

ST. JOHNS 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:

	<u>County</u>
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Robert M. Bradley, Vice Chair from 10-19-11	Clay
Larry R. Lancaster, Chair to 10-11-11 (1)(2)	Clay
Carl C. Beck, Jr., to 2-22-12 (3)	St. Johns
Denise M. Bramlitt from 2-23-12 (4)	Putnam
Cranford Ron Coleman, Jr., from 10-12-11	Clay
Colonel Joseph "Mickey" Duren from 2-23-12	St. Johns
John Nelson, Jr.	Putnam
Mary Ellen Webb from 10-12-11 (4)	Putnam

Joe H. Pickens, J.D., President

- Notes: (1) Board member served beyond the end of term, May 31, 2011.
 (2) Chair position was vacant from October 12, 2011, until the next regularly scheduled Board meeting.
 (3) Board member served beyond the end of term, May 31, 2010.
 (4) Positions were vacant from July 1, 2011, until filled.

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 Jenny Ranick, and the audit was supervised by John P. Duffy, 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.

ST. JOHNS RIVER STATE COLLEGE
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether St. Johns River State College and its officers with administrative and stewardship responsibilities for College operations had:

- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 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. 2013-021.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of St. Johns River State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 St. Johns 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 St. Johns River State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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, CPA
January 28, 2013

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 the fiscal years ended June 30, 2012, and June 30, 2011, and its component unit the St. Johns River State College Foundation, Inc., for the fiscal years ended March 31, 2012, and March 31, 2011.

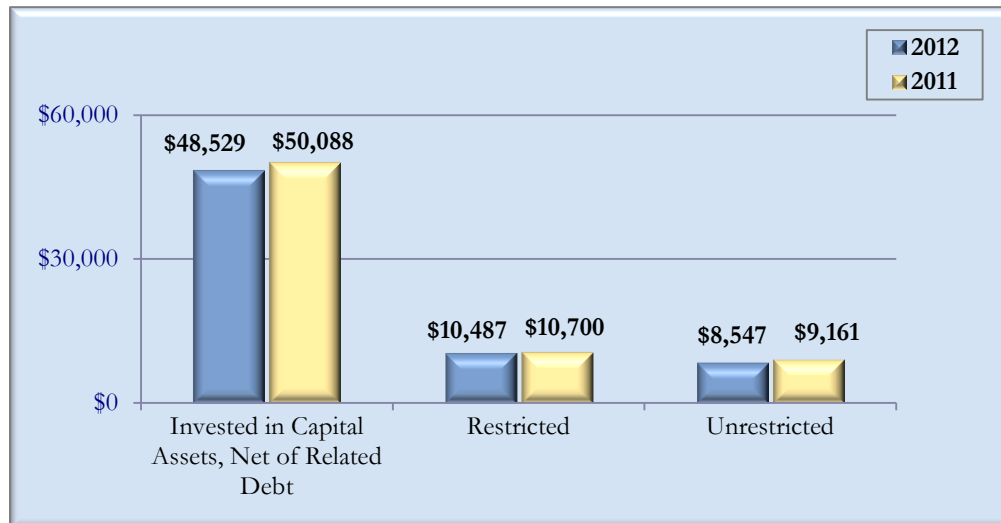
FINANCIAL HIGHLIGHTS

The College’s assets totaled \$71.4 million at June 30, 2012. This balance is \$2.6 million, or 3.5 percent, less as compared to the 2010-11 fiscal year, with major decreases in restricted cash and cash equivalents and amounts due from other governmental agencies, primarily capital outlay appropriations due from the State. Liabilities decreased by \$0.2 million, or 4.6 percent, totaling \$3.8 million at June 30, 2012, as compared to \$4 million at June 30, 2011. As a result, the College’s net assets decreased by \$2.4 million, resulting in a year-end balance of \$67.6 million.

The College’s operating revenues totaled \$13 million for the 2011-12 fiscal year, representing a 6.3 percent increase as compared to the 2010-11 fiscal year due mainly to increases in Federal grants and contracts and student tuition and fees due to increased enrollment. Operating expenses totaled \$48.2 million for the 2011-12 fiscal year, representing an increase of 0.6 percent, as compared to the 2010-11 fiscal year due mainly to increases in personnel services, contractual services, and other services and expenses, while scholarships and waivers and material and supplies expenses decreased.

