REPORT NO. 2013-032
NOVEMBER 2012

INDIAN RIVER STATE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2012

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2011-12 fiscal year are listed below:

	County
Werner Bols, Vice Chair to 4-23-12, Chair from 4-24-12 (1)	Martin
Linda T. Syfrett, Vice Chair from 4-24-12 (2)	Okeechobee
Tomas Rene Perez to 4-17-12, Chair (2)(3)	Indian River
Susan R. Caron from 4-18-12	St. Lucie
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Cheryl L. Kirton to 4-17-12 (2)	Okeechobee
Samuel L. Patterson to 4-17-12 (1)	St. Lucie
Phoebe Raulerson from 4-18-12	Okeechobee
J. Hal Roberts, Jr. (2)	St. Lucie
Gerald T. Roden to 4-17-12 (1)	Indian River
Jane E. Rowley	St. Lucie

Dr. Edwin R. Massey, President

Notes: (1) Board member served beyond the end of term, May 31, 2011.
(2) Board member served beyond the end of term, May 31, 2010.
(3) Chair position was vacant from April 18, 2012, through April 23, 2012.

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 or by telephone at (850) 922-2263.

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

INDIAN RIVER STATE COLLEGE
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether 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, 2012. 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. 2013-015.

Audit Methodology

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

AUDITOR GENERAL
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DAVID W. MARTIN, CPA
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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, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. 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 represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Indian River State College and of its discretely presented component unit as of June 30, 2012, 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**, **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, and **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

David W. Martin

David W. Martin, CPA
November 1, 2012

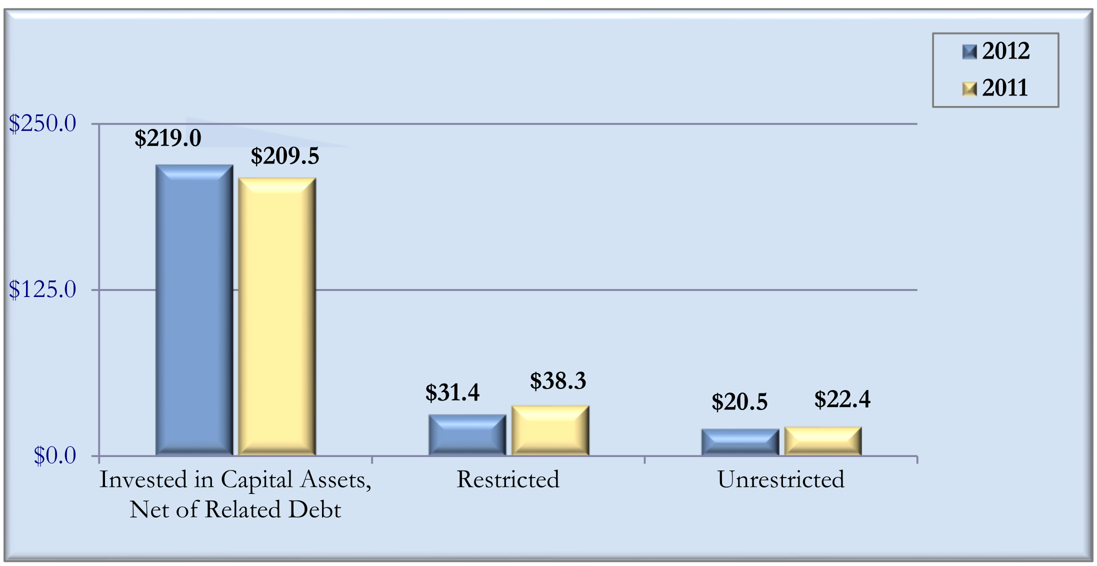
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2012, 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. The MD&A contains financial activity of the College for fiscal years ended June 30, 2011, and June 30, 2012, and its component unit, Indian River State College Foundation, Inc., for the fiscal years ended March 31, 2011, and March 31, 2012.

FINANCIAL HIGHLIGHTS

The College's comparative total net assets by category totaling $270.9 million and $270.2 million for the respective fiscal years ended June 30, 2012, and June 30, 2011, are shown in the following graph:

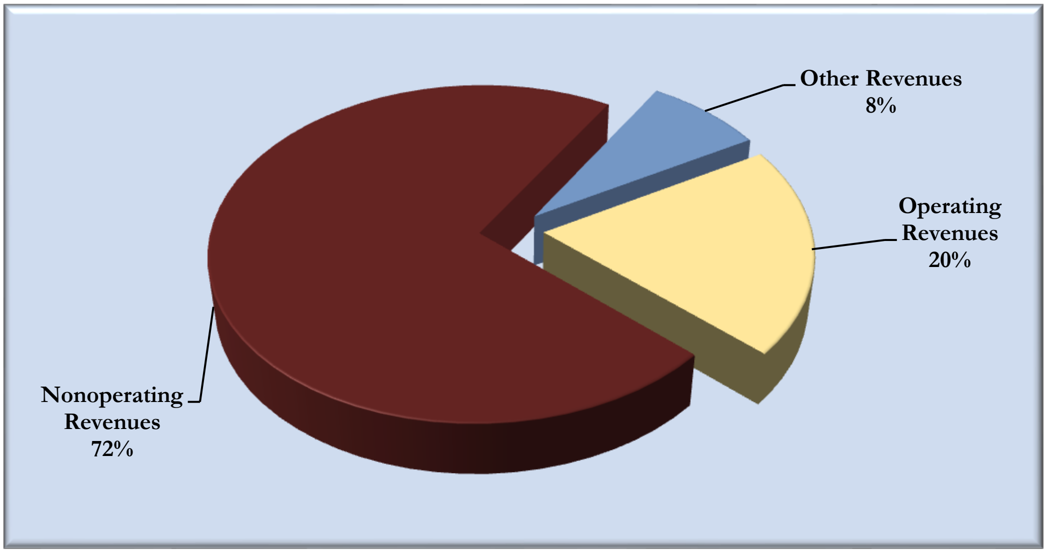
Net Assets: College
(In Millions)



The College's financial position, as a whole, improved during the 2011-12 fiscal year as the College's revenue and other support exceeded expenses, creating an increase in the College's net assets of $0.7 million, or 0.3 percent, compared to the prior fiscal year. Although total assets decreased by $2.9 million, total liabilities decreased by a larger amount of $3.6 million and resulted in an overall increase to total net assets.

