unfunded actuarial liabilities.

**INDIAN RIVER STATE COLLEGE  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLANS**

The July 1, 2009, actuarial accrued liability (AAL) of \$1,740,587 was significantly higher (12.1 percent) than the July 1, 2007 AAL of \$1,552,591 for the following reasons:

- Increases due to the expected growth of liabilities over time and demographic changes were \$258,996.
- Updated claims costs and contributions and a revised medical trend assumption also increased AAL by \$75,000.
- These increases were partially offset by a decrease in AAL of \$146,000, resulting from revised participation and mortality assumptions.



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

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

We have audited the financial statements of Indian 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, 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. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

### 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. 2011-014.

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

Respectfully submitted,



David W. Martin, CPA  
March 15, 2011