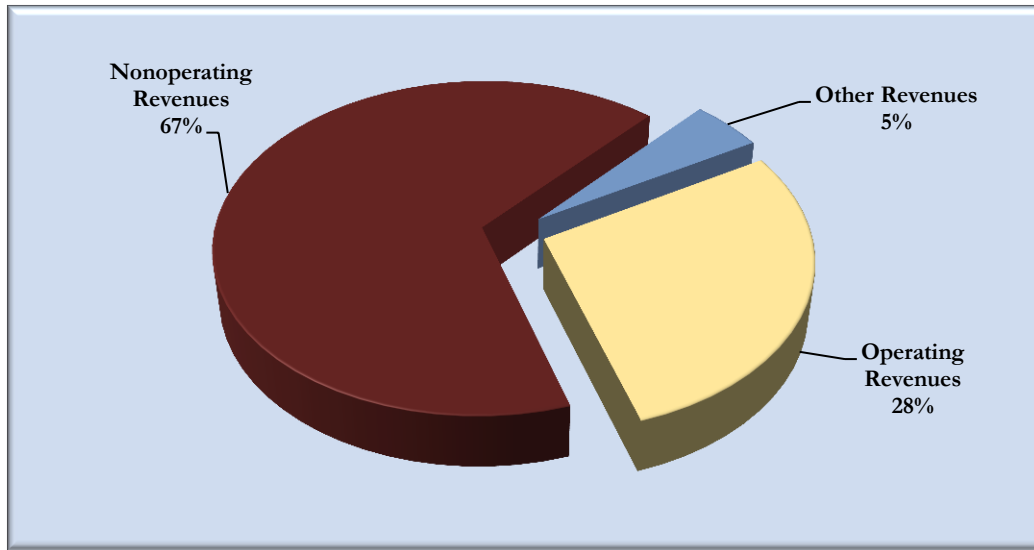
Net assets represent the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net assets by category for the fiscal years ended June 30, 2012, and June 30, 2011, are shown in the following graph:

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



The following chart provides a graphical presentation of College revenues by category for the 2011-12 fiscal year:

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College’s financial report consists of three basic financial statements: the statement of net 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:

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

THE STATEMENT OF NET 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 St. Johns 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 St. Johns River State College’s operating results.

These two statements report St. Johns 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)				
	<u>College</u>		<u>Component Unit</u>	
	<u>6-30-12</u>	<u>6-30-11</u>	<u>3-31-12</u>	<u>3-31-11</u>
Assets				
Current Assets	\$ 20,504	\$ 19,221	\$ 2,042	\$ 2,030
Capital Assets, Net	48,529	50,088		
Other Noncurrent Assets	<u>2,347</u>	<u>4,639</u>	<u>1,518</u>	<u>1,300</u>
Total Assets	<u>71,380</u>	<u>73,948</u>	<u>3,560</u>	<u>3,330</u>
Liabilities				
Current Liabilities	1,619	2,008		
Noncurrent Liabilities	<u>2,197</u>	<u>1,991</u>		
Total Liabilities	<u>3,816</u>	<u>3,999</u>		
Net Assets				
Invested in Capital Assets, Net of Related Debt	48,529	50,088		
Restricted	10,487	10,700	2,952	2,818
Unrestricted	<u>8,547</u>	<u>9,161</u>	<u>608</u>	<u>512</u>
Total Net Assets	<u>\$ 67,563</u>	<u>\$ 69,949</u>	<u>\$ 3,560</u>	<u>\$ 3,330</u>
Increase (Decrease) in Net Assets	<u>\$ (2,386)</u>	-3.4%	<u>\$ 230</u>	6.9%

As noted earlier, net assets decreased primarily due to decreases in restricted cash and cash equivalents and due from other governmental agencies, primarily capital outlay appropriations due from the State, and a slight decrease in liabilities.