The College's revenues by category totaling $119.7 million for the 2011-12 fiscal year are shown in the following chart:

Total Revenues: College



Nonoperating revenues comprise 72 percent of total revenues, which represent State noncapital appropriations, Federal and State student financial aid, gifts and grants, and investment income. Operating revenues, representing 20 percent of total revenues, include student fees, grants and contracts, as well as auxiliary service operations. Other revenues comprise 8 percent of total revenues and include State capital appropriations and capital grants, gifts, contracts, grants, 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 for the respective fiscal years ended is shown in the following table:

Condensed Statement of Net Assets at
(In Thousands)

	College			Component Unit	
	6-30-12	6-30-11		3-31-12	3-31-11
Assets					
Current Assets	$ 35,147	$ 50,842		$ 30,153	$ 30,110
Capital Assets, Net	223,132	212,734		2,579	2,668
Other Noncurrent Assets	31,044	28,606		31,146	29,905
Total Assets	289,323	292,182		63,878	62,683
Liabilities					
Current Liabilities	8,614	11,800		4,072	2,564
Noncurrent Liabilities	9,799	10,220			1,842
Total Liabilities	18,413	22,020		4,072	4,406
Net Assets					
Invested in Capital Assets, Net of Related Debt	219,039	209,484		737	707
Restricted	31,408	38,318		48,508	48,510
Unrestricted	20,463	22,360		10,561	9,060
Total Net Assets	$ 270,910	$ 270,162		$ 59,806	$ 58,277
Increase in Net Assets	$ 748	0.3%		$ 1,529	2.6%

Total net assets increased by $0.7 million, or 0.3 percent. This was primarily due to a $3.6 million overall decrease in liabilities as $4.3 million of deferred revenues were earned and recognized in the current fiscal year and a $1.4 million increase in bonds payable due to a refunding of State Board of Education Bond Series 2003A Series that is scheduled to be called on January 1, 2013. This was offset by a $2.9 million overall decrease in assets primarily due to the completion and near completion of two major construction projects that caused a shift within asset categories from decreasing $14.3 million of outstanding capital appropriations receivables, where revenue was recognized in prior years, to an increase in capital assets of $10.4 million.

Additional detail on changes in net capital assets and construction 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)

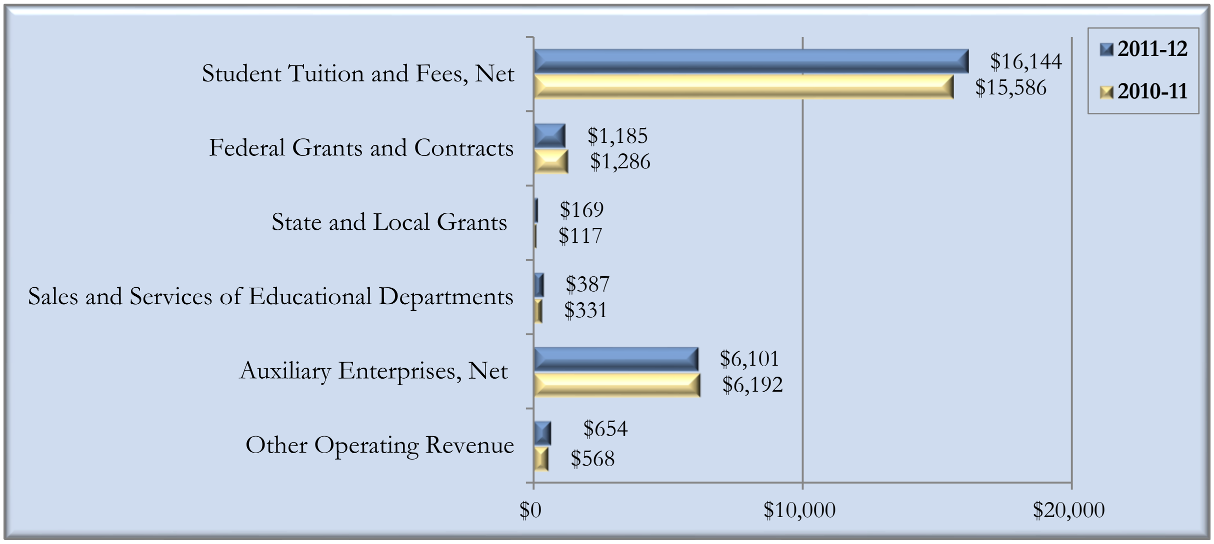
	College		Component Unit	
	6-30-12	6-30-11	3-31-12	3-31-11
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	$ 16,144	$ 15,586	$	$
Federal Grants and Contracts	1,185	1,286		
State and Local Grants and Contracts	169	117	183	111
Nongovernmental Grants and Contracts			2,504	2,780
Sales and Services of Educational Departments	387	331		
Auxiliary Enterprises, Net of Scholarship Allowances	6,101	6,192		
Other Operating Revenues	654	568		
Total Operating Revenues	24,640	24,080	2,687	2,891
Less, Operating Expenses	116,534	118,584	5,258	5,067
Operating Loss	(91,894)	(94,504)	(2,571)	(2,176)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	43,887	44,225		
Other Nonoperating Revenues	41,973	47,227	3,055	7,645
Nonoperating Expenses	(2,456)	(157)	(116)	(122)
Net Nonoperating Revenues	83,404	91,295	2,939	7,523
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(8,490)	(3,209)	368	5,347
State Capital Appropriations	1,501	3,558	792	140
Capital Grants, Contracts, Gifts, and Fees	7,737	4,725		
Additions to Permanent Endowments			369	695
Increase in Net Assets	748	5,074	1,529	6,182
Net Assets, Beginning of Year	270,162	265,088	58,277	52,095
Net Assets, End of Year	$ 270,910	$ 270,162	$ 59,806	$ 58,277

