

INDIAN RIVER STATE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2014



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

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

	<u>County</u>
Werner Bols, Chair to 6-24-14 (1)(2)	Martin
Phoebe Raulerson, Vice Chair (3)	Okeechobee
Susan R. Caron	St. Lucie
Jose L. Conrado	Indian River
Vicki H. Davis	Martin
Mark A. Feurer (3)	Indian River
Sandra J. Kruschke from 3-28-14	St. Lucie
Christa Luna (3)	Okeechobee
Jane E. Rowley to 3-27-14 (4)	St. Lucie
J. Brantley Schirard, Jr. (3)	St. Lucie

Dr. Edwin R. Massey, President

- Notes: (1) Board member served beyond the end of term, May 31, 2011.
- (2) Board Chair position remained vacant from June 25, 2014, through June 30, 2014.
- (3) Board member served beyond the end of term, May 31, 2014.
- (4) Board member served beyond the end of term, May 31, 2013.

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 D. Kenny, 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) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**INDIAN RIVER STATE COLLEGE
TABLE OF CONTENTS**

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	1
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	12
Statement of Revenues, Expenses, and Changes in Net Position.....	14
Statement of Cash Flows	15
Notes to Financial Statements	17
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress – Other Postemployment Benefits Plan	33
Notes to Required Supplementary Information	34
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>.....	
Report on the Financial Statements	35
Internal Control Over Financial Reporting.....	35
Compliance and Other Matters.....	36
Purpose of this Report.....	36

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, 2014. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

Audit Methodology

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



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, which 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 has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Indian River State College and of its discretely presented component unit as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter***Required Supplementary Information***

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

Other Reporting Required by Government Auditing Standards

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
January 8, 2015

MANAGEMENT’S DISCUSSION AND ANALYSIS

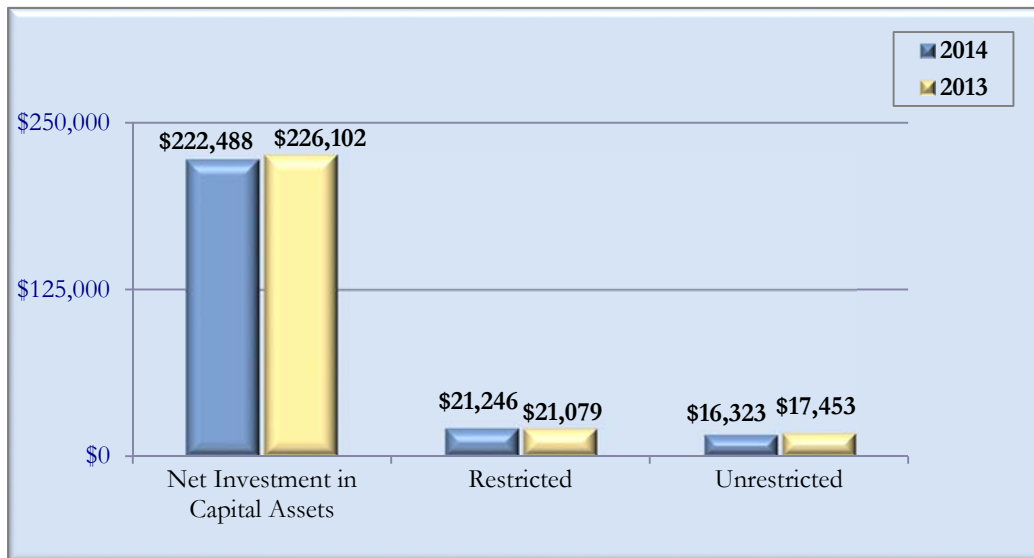
The management’s discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2014, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto,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

FINANCIAL HIGHLIGHTS

The College’s assets totaled \$277.7 million at June 30, 2014. This balance reflects a \$4.8 million, or 1.7 percent, decrease as compared to the 2012-13 fiscal year. Liabilities decreased by a lesser amount of \$0.2 million, or 0.9 percent, totaling \$17.7 million at June 30, 2014, compared to \$17.9 million at June 30, 2013. As a result, the College’s net position decreased by \$4.6 million, or 1.7 percent, resulting in a year-end balance of \$260 million.