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)

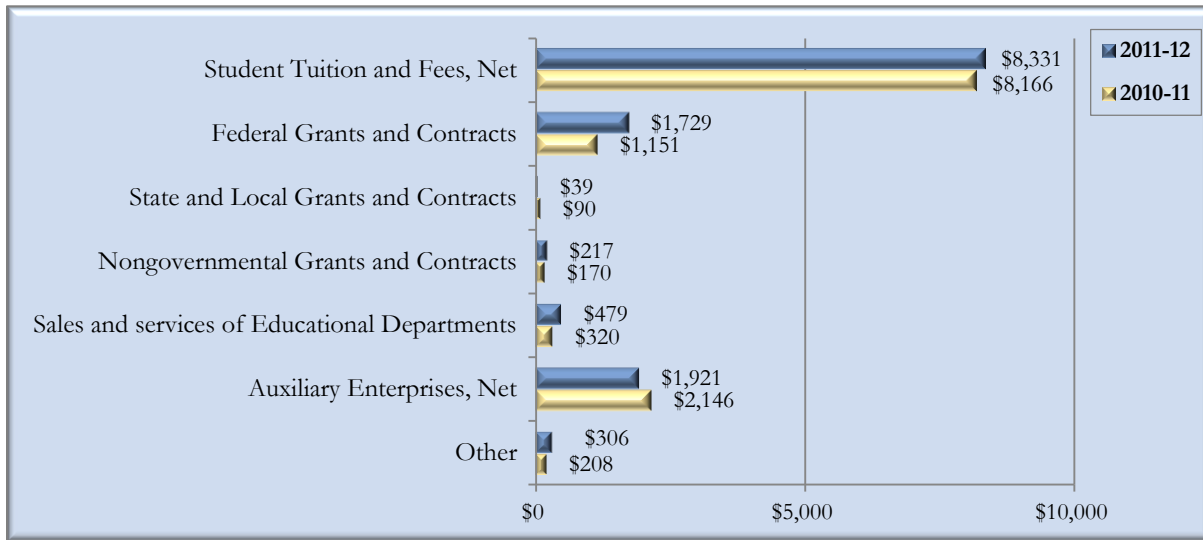
	College		Component Unit	
	6-30-12	6-30-11	3-31-12	3-31-11
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 8,331	\$ 8,166	\$	\$
Federal Grants and Contracts	1,729	1,151		
State and Local Grants and Contracts	39	90		22
Nongovernmental Grants and Contracts	217	170		
Sales and Services of Educational Departments	479	320		
Auxiliary Enterprises, Net of Scholarship Allowances	1,921	2,146		
Other Operating Revenues	306	208	523	420
Total Operating Revenues	13,022	12,251	523	442
Less, Operating Expenses	48,237	47,938	476	492
Operating Income (Loss)	(35,215)	(35,687)	47	(50)
Nonoperating Revenues				
State Noncapital Appropriations	16,545	16,669		
Federal and State Student Financial Aid	13,392	14,706		
Gifts and Grants		1,349		
Other Nonoperating Revenues	637	400	183	329
Total Nonoperating Revenues	30,574	33,124	183	329
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(4,641)	(2,563)	230	279
State Capital Appropriations	696	3,558		
Capital Grants, Contracts, Gifts, and Fees	1,559	1,281		
Increase (Decrease) in Net Assets	(2,386)	2,276	230	279
Net Assets, Beginning of Year	69,949	67,673	3,330	3,051
Net Assets, End of Year	\$ 67,563	\$ 69,949	\$ 3,560	\$ 3,330

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 revenue changes were the result of the following factors: increases in enrollment, increases in student tuition rates by 8 percent, and increases in Federal grants and contracts.

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.