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 2011-12 and 2010-11 fiscal years:

Operating Revenues: College
(In Thousands)



College operating revenues increased $0.6 million, or 2.3 percent, compared to the prior fiscal year. This net increase in operating revenues was primarily due an increase in student tuition and fees as a result of a 4.6 percent increase in tuition fees offset by an increase in scholarship allowances.

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.

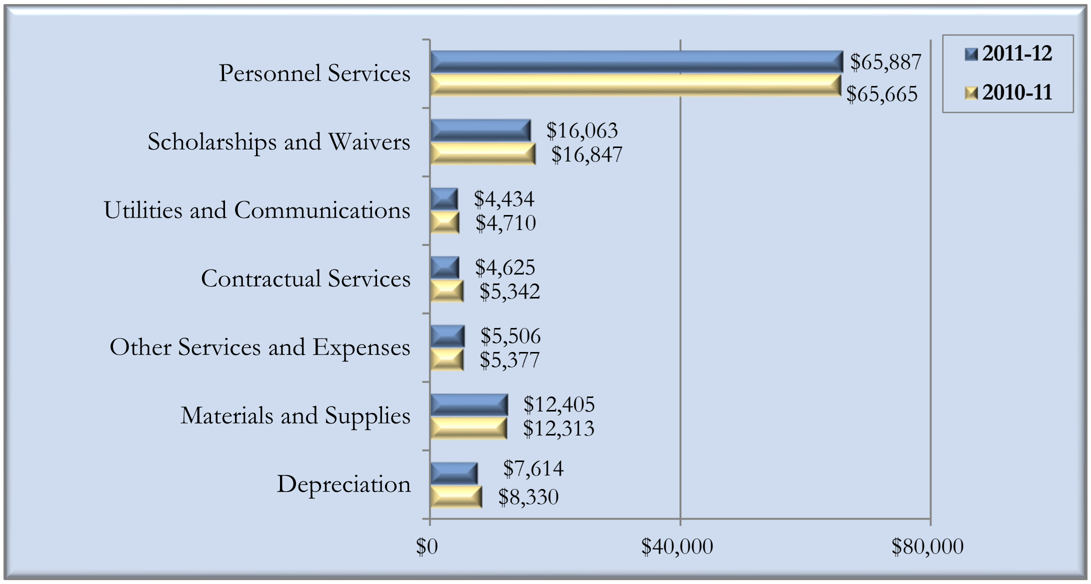
Operating expenses for the College and its component unit for the respective fiscal years ended are presented in the following table:

Operating Expenses
For the Fiscal Years Ended
(In Thousands)

	College		Component Unit	
	6-30-12	6-30-11	3-31-12	3-31-11
Operating Expenses				
Personnel Services	$ 65,887	$ 65,665	$ 274	$ 272
Scholarships and Waivers	16,063	16,847	2,286	1,820
Utilities and Communications	4,434	4,710		
Contractual Services	4,625	5,342		
Other Services and Expenses	5,506	5,377	2,533	2,735
Materials and Supplies	12,405	12,313		
Depreciation	7,614	8,330	165	240
Total Operating Expenses	$ 116,534	$ 118,584	$ 5,258	$ 5,067

The following chart presents the College's operating expenses for the 2011-12 and 2010-11 fiscal years:

Operating Expenses: College
(In Thousands)



College operating expenses decreased by $2.1 million, or 1.7 percent, compared to the prior fiscal year. This net decrease is primarily due to the following factors:

- Scholarships and waivers decreased $0.8 million, or 4.7 percent, primarily due to decreases in Federal Pell grants.
- Contractual services decreased $0.7 million, or 13.4 percent, primarily due to completion of a number of Quick Response Training Grants in the prior year.
- Depreciation expenses decreased $0.7 million, or 8.6 percent, primarily due to the Board approved write-off and anticipated trade-in of a substantial portion of the College's information and Voice-Over-IP network infrastructure assets that will be replaced during the next fiscal year.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital 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 2011-12 and 2010-11 fiscal years:

Nonoperating Revenues (Expenses): College
(In Thousands)

	2011-12	2010-11
State Noncapital Appropriations	$ 43,887	$ 44,225
Federal and State Financial Aid	32,996	33,565
Gifts and Grants	8,076	13,039
Investment Income	518	378
Unrealized Gain on Investments	89	245
Other Nonoperating Revenue (Expenses)	294	(11)
Interest on Capital Asset-Related Debt	(163)	(146)
Loss on Disposal of Capital Assets	(2,293)	
Net Nonoperating Revenues	$ 83,404	$ 91,295

Net nonoperating revenues decreased overall by $7.9 million, or 8.6 percent, compared to the prior year. This net decrease is primarily due to the following:

- Gifts and grants decreased by $5 million, or 38.1 percent, primarily due to the discontinuance of $4.1 million in Federal American Recovery and Reinvestment Act of 2009 (ARRA) and other Federal funding and the completion of $1.1 million in State Quick Response Training Grants compared to the prior fiscal year.
- Loss on disposal of capital assets of $2.3 million primarily due to an accounting charge-off for the difference between the historical cost and the accumulated depreciation of the Board-approved write-off of a substantial portion of the College's information and Voice-Over-IP network infrastructure assets that will be replaced during the next fiscal year.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2011-12 and 2010-11 fiscal years:

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

	2011-12	2010-11
State Capital Appropriations	$ 1,501	$ 3,558
Capital Grants, Contracts, Gifts, and Fees	7,737	4,725
Total	$ 9,238	$ 8,283

Net other revenues, expenses, gains, and losses increased overall by $1 million, or 11.5 percent, as compared to the prior fiscal year. This net increase is primarily due to the following:

- State capital appropriations decreased by $2.1 million, or 57.8 percent, as the College completed and neared completion of two major construction projects with no new capital construction dollars appropriated by the State.
- Capital grants, contracts, gifts, and fees increased $3 million, or 63.8 percent, primarily due to recognition of $3.9 million in capital construction grant revenue offset by a decrease of $1 million in gifts of building naming rights compared to prior fiscal years.

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 2011-12 and 2010-11 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College
(In Thousands)

	2011-12	2010-11
Cash Provided (Used) by:		
Operating Activities	$ (84,361)	$ (86,104)
Noncapital Financing Activities	85,010	90,819
Capital and Related Financing Activities	(331)	3,426
Investing Activities	(3,623)	453
Net Increase (Decrease) in Cash and Cash Equivalents	(3,305)	8,594
Cash and Cash Equivalents, Beginning of Year	26,661	18,067
Cash and Cash Equivalents, End of Year	$ 23,356	$ 26,661

The College's overall cash and cash equivalents decreased by $3.3 million as a result of the following factors:

- The net cash used for operating activities decreased $1.7 million (increase to cash) compared to the prior fiscal year. The major inflows of cash from operating activities was primarily due to an $0.8 million increase in tuition and fee receipts, a $1.2 million decrease in supplier and utilities payments, and $0.8 million decrease in scholarships due to reduced student aid funding offset by outflows of cash from a $1 million decrease in other cash receipts.
- The net cash provided by noncapital financing activities decreased $5.8 million (decrease to cash) compared to the prior fiscal year. This decrease in cash was primarily due to $5.5 million decreases in Federal ARRA funding, State grant funding, other student aid funding, and a $0.3 million decrease in Florida College Program Fund appropriations.
- The net cash provided by capital and related financing activities decreased $3.8 million (decrease to cash) compared to the prior fiscal year. Cash outflows for capital and related financing activities increased as a result of the following: $2.7 million for capital asset purchases of land, equipment, and continuing construction; a $1.4 million decrease in capital appropriation receipts primarily consisting of previously authorized and encumbered Public Education Capital Outlay (PECO) funds as construction completes and nears completion on two new buildings; and a net cash inflow of $1.3 million due and issuance of 2011A Series SBE Bonds being held to refund the 2003A SBE Bonds.
- The net cash provided by investing activities decreased $4.1 million (decrease to cash) compared to the prior fiscal year. Cash inflows included sales and maturities of investments of $8.2 million and outflows of purchases of investments of $12.3 million that net to an outflow of $4.1 million. Net changes in the prior fiscal year were negligible.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the College had $319.5 million in capital assets, less accumulated depreciation of $96.4 million, for net capital assets of $223.1 million. Depreciation charges for the current fiscal year totaled $7.6 million. The following table summarizes the College's net capital assets at June 30:

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

	2012	2011
Land	$ 22,686	$ 21,278
Construction in Progress	14,324	18,438
Buildings	180,269	164,445
Other Structures and Improvements	2,277	2,415
Furniture, Machinery, and Equipment	3,307	5,778
Assets Under Capital Lease and Leasehold Improvements	269	380
Total Capital Assets	$ 223,132	$ 212,734

Capital asset additions during the fiscal year include the following:

- Land additions consisted of purchased land parcels located adjacent to the Main campus ($1.4 million).
- Building additions consisted of multiple projects completed and closed in the 2011-12 fiscal year and were primarily funded by the PECO and local capital improvement fees. Building additions included the Brown Center for Innovation and Entrepreneurship ($19.3 million), brick repair of Building "R" and "T" ($0.8 million), and the renovation completion of the Student Affairs and Campus Coalition Government offices in the Koblegard Student Union ($0.6 million) both at the Fort Pierce Campus.
- Furniture, machinery, and equipment additions consisted of various network security appliances; network and technology infrastructure; upgrades to computer technology; instructional audio and video equipment; and furniture, office, & maintenance equipment to support the opening and use of new buildings. Some highlights include renovated instructional classrooms and new equipment for the Indian River State College Virtual College to further the College's efforts to place entire programs and areas of study in a completely online learning environment. The College is replacing a substantial portion of the College's information and Voice-Over-IP network infrastructure assets to allow for faster network communication speeds and meet additional demands for faculty and student wireless network connectivity to enhance the educational experience.
- Construction in progress additions included the Science, Technology, Engineering, and Mathematics (STEM) Building at the St. Lucie West Campus ($7.9 million), the Brown Center for Innovation and Entrepreneurship at the Main campus ($6.9 million), and renovation of building "E" ($0.9 million). As projects are completed, construction in progress is transferred to building or other structures and improvements asset classes as appropriate.
- Additions to assets under capital lease and leasehold improvements include a motor pool vehicle lease and maintenance program.