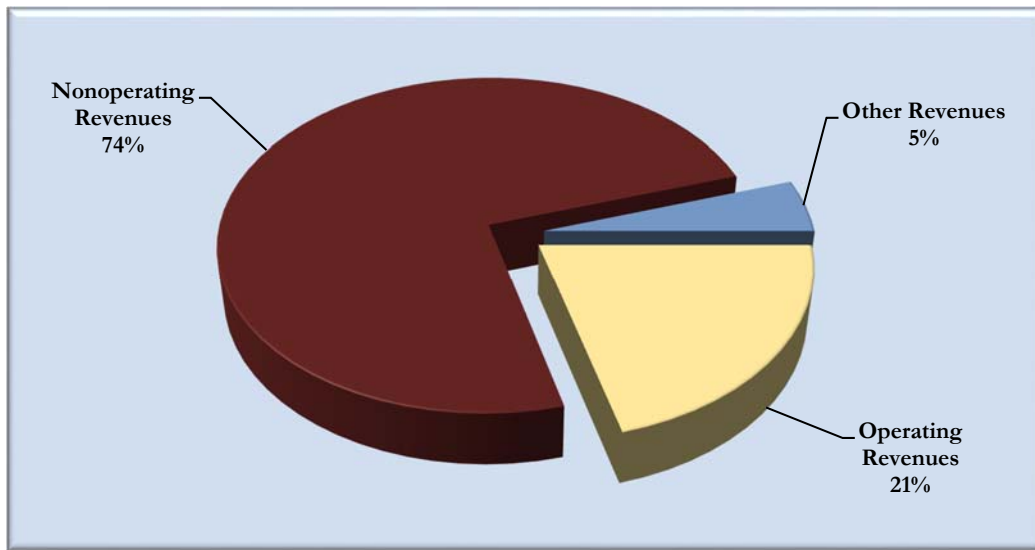
Net position represents the residual interest in the College’s assets after deducting liabilities. The College’s comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

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



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

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College’s financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College’s finances, and include activities for the following entities:

- 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 POSITION

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

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

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

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Assets				
Current Assets	\$ 22,535	\$ 28,981	\$ 27,089	\$ 28,707
Capital Assets, Net	224,498	228,504	4,017	2,650
Other Noncurrent Assets	30,714	25,001	52,769	34,556
Total Assets	<u>277,747</u>	<u>282,486</u>	<u>83,875</u>	<u>65,913</u>
Liabilities				
Current Liabilities	7,262	7,421	2,228	2,235
Noncurrent Liabilities	10,428	10,431	5,939	
Total Liabilities	<u>17,690</u>	<u>17,852</u>	<u>8,167</u>	<u>2,235</u>
Net Position				
Net Investment in Capital Assets	222,488	226,102	2,364	2,650
Restricted	21,246	21,079	54,995	48,692
Unrestricted	16,323	17,453	18,349	12,336
Total Net Position	<u>\$ 260,057</u>	<u>\$ 264,634</u>	<u>\$ 75,708</u>	<u>\$ 63,678</u>
Increase (Decrease) in Net Position	<u>\$ (4,577)</u>	-1.7%	<u>\$ 12,030</u>	18.9%

Total assets decreased by \$4.7 million, primarily due to the decrease in net capital assets as a result of current year depreciation expense exceeding capital outlay additions.

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

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

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

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

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Operating Revenues	\$ 24,863	\$ 24,862	\$ 4,354	\$ 2,640
Less, Operating Expenses	123,923	123,773	4,238	5,437
Operating Income (Loss)	(99,060)	(98,911)	116	(2,797)
Net Nonoperating Revenues	88,553	85,219	11,135	5,925
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(10,507)	(13,692)	11,251	3,128
Other Revenues, Expenses, Gains, or Losses	5,930	7,416	779	744
Net Increase (Decrease) In Net Position	(4,577)	(6,276)	12,030	3,872
Net Position, Beginning of Year	264,634	270,910	63,678	59,806
Net Position, End of Year	<u>\$ 260,057</u>	<u>\$ 264,634</u>	<u>\$ 75,708</u>	<u>\$ 63,678</u>