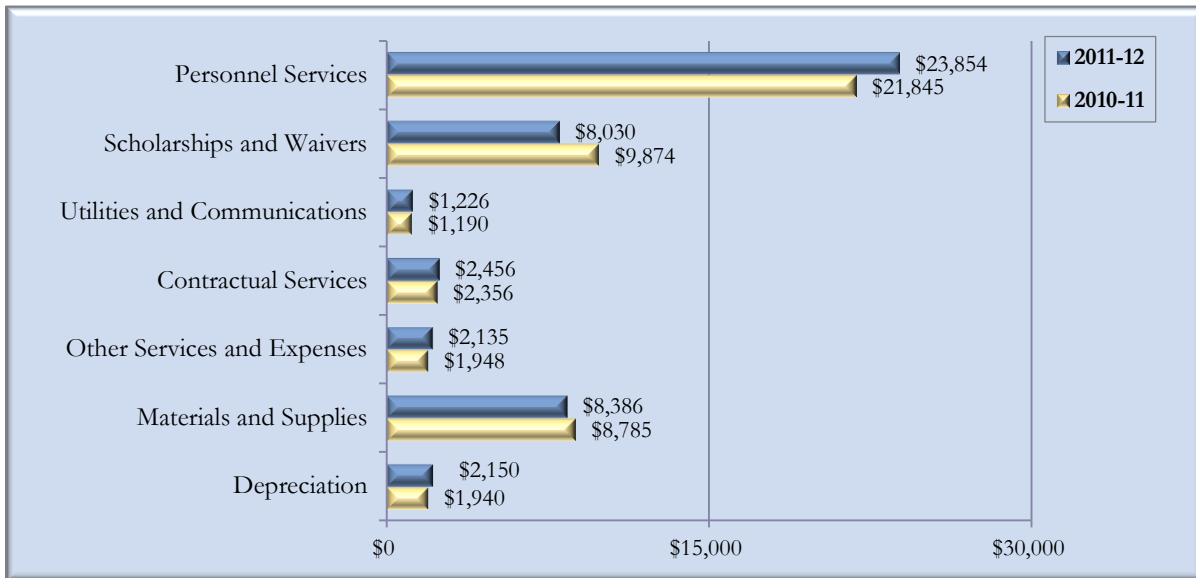
Operating expenses for the College and its component unit for the respective fiscal years ended are presented in the following table:

**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	\$ 23,854	\$ 21,845	\$	\$
Scholarships and Waivers	8,030	9,874	256	290
Utilities and Communications	1,226	1,190		
Contractual Services	2,456	2,356	15	9
Other Services and Expenses	2,135	1,948	205	193
Materials and Supplies	8,386	8,785		
Depreciation	2,150	1,940		
Total Operating Expenses	\$ 48,237	\$ 47,938	\$ 476	\$ 492

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 expense increased by \$0.3 million, or 0.6 percent, as compared to the prior year. There was an increase in personnel services expenses of \$2 million, or 9.2 percent, primarily as a result of Board approved salary increases, increased benefit costs, and additional instructional personnel to service students, while scholarships and waivers decreased by \$1.8 million, or 18.7 percent, as a result of reductions in Federal and State student aid awards, and material and supplies expenses decreased by \$0.4 million, mainly as a result of tighter budgeting.

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: College
(In Thousands)**

	2011-12	2010-11
State Noncapital Appropriations	\$16,545	\$16,669
Federal and State Student Financial Aid	13,392	14,706
Gifts and Grants		1,349
Investment Income	621	350
Gain on Disposal of Capital Assets	16	50
Net Nonoperating Revenues	\$30,574	\$33,124

Net nonoperating revenues decreased from the prior fiscal year by 2.6 million, or 7.7 percent, mainly from decreases in Federal and State student financial aid funding and elimination of the State Fiscal Stabilization Funds received as appropriations in the 2010-11 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)**

	<u>2011-12</u>	<u>2010-11</u>
State Capital Appropriations	\$ 696	\$ 3,558
Capital Grants, Contracts, Gifts, and Fees	<u>1,559</u>	<u>1,281</u>
Total	<u>\$ 2,255</u>	<u>\$ 4,839</u>

Other revenues decreased 53.4 percent due mainly to decreases in Public Education Capital Outlay appropriations.

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)**

	<u>2011-12</u>	<u>2010-11</u>
Cash Provided (Used) by:		
Operating Activities	\$ (34,010)	\$ (33,906)
Noncapital Financing Activities	29,937	32,723
Capital and Related Financing Activities	3,517	3,782
Investing Activities	<u>635</u>	<u>366</u>
Net Increase in Cash and Cash Equivalents	79	2,965
Cash and Cash Equivalents, Beginning of Year	<u>17,562</u>	<u>14,597</u>
Cash and Cash Equivalents, End of Year	<u>\$ 17,641</u>	<u>\$ 17,562</u>

Major sources of cash inflows came from State noncapital appropriations (\$16.5 million), net student tuition and fees (\$7.9 million), grants and contracts (\$3.5 million), Federal and State student financial aid (\$13.4 million), and Federal direct student loans (\$11.5 million). Major uses of funds were for payments to employees (\$19.8 million), payments to suppliers (\$13.1 million), scholarships (\$8 million), employee benefits (\$4.1 million) and Federal direct student loans (\$11.5 million).