Additional information about the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had $4.1 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:

Long-Term Debt
For The Fiscal Year Ended
(In Thousands)

	College		Component Unit	
	6-30-12	6-30-11	3-31-12	3-31-11
SBE Capital Outlay Bonds	$ 3,745	$ 2,865	$	$
Capital Lease	348	385		
Student Revenue Housing Bonds			1,842	1,962
Total	$ 4,093	$ 3,250	$ 1,842	$ 1,962

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. There was an issuance of a new 2011A SBE Bond Series for the purpose of refunding the 2003A SBE Bond Series, which is scheduled to be called on January 1, 2013. Because the refunding is not considered an in-substance defeasance of debt according to GASB Statement No. 7, the proceeds of the 2011A SBE Bonds and the 2003A SBE Bonds liability remains on the College's financial statements at $1.4 million, until the scheduled call date of January 1, 2013. Debt repayments and reductions totaled $0.3 million for the SBE bonds and $73 thousand for capital leases payable. During the 2011-12 fiscal year, the College acquired additional vehicles in a capital lease arrangement for the lease and maintenance of College motor pool vehicles. 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, a decrease in State funding is anticipated in the 2012-13 fiscal year. In response to the anticipated decrease in State appropriations, the Board of Trustees increased the tuition rate for credit programs an average of 4.6 percent to take effect beginning with the Fall 2012 term and approved utilizing fund balance reserves in the College's 2012-13 fiscal year operating budget. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates and utilization of fund balance reserves will be necessary to maintain its present level of services to ensure student success.

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, Florida 34981.

BASIC FINANCIAL STATEMENTS

INDIAN RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2012

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 9,687,430	$ 2,618,202
Restricted Cash and Cash Equivalents	6,710,293	
Investments		22,763,146
Accounts Receivable	2,051,849	404
Notes Receivable, Net	2,203	
Due from Other Governmental Agencies	13,601,816	
Due from Component Unit	13,411	
Inventories	2,267,378	
Prepaid Expenses	793,596	
Deposits - Other	19,315	146,513
Prepaid Tuition		4,624,963
Total Current Assets	35,147,291	30,153,228
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	6,957,875	
Investments	15,595,648	29,466,462
Restricted Investments	8,490,202	
Depreciable Capital Assets, Net	186,121,662	2,327,538
Nondepreciable Capital Assets	37,010,658	251,407
Other Assets		1,679,384
Total Noncurrent Assets	254,176,045	33,724,791
TOTAL ASSETS	$ 289,323,336	$ 63,878,019
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 982,536	$ 17,059
Salary and Payroll Taxes Payable	2,300,872	
Retainage Payable	1,141,988	
Due to Other Governmental Agencies	7,097	
Deferred Revenue	637,085	
Deposits Held for Others	1,593,511	2,213,587
Long-Term Liabilities - Current Portion:		
Bonds Payable	1,610,000	1,841,842
Capital Lease Payable	81,420	
Compensated Absences Payable	259,984	
Total Current Liabilities	8,614,493	4,072,488
Noncurrent Liabilities:		
Bonds Payable	2,135,000	
Capital Lease Payable	266,983	
Compensated Absences Payable	7,024,901	
Other Postemployment Benefits Payable	371,829	
Total Noncurrent Liabilities	9,798,713	
TOTAL LIABILITIES	18,413,206	4,072,488

INDIAN RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2012

	College	Component Unit
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 219,038,918	$ 737,103
Restricted:		
Nonexpendable:		
Endowment		20,380,035
Expendable:		
Grants and Loans	4,671,278	
Scholarships	554,252	20,249,638
Capital Projects	24,685,479	
Debt Service	1,496,769	1,841,842
Other		6,036,275
Unrestricted	20,463,434	10,560,638
Total Net Assets	270,910,130	59,805,531
TOTAL LIABILITIES AND NET ASSETS	$ 289,323,336	$ 63,878,019

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, 2012

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $16,027,957	$ 16,144,317	$
Federal Grants and Contracts	1,184,582	
State and Local Grants and Contracts	169,126	182,748
Nongovernmental Grants and Contracts		2,504,341
Sales and Services of Educational Departments	387,062	
Auxiliary Enterprises, Net of Scholarship Allowances of $3,324,167	6,101,010	
Other Operating Revenues	653,622	
Total Operating Revenues	24,639,719	2,687,089
EXPENSES		
Operating Expenses:		
Personnel Services	65,886,848	273,922
Scholarships and Waivers	16,063,294	2,286,288
Utilities and Communications	4,433,989	
Contractual Services	4,624,710	
Other Services and Expenses	5,505,852	2,532,693
Materials and Supplies	12,405,476	
Depreciation	7,613,501	164,815
Total Operating Expenses	116,533,670	5,257,718
Operating Loss	(91,893,951)	(2,570,629)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	43,887,177	
Federal and State Student Financial Aid	32,995,686	
Gifts and Grants	8,076,170	
Investment Income	518,204	654,454
Net Unrealized Gain on Investments	88,629	1,010,702
Other Nonoperating Revenues	293,864	1,389,927
Interest on Capital Asset-Related Debt	(163,566)	(116,449)
Loss on Disposal of Capital Assets	(2,292,803)	
Net Nonoperating Revenues	83,403,361	2,938,634
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(8,490,590)	368,005
State Capital Appropriations	1,501,058	791,548
Capital Grants, Contracts, Gifts, and Fees	7,737,322	
Additions to Permanent Endowments		369,053
Total Other Revenues	9,238,380	1,160,601
Increase in Net Assets	747,790	1,528,606
Net Assets, Beginning of Year	270,162,340	58,276,925
Net Assets, End of Year	$ 270,910,130	$ 59,805,531