The College’s overall cash and cash equivalents increased by \$79 thousand or 0.5 percent as compared to the prior year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the College had \$72.1 million in capital assets, less accumulated depreciation of \$23.6 million, for net capital assets of \$48.5 million. Depreciation charges for the current fiscal year totaled \$2.2 million. The following table summarizes the College’s capital assets at June 30:

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

<u>Capital Assets</u>	<u>2012</u>	<u>2011</u>
Land	\$ 687	\$ 687
Buildings	62,530	62,530
Other Structures and Improvements	4,242	4,242
Furniture, Machinery, and Equipment	4,646	4,085
Total	<u>72,105</u>	<u>71,544</u>
Less, Accumulated Depreciation:		
Buildings	16,849	15,391
Other Structures and Improvements	3,771	3,647
Furniture, Machinery, and Equipment	2,956	2,418
Total Accumulated Depreciation	<u>23,576</u>	<u>21,456</u>
Capital Assets, Net	<u>\$48,529</u>	<u>\$50,088</u>

The College had no construction commitments at June 30, 2012. More information about the College’s capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

St. Johns 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, overall State funding for operations is not anticipated to increase significantly in the 2012-13 fiscal year. Recent Public Educational Capital Outlay appropriations have been limited to allocations for repair, maintenance, and renovation. The Board of Trustees did not increase the tuition rate for the Fall 2012 term. The College’s current financial and capital plans indicate that the infusion of additional financial resources from increased tuition and fees may be necessary to maintain its present level of services and provide adequate educational plant and equipment.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Finance and Administration/CFO, St. Johns River State College, 5001 St. Johns Avenue, Palatka, Florida 32177.

BASIC FINANCIAL STATEMENTS

**ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2012**

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 15,031,711	\$ 538,063
Restricted Cash and Cash Equivalents	367,975	
Investments		1,479,058
Accounts Receivable, Net	1,146,263	
Contributions Receivable		25,000
Due from Other Governmental Agencies	3,263,278	
Inventories	666,959	
Prepaid Expenses	27,603	
Total Current Assets	<u>20,503,789</u>	<u>2,042,121</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,241,563	
Investments	105,372	1,468,130
Contributions Receivable		50,000
Depreciable Capital Assets, Net	47,841,609	
Nondepreciable Capital Assets	687,582	
Total Noncurrent Assets	<u>50,876,126</u>	<u>1,518,130</u>
TOTAL ASSETS	<u>\$ 71,379,915</u>	<u>\$ 3,560,251</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 578,800	\$
Salary and Payroll Taxes Payable	830,320	
Retainage Payable	160,295	
Deposits Held for Others	7,219	
Long-Term Liabilities - Current Portion:		
Compensated Absences Payable	42,514	
Total Current Liabilities	<u>1,619,148</u>	
Noncurrent Liabilities:		
Compensated Absences Payable	1,956,850	
Other Postemployment Benefits Payable	240,450	
Total Noncurrent Liabilities	<u>2,197,300</u>	
TOTAL LIABILITIES	<u>3,816,448</u>	

ST. JOHNS 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	\$ 48,529,191	\$
Restricted:		
Nonexpendable		
Endowment		1,468,130
Expendable:		
Grants and Loans	412,865	1,483,922
Scholarships	153,625	
Capital Projects	9,920,854	
Unrestricted	8,546,932	608,199
Total Net Assets	67,563,467	3,560,251
TOTAL LIABILITIES AND NET ASSETS	\$ 71,379,915	\$ 3,560,251

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

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2012

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$4,977,083	\$ 8,331,356	\$
Federal Grants and Contracts	1,729,268	
State and Local Grants and Contracts	39,483	
Nongovernmental Grants and Contracts	216,460	
Sales and Services of Educational Departments	479,180	
Auxiliary Enterprises, Net of Scholarship Allowances of \$1,368,234	1,920,770	
Other Operating Revenues	305,677	523,059
Total Operating Revenues	13,022,194	523,059
EXPENSES		
Operating Expenses:		
Personnel Services	23,854,231	
Scholarships and Waivers	8,030,011	255,906
Utilities and Communications	1,225,591	
Contractual Services	2,455,573	14,790
Other Services and Expenses	2,135,456	205,024
Materials and Supplies	8,385,819	
Depreciation	2,150,121	
Total Operating Expenses	48,236,802	475,720
Operating Income (Loss)	(35,214,608)	47,339
NONOPERATING REVENUES		
State Noncapital Appropriations	16,545,091	
Federal and State Student Financial Aid	13,391,823	
Investment Income	620,915	183,240
Gain on Disposal of Capital Assets	16,019	
Total Nonoperating Revenues	30,573,848	183,240
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(4,640,760)	230,579
State Capital Appropriations	696,234	
Capital Grants, Contracts, Gifts, and Fees	1,559,353	
Total Other Revenues	2,255,587	
Increase (Decrease) in Net Assets	(2,385,173)	230,579
Net Assets, Beginning of Year	69,948,640	3,329,672
Net Assets, End of Year	\$ 67,563,467	\$ 3,560,251

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

**ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2012**

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 7,854,787
Grants and Contracts	1,985,211
Payments to Suppliers	(13,134,567)
Payments for Utilities and Communications	(1,225,591)
Payments to Employees	(19,841,633)
Payments for Employee Benefits	(4,127,769)
Payments for Scholarships	(8,030,011)
Auxiliary Enterprises, Net	1,920,770
Sales and Service of Educational Departments	479,180
Other Receipts	109,299
	(34,010,324)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	16,545,091
Federal and State Student Financial Aid	13,391,823
Federal Direct Loan Program Receipts	11,510,712
Federal Direct Loan Program Disbursements	(11,510,712)
	29,936,914
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,416,261
Capital Grants and Gifts	1,559,353
Proceeds from Sale of Capital Assets	16,019
Purchases of Capital Assets	(474,327)
	3,517,306
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	14,504
Investment Income	620,915
	635,419
Net Increase in Cash and Cash Equivalents	79,315
Cash and Cash Equivalents, Beginning of Year	17,561,934
	\$ 17,641,249

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2012

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (35,214,608)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,150,121
Changes in Assets and Liabilities:	
Receivables, Net	(476,569)
Inventories	(162,503)
Prepaid Expenses	(1,731)
Accounts Payable	(518,511)
Deposits Held for Others	3,616
Compensated Absences Payable	135,000
Other Postemployment Benefits	74,861
NET CASH USED BY OPERATING ACTIVITIES	\$ (34,010,324)

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

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the District Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the District Board of Trustees are such that exclusion would cause the College's financial statements to be misleading 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 St. Johns River State College Foundation, Inc. (Foundation), is included within the College's reporting entity as a discretely presented component unit. The Foundation provides funding and services to support and foster the pursuit of higher education at the College.

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.

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

The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

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 (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition and book scholarship allowances. Tuition and book scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College is able to identify, within its accounting system, amounts paid for tuition, fees, and book charges by financial aid. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenues and against auxiliary enterprise revenues.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, a certificate of deposit, and cash placed with the State Treasury Special Purpose Investment Account (SPIA) and the State Board of Administration (SBA) Florida PRIME investment pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in SPIA and SBA Florida PRIME to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2012, the College reported as cash equivalents at fair value \$12,254,409 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 at 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.

The Foundation, for reporting cash flows, considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2012, the component unit had \$48,833 in demand accounts, \$52,793 in money market accounts and \$436,437 in its separate SPIA account.

Capital Assets. College capital assets consist of land; buildings; other structures and improvements; and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property.

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

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

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

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

2. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the 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.

State Board of Administration Fund B Surplus Funds Trust Fund

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

At June 30, 2012, the College reported investments at fair value of \$105,372 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

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

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.