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, 2012

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 16,262,321
Grants and Contracts	1,621,879
Payments to Suppliers	(22,494,971)
Payments for Utilities and Communications	(4,433,989)
Payments to Employees	(55,051,517)
Payments for Employee Benefits	(10,840,554)
Payments for Scholarships	(16,063,294)
Collection on Loans to Students	11,787
Auxiliary Enterprises, Net	5,927,298
Sales and Service of Educational Departments	387,062
Other Receipts	313,196
Net Cash Used by Operating Activities	(84,360,782)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	43,887,177
Federal and State Student Financial Aid	32,995,686
Federal Direct Loan Program Receipts	10,131,253
Federal Direct Loan Program Disbursements	(10,131,253)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	8,126,734
Net Cash Provided by Noncapital Financing Activities	85,009,597
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Sale of Refunding Bonds	1,355,268
State Capital Appropriations	14,995,747
Capital Grants and Gifts	3,788,822
Proceeds from Sale of Capital Assets	63,030
Purchases of Capital Assets	(20,002,393)
Principal Paid on Capital Debt and Leases	(368,039)
Interest Paid on Capital Debt and Leases	(163,566)
Net Cash Used by Capital and Related Financing Activities	(331,131)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	8,222,588
Purchase of Investments	(12,363,854)
Investment Income	518,204
Net Cash Used by Investing Activities	(3,623,062)
Net Decrease in Cash and Cash Equivalents	(3,305,378)
Cash and Cash Equivalents, Beginning of Year	26,660,976
Cash and Cash Equivalents, End of Year	$ 23,355,598

INDIAN RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2012

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (91,893,951)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	7,613,501
Changes in Assets and Liabilities:	
Receivables, Net	622,950
Inventories	41,067
Prepaid Expenses	22,314
Deposits - Other	474
Accounts Payable	(610,497)
Salary and Payroll Taxes Payable	6,818
Deferred Revenue	(386,911)
Deposits Held for Others	235,494
Compensated Absences Payable	(155,361)
Other Postemployment Benefits Payable	143,320
NET CASH USED BY OPERATING ACTIVITIES	$ (84,360,782)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES

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.	$ 88,629
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	$ 2,292,803

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 FINANCIAL STATEMENTS
JUNE 30, 2012

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 Indian River, Martin, Okeechobee, and St. Lucie Counties.

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the 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, 2012.

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

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

INDIAN RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital 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.

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.

INDIAN RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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 and the State Treasury Special Purpose Investment Account (SPIA). For reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury SPIA and 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, 2012, the College reported as cash equivalents at fair value $4,129,874 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's and had an effective duration of 2.38 years as of June 30, 2012. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report (CAFR).

At June 30, 2012, the College reported as cash equivalents at fair value $4,533,460 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, 2012, 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 38 days as of June 30, 2012. 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.

INDIAN RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Capital Assets. College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and assets under capital lease 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 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
- Assets Under Capital Lease and 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 $3,252,635. 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, capital lease 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 (SBA); interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education (SBE) 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.

INDIAN RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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, 2012, are reported at fair value, as follows:

Investment Type	Amount
State Board of Administration Fund B Surplus Funds Trust Fund	$ 856,493
State Board of Administration Debt Service Accounts	96,769
Mutual Funds	23,132,588
Total College Investments	**$ 24,085,850**

The goals of the College's investment program are set forth in the investment policy as approved by the 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

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

At June 30, 2012, the College reported investments at fair value of $856,493 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 0.83481105 at June 30, 2012. The weighted-average life (WAL) of Fund B at June 30, 2012, was 5.73 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, 2012. 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 totaling $96,769 at June 30, 2012, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE 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 SBA 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 FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Other Investments

The College reported mutual funds as other investments at fair value totaling $23,132,588 at June 30, 2012. 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 seven years from the date of purchase. To limit volatility and provide maximum diversification in the short-term portfolio no more than 33 percent of the portfolio may have maturities greater than three years and no more than 15 percent greater than five years. To provide sufficient liquidity and capital preservation, no less than 10 percent of the portfolio shall be invested in cash and cash equivalents. As of June 30, 2012, the College's investments in the Federated United States Government Securities Fund mutual fund amounting to $6,328,608 had a weighted average maturity of 1.8 years. The College's investment in Ridgeworth United States Government Securities Ultra-Short Fund mutual fund amounting to $12,622,686 had a weighted average maturity of 4.05 years. The College's investment in Vanguard Limited Term Tax Exempt Fund in the amount of $2,031,753 had a dollar weighted-average maturity between 2 and 6 years. The College's investment in Thornburg Limited Term Municipal Fund in the amount of $2,062,887 had an average maturity of 4.2 years.

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 U.S. 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 investments in the mutual funds contain authorized United States government treasury securities as authorized by the College's investment policy.

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 that 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 shall be properly designated as an asset of the College and held in safe keeping 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 those designated within the Investment Management and Custodial Agreement between the Custodian and the College. The College's investments of $23,132,588 are all held by the safekeeping agent in the name of the College.

Component Unit Investments

Investments held by the College's component unit (Foundation) at March 31, 2012, are reported at fair value as follows:

INDIAN RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Investment Type	Component Unit
Equities	$ 42,685,607
Fixed Income Investments	9,544,001
Total	$ 52,229,608

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 $8,113,149 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 $13,411 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, 2012. The College's component unit's financial statements are reported as of March 31, 2012. 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 and items for resale by the Cosmetology and Treasure Coast Public Safety Institute departments, 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, 2012, is shown below:

INDIAN RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 21,278,062	$ 1,408,142	$	$ 22,686,204
Construction in Progress	18,437,734	17,440,861	21,554,141	14,324,454
Total Nondepreciable Capital Assets	$ 39,715,796	$ 18,849,003	$ 21,554,141	$ 37,010,658
Depreciable Capital Assets:				
Buildings	$ 229,298,847	$ 21,445,346	$	$ 250,744,193
Other Structures and Improvements	11,469,028	108,795		11,577,823
Furniture, Machinery, and Equipment	22,645,737	1,418,829	4,889,956	19,174,610
Assets Under Capital Lease and Leasehold Improvements	988,170	36,778		1,024,948
Total Depreciable Capital Assets	264,401,782	23,009,748	4,889,956	282,521,574
Less Accumulated Depreciation:				
Buildings	64,854,122	5,620,922		70,475,044
Other Structures and Improvements	9,053,505	247,057		9,300,562
Furniture, Machinery, and Equipment	16,867,538	1,597,756	2,597,153	15,868,141
Assets Under Capital Lease and Leasehold Improvements	608,399	147,766		756,165
Total Accumulated Depreciation	91,383,564	7,613,501	2,597,153	96,399,912
Total Depreciable Capital Assets, Net	$ 173,018,218	$ 15,396,247	$ 2,292,803	$ 186,121,662

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2012, include bonds payable, capital leases payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2012, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 2,865,000	$ 1,175,000	$ 295,000	$ 3,745,000	$ 1,610,000
Capital Lease Payable	384,664	36,778	73,039	348,403	81,420
Compensated Absences Payable	7,440,246	755,163	910,524	7,284,885	259,984
Other Postemployment Benefits Payable	228,509	204,043	60,723	371,829	
Total Long-Term Liabilities	$ 10,918,419	$ 2,170,984	$ 1,339,286	$ 11,750,117	$ 1,951,404

Bonds Payable. The State Board of Education (SBE) 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 SBE and the State Board of Administration (SBA)

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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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, 2012:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2003A	$ 1,400,000	3.125	2013
Series 2005R	1,170,000	5.0	2017
Series 2011A	1,175,000	3.0 - 5.0	2023
Total	$ 3,745,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

Fiscal Year	State Board of Education Capital Outlay Bonds		
Ending June 30	Principal	Interest	Total
2013	$ 1,610,000	$ 164,624	$ 1,774,624
2014	305,000	100,350	405,350
2015	320,000	85,100	405,100
2016	345,000	69,100	414,100
2017	340,000	51,850	391,850
2018-2022	660,000	114,000	774,000
2023	165,000	4,950	169,950
Total	$ 3,745,000	$ 589,974	$ 4,334,974

Refunding Debt. On January 5, 2012, the SBE issued $53,785,000 of Capital Outlay Refunding Bonds, Series 2011A. The College's portion of this bond issue, $1,355,268, were placed in a trust account to refund the Series 2003A bonds that mature on or after January 1, 2014 and are scheduled to be called on January 1, 2013. The trust account is not considered to be risk-free in accordance with GASB Statement No. 7. As a result, the refunding of $1,400,000 representing the College's portion of the Series 2003A bonds are considered to be an economic defeasance and not a legal defeasance and the liability for these bonds has not been removed from the statement of net assets.

Bonds Payable – Component Unit. A summary of the long-term obligations of the component unit as of March 31, 2012, is as follows:

	Amount
Student Housing Revenue Bonds, Series 1993, secured by property with a cost of $3,574,000 and leases, $19,696 monthly payment including interest at 5.94 percent per annum, with a final balloon payment due August 1, 2012.	$1,841,842

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Capital Lease Payable. Vehicles in the amount of $435,712 are being acquired under a capital lease agreement. The average stated interest rate is 7.54 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2012, are as follows:

Fiscal Year Ending June 30	Amount
2013	$ 114,907
2014	114,907
2015	114,907
2016	92,185
2017	4,008
Total Minimum Payments	440,914
Less, Amount Representing Interest	92,511
Present Value of Minimum Payments	$ 348,403

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2012, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $7,284,885. The current portion of the compensated absences liability, $259,984, is the amount expected to be paid in the coming fiscal year, and represents payments for employees in the Deferred Retirement Option Program.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain other postemployment benefits provided by the Florida College 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 Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The College does not offer 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 issues an annual stand-alone report

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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for the Plan and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 130 retirees received postemployment healthcare benefits and 25 retirees received postemployment life insurance benefits. The College provided required contributions of $60,723 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $430,007.

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 Plan, and changes in the College's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 130,906
Amortization of Unfunded Actuarial Accrued Liability	71,614
Annual Required Contribution	202,520
Interest on Net OPEB Obligation	9,140
Adjustment to Annual Required Contribution	(7,617)
Annual OPEB Cost (Expense)	204,043
Contribution Toward the OPEB Cost	(60,723)
Increase in Net OPEB Obligation	143,320
Net OPEB Obligation, Beginning of Year	228,509
Net OPEB Obligation, End of Year	$ 371,829

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2012, and for the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	$ 137,833	48.4%	$ 172,593
2010-11	134,335	58.4%	228,509
2011-12	204,043	29.8%	371,829

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Funded Status and Funding Progress. As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was $2,148,429, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $2,148,429 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $37,981,872 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.7 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2011, used the projected unit credit actuarial method to estimate the unfunded actuarial accrued liability as of June 30, 2012, and the College's 2011-12 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 4 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, and an annual healthcare cost trend rate of 10.5 percent for the 2011-12 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 7 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2012, was 25 years.

9. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension

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plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Florida Retirement System Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or the DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

The State of Florida establishes contribution rates for participating employers and employees. Contributions rates during the 2011-12 fiscal year were as follows:

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JUNE 30, 2012

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Senior Management Service	3.00	6.27
Florida Retirement system, Special Risk	3.00	14.10
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
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 0.03 percent for administrative costs of the Investment Plan.
(B) Contribution rates are dependent upon retirement class in which reemployed.

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions including employee contributions for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled $3,328,663, $4,547,411, and $2,813,586, respectively, which were equal to the required contributions for each fiscal year.

There were 175 College participants in the Investment Plan during the 2011-12 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled $665,736, which was equal to the required contribution for the 2011-12 fiscal year.