Component Unit Investments

Investments held by the College’s component unit (Foundation) at March 31, 2012, are reported at fair value as follows: (Foundation Audit - Page 11)

Investment Type	Fair Value	Maturity in Years		Credit Quality Rating
		Less Than 1	1 - 5	
Investment in Debt Obligations:				
United States Government Obligations	\$ 62,451	\$	\$ 62,451	AAA
Corporate Bonds	591,068		591,068	A3 or better
Total Investments in Debt Obligations	<u>653,519</u>	<u>\$</u>	<u>\$ 653,519</u>	
Other Investments:				
Equities	2,243,669			
Certificate of Deposit	<u>50,000</u>			
Total Other Investments	<u>2,293,669</u>			
Total Component Unit Investments	<u>\$ 2,947,188</u>			

The Foundation invested in various debt and equity securities. The following risks apply to its investments:

- *Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation does not have a formal investment policy that limits debt obligations maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.
- *Credit Risk:* Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Foundation’s investment policy requires that debt securities be rated “Baa” or “BBB” or better by Moody’s or Standard & Poor’s rating services, respectively.
- *Custodial Credit Risk:* Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. The Foundation’s investments in United States Government obligations and corporate debt securities are uninsured, were not registered in the Foundation’s name and were held by a counterparty. The Foundation does not have a formal investment policy that addresses custodial credit risk.
- *Concentration of Credit Risk:* Concentration of credit risk is the risk of low attributed to the magnitude of investment in a single issuer. The Foundation’s investment policy does not limit the amount that may be invested in one issuer.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$326,166 allowance for doubtful accounts.

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

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$2,781,303 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

5. INVENTORIES

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

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 687,582	\$	\$	\$ 687,582
Total Nondepreciable Capital Assets	\$ 687,582	\$	\$	\$ 687,582
Depreciable Capital Assets:				
Buildings	\$ 62,529,676	\$	\$	\$ 62,529,676
Other Structures and Improvements	4,242,371			4,242,371
Furniture, Machinery, and Equipment	4,084,583	591,531	30,143	4,645,971
Total Depreciable Capital Assets	70,856,630	591,531	30,143	71,418,018
Less, Accumulated Depreciation:				
Buildings	15,391,645	1,457,239		16,848,884
Other Structures and Improvements	3,647,110	124,258		3,771,368
Furniture, Machinery, and Equipment	2,417,676	568,624	30,143	2,956,157
Total Accumulated Depreciation	21,456,431	2,150,121	30,143	23,576,409
Total Depreciable Capital Assets, Net	\$ 49,400,199	\$ (1,558,590)	\$	\$ 47,841,609

7. LONG-TERM LIABILITIES

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

**ST. JOHNS 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	Current Portion
Compensated Absences Payable	\$ 1,864,364	\$ 362,736	\$ 227,736	\$ 1,999,364	\$ 42,514
Other Postemployment Benefits Payable	165,589	117,914	43,053	240,450	
Total Long-Term Liabilities	\$ 2,029,953	\$ 480,650	\$ 270,789	\$ 2,239,814	\$ 42,514

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 \$1,999,364. The current portion of the compensated absences liability is \$42,514, the amount expected to be paid in the coming fiscal year, and represents payments for employees in the final year of the Deferred Retirement Option Program.

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 System Risk Management Consortium (Consortium).

Plan Description. The College contributes to an agent, multiple-employer, defined-benefit plan administered by the Consortium for postemployment benefits. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College’s healthcare and life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issues a stand-alone annual report for the Plan and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and 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, 50 retirees received other postemployment healthcare benefits and 21 retirees received postemployment life insurance benefits. The College provided required contributions of \$43,053 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 \$323,096.

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

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:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 84,643
Amortization of Unfunded Actuarial Accrued Liability	<u>32,167</u>
Annual Required Contribution	116,810
Interest on Net OPEB Obligation	6,624
Adjustment to Annual Required Contribution	<u>(5,520)</u>
Annual OPEB Cost (Expense)	117,914
Contribution Toward the OPEB Cost	<u>(43,053)</u>
Increase in Net OPEB Obligation	74,861
Net OPEB Obligation, Beginning of Year	<u>165,589</u>
Net OPEB Obligation, End of Year	<u><u>\$ 240,450</u></u>

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:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009-10	\$ 67,277	42.2%	\$ 136,069
2010-11	67,244	56.1%	165,589
2011-12	117,914	36.5%	240,450

Funded Status and Funding Progress. As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$964,996, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$964,996 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$13,800,060 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 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

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

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 actuarial accrued liability as of June 30, 2012, and the College's 2011-12 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets, which is the College's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year, 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 amortized over 30 years. The remaining amortization period at June 30, 2012, was 25 years.

8. RETIREMENT PROGRAMS

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

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

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 DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

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

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
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 \$965,267, \$1,103,451, and \$814,857, respectively, which were equal to the required contributions for each fiscal year.

There were 115 College participants in the Investment Plan during the 2011-12 fiscal year. The College’s contributions including employee contributions to the Investment Plan totaled \$445,674 which was equal to the required contribution for the 2011-12 fiscal year.

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

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.

9. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$150 million to February 29, 2012, and up to \$90 million from March 1, 2012. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

Dental and short-term disability coverage are provided through purchased commercial insurance with minimum deductibles for each line of coverage.

10. 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:

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

Functional Classification	Amount
Instruction	\$ 14,644,206
Academic Support	3,439,811
Student Services	3,579,640
Institutional Support	5,484,215
Operation and Maintenance of Plant	7,998,083
Scholarships and Waivers	8,030,011
Depreciation	2,150,121
Auxiliary Enterprises	2,910,715
Total Operating Expenses	\$ 48,236,802

11. CAPITAL CREDITS

The College participated in a nonprofit electric cooperative established under Chapter 425, Florida Statutes. In accordance with this Statute, revenues in excess of operating expenses, unless otherwise determined by a vote of membership, are disbursed by the cooperative on a pro rata basis to its members' accounts. Annually, the Cooperative makes payments for designated prior years' capital credits and during the 2011-12 fiscal year, the College received \$6,831 related to the portions of capital credits earned from 1986 through 2010 calendar years. Due to the cooperative's 2012 system conversion, the 2011 calendar year capital credits had not been finalized. At June 30, 2012, the accumulated credits to the College's accounts were \$351,734.

12. 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:

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

Statement of Current Unrestricted Funds Net Assets

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 15,031,711
Accounts Receivable, Net	920,940
Due from Other Governmental Agencies	481,975
Inventories	666,959
Prepaid Expenses	<u>27,603</u>

Total Current Assets 17,129,188

Noncurrent Assets:

Investments	<u>105,372</u>
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TOTAL ASSETS \$ 17,234,560

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 577,958
Salary and Payroll Taxes Payable	829,675
Compensated Absences Payable	42,514
Due to Unexpended Plant Fund	<u>5,040,181</u>

Total Current Liabilities 6,490,328

Noncurrent Liabilities:

Compensated Absences Payable	1,956,850
Other Postemployment Benefits Payable	<u>240,450</u>

TOTAL LIABILITIES 8,687,628

TOTAL NET ASSETS 8,546,932

TOTAL LIABILITIES AND NET ASSETS \$ 17,234,560

ST. JOHNS RIVER STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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 \$4,977,083	\$	7,411,791
Federal Contracts and Grants		9,464
Nongovernmental Grants and Contracts		192,490
Sales and Services of Educational Departments		479,180
Auxiliary Enterprises, Net		
Allowances of \$1,368,234		1,920,770
Other Operating Revenues		<u>180,419</u>
Total Operating Revenues		<u>10,194,114</u>

EXPENSES

Operating Expenses:

Personnel Services	22,460,625
Scholarships and Waivers	363,986
Utilities and Communications	1,027,726
Contractual Services	2,091,741
Other Services and Expenses	1,852,934
Materials and Supplies	<u>4,340,232</u>
Total Operating Expenses	<u>32,137,244</u>
Operating Loss	<u>(21,943,130)</u>

NONOPERATING REVENUES

State Noncapital Appropriations	16,545,091
Investment Income	<u>620,492</u>

Net Nonoperating Revenues 17,165,583

Loss Before Other Revenues, Expenses, Gains, or Losses	(4,777,547)
Transfers to/from Other Funds	<u>4,163,382</u>

Decrease in Net Assets (614,165)

Net Assets, Beginning of Year 9,161,097

Net Assets, End of Year \$ 8,546,932

**ST. JOHNS RIVER STATE COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 516,385	\$ 516,385	0%	\$ 13,374,196	3.9%
7/1/2009		560,911	560,911	0%	13,954,110	4.0%
7/1/2011		964,996	964,996	0%	13,800,060	7.0%

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

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

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2011, unfunded actuarial accrued liability of \$964,996 was significantly higher than the July 1, 2009, liability of \$560,911 primarily due to:

- 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 capita costs of healthcare were updated, including changes to the methodology used to relate health cost 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.



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

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

We have audited the financial statements of St. Johns River State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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. 2013-021.

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

January 28, 2013