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

State College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible college instructors and administrators. The Program is designed to aid colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes, on behalf of the participant, 7.43 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity

INDIAN RIVER STATE COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 36 College participants during the 2011-12 fiscal year. The College's contributions to the Program totaled $185,722 and employee contributions totaled $55,002 for the 2011-12 fiscal year.

10. CONSTRUCTION COMMITMENTS

The College's construction commitments at June 30, 2012, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Fort Pierce/Main Campus:			
Brown Center for Innovation and Entrepreneurship	$ 21,519,089	$ 17,733,227	$ 3,785,862
"E" Building Remodeling	640,202	65,863	574,339
St. Lucie West Campus:			
Science, Techonology, Engineering and Mathematics (STEM) Building	11,841,973	8,284,885	3,557,088
Total	$ 34,001,264	$ 26,083,975	$ 7,917,289

11. OPERATING LEASE COMMITMENTS

The College leased building space, two vehicles, one color printer, and six copiers under operating leases, which expire between years 2013 and 2017. 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 these noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2013	$ 210,423
2014	65,410
2015	65,410
2016	58,380
2017	36,404
Total Minimum Payments Required	$ 436,027

12. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide

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JUNE 30, 2012

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 $150 million to February 29, 2012 and up to $90 million from March 1, 2012. 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 years.

Life insurance is obtained through a commercial carrier.

13. 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:

Functional Classification	Amount
Instruction	$ 43,627,740
Public Services	466,824
Academic Support	8,929,596
Student Services	9,984,127
Institutional Support	7,853,632
Operation and Maintenance of Plant	13,520,364
Scholarships and Waivers	16,014,996
Depreciation	7,613,501
Auxiliary Enterprises	8,522,890
Total Operating Expenses	$ 116,533,670

14. 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 discreetly presented component unit.

The College approved lease agreements with the Foundation for the use of classroom and office space at the Indian River Academy in Fort Pierce at total annual rents of $118,455 during the 2011-12 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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

15. CURRENT UNRESTRICTED FUNDS

The Southern Association of Colleges and Schools, Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets. To meet this requirement, statements of net assets and revenues, expenses, and changes in net assets for the current unrestricted funds are presented, as follows:

Statement of Current Unrestricted Funds Net Assets

ASSETS		
Current Assets:		
Cash and Cash Equivalents	$	9,687,330
Accounts Receivable, Net		1,530,173
Due from Other Governmental Agencies		405,312
Inventories		2,267,378
Prepaid Expenses		793,596
Deposits - Other		19,315
Noncurrent Assets:		
Investments		15,595,648
TOTAL ASSETS	$	30,298,752
LIABILITIES		
Current Liabilities:		
Accounts Payable	$	350,683
Salary and Payroll Taxes Payable		2,056,345
Deferred Revenue		4,100
Compensated Absences Payable		259,984
Total Current Liabilities		2,671,112
Noncurrent Liabilities:		
Compensated Absences Payable		6,792,377
Other Postemployment Benefits Payable		371,829
TOTAL LIABILITIES		9,835,318
TOTAL NET ASSETS		20,463,434
TOTAL LIABILITIES AND NET ASSETS	$	30,298,752

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JUNE 30, 2012

Statement of Current Unrestricted Funds Revenues, Expenses, and Changes in Net Assets

REVENUES	
Operating Revenues:	
Student Tuition and Fees, Net of Scholarship Allowances of $16,027,957	$ 13,313,710
Sales and Services of Educational Departments	326,537
Auxiliary Enterprises, Net of Scholarship Allowances of $3,324,167	6,101,010
Other Operating Revenues	248,593
Total Operating Revenues	19,989,850
EXPENSES	
Operating Expenses:	
Personnel Services	58,856,958
Scholarships and Waivers	143,801
Utilities and Communications	4,381,075
Contractual Services	3,621,020
Other Services and Expenses	4,577,239
Materials and Supplies	10,699,271
Total Operating Expenses	82,279,364
Operating Loss	(62,289,514)
NONOPERATING REVENUES	
State Noncapital Appropriations	43,796,691
Gifts and Grants	34,165
Investment Income	470,553
Other Nonoperating Revenues	65,369
Net Nonoperating Revenues	44,366,778
Loss Before Other Revenues, Expenses, Gains, or Losses	(17,922,736)
Transfers from Other Funds	16,025,821
Decrease in Net Assets	(1,896,915)
Net Assets, Beginning of Year	22,360,349
Net Assets, End of Year	$ 20,463,434

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%
7/1/2011	$	$ 2,148,429	$ 2,148,429	0%	$ 37,981,872	5.7%

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

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

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2011, unfunded actuarial accrued liability of $2,148,429 was $407,842 higher than the July 1, 2009, liability of $1,740,587 primarily due to:

- Assumed conditions for retirement eligibility were changed from age 62 with 6 years of service or ay age with 30 years of service to age 55 with 6 years of service or ay age with 30 or more years of service for Regular and Senior Management classes and to age 48 with 6 years of service or any age with 25 years of service for Special Risk class.
- The investment rate of return (discount rate) was increased from 3 percent to 4 percent.
- Demographic assumptions (rates of withdrawal, retirement, disability and mortality) were revised to be consistent with those used for the Florida Retirement System.
- The assumed per capital costs of healthcare were updated, including a change to the methodology used to relate healthcare costs between ages.
- The rates of healthcare inflation used to project the per capita healthcare costs were revised.
- The rates of participation in the Plan were adjusted to reflect current experience.
- The payroll growth rate was increased from 3 percent to 4 percent.

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The President of the Senate, the Speaker of the
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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, 2012, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

We noted certain matters that we reported to College management in our operational audit report No. 2013-015.

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
November 1, 2012