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

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

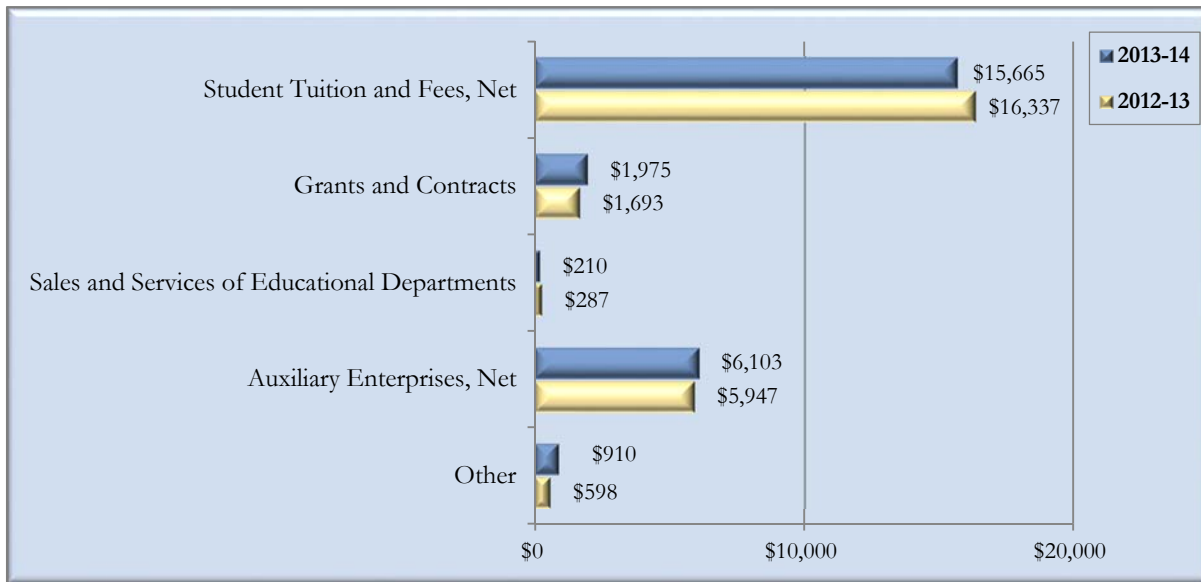
**Operating Revenues
For the Fiscal Years Ended
(In Thousands)**

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Student Tuition and Fees, Net	\$ 15,665	\$ 16,337	\$	\$
Grants and Contracts	1,975	1,693	4,354	2,640
Sales and Services of Educational Departments	210	287		
Auxiliary Enterprises, Net	6,103	5,947		
Other	910	598		
Total Operating Revenues	\$ 24,863	\$ 24,862	\$ 4,354	\$ 2,640

Total operating revenues remained relatively unchanged as compared to the 2012-13 fiscal year.

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

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



Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

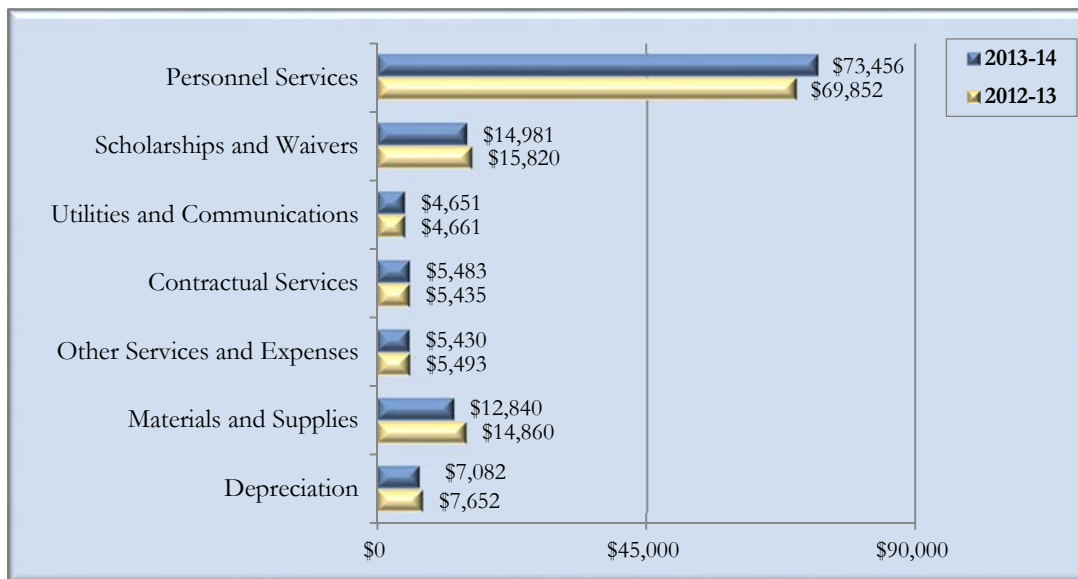
The following summarizes operating expenses by natural classification for the College and its component unit for the respective fiscal years ended:

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

	College		Component Unit	
	6-30-14	6-30-13	3-31-14	3-31-13
Personnel Services	\$ 73,456	\$ 69,852	\$ 295	\$ 282
Scholarships and Waivers	14,981	15,820	2,572	3,309
Utilities and Communications	4,651	4,661		
Contractual Services	5,483	5,435		
Other Services and Expenses	5,430	5,493	1,198	1,677
Materials and Supplies	12,840	14,860		
Depreciation	7,082	7,652	173	169
Total Operating Expenses	\$ 123,923	\$ 123,773	\$ 4,238	\$ 5,437

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

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



College operating expenses increased by \$0.2 million, or 0.1 percent, as compared to the 2012-13 fiscal year. This net increase is primarily due to the following:

- Personnel Services increased \$3.6 million, or 5.2 percent, as compared to the prior fiscal year. This was due to a Board approved salary increase and increase in Florida Retirement System and healthcare rates.
- Scholarships and Waivers decreased \$0.8 million, or 5.3 percent, as compared to the prior fiscal year, primarily due to a decrease in Federal Pell Grants as a result of a decrease in enrollment.
- Materials and Supplies decreased \$2 million, or 13.6 percent, primarily due to furnishing and equipping the Science, Technology, Engineering and Math Building that occurred in the prior fiscal year.

Nonoperating Revenues and Expenses

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

Nonoperating Revenues (Expenses): College (In Thousands)

	<u>2013-14</u>	<u>2012-13</u>
State Noncapital Appropriations	\$ 46,789	\$ 44,312
Federal and State Student Financial Aid	31,149	32,639
Gifts and Grants	10,450	8,003
Investment Income	301	177
Net Gain on Investments	38	227
Other Nonoperating Revenues	5	8
Interest on Capital Asset-Related Debt	(128)	(147)
Other Nonoperating Expenses	<u>(51)</u>	<u> </u>
Net Nonoperating Revenues	<u>\$ 88,553</u>	<u>\$ 85,219</u>

Net nonoperating revenues increased overall by \$3.3 million, or 3.9 percent, as compared to prior fiscal year. This increase was due to an increase of \$2.5 million in State noncapital appropriations and an increase of \$2.4 million in gifts and grants, partially offset by a decrease of \$1.5 million in Federal and State student financial aid.

Other Revenues, Expenses, Gains, or Losses

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

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

	<u>2013-14</u>	<u>2012-13</u>
State Capital Appropriations	\$ 1,820	\$ 1,934
Capital Grants, Contracts, Gifts, and Fees	<u>4,110</u>	<u>5,482</u>
Total	<u>\$ 5,930</u>	<u>\$ 7,416</u>

Net other revenues, expenses, gains, and losses decreased overall by \$1.5 million, or 20 percent, compared to the prior fiscal year. This decrease is primarily due to the decrease of \$1.1 million in capital construction grant that was received in the prior fiscal year, a decrease of \$0.2 million in student capital improvement fee revenue due to a decrease in enrollment, and a decrease of \$0.1 million in State capital appropriations.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling

investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections. The statement of cash flows also helps users assess:

- An entity’s ability to generate future net cash flows.
- Its ability to meet its obligations as they come due.
- Its need for external financing.

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

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

	2013-14	2012-13
Cash Provided (Used) by:		
Operating Activities	\$ (91,856)	\$ (89,023)
Noncapital Financing Activities	88,342	84,953
Capital and Related Financing Activities	7,825	(4,316)
Investing Activities	482	689
Net Increase (Decrease) in Cash and Cash Equivalents	4,793	(7,697)
Cash and Cash Equivalents, Beginning of Year	15,659	23,356
Cash and Cash Equivalents, End of Year	\$ 20,452	\$ 15,659

Major sources of funds came from State noncapital appropriations (\$46.8 million), Federal and State student financial aid (\$31.1 million), net student tuition and fees (\$15.6 million), gifts and grants received for other than capital and endowment purposes (\$10.5 million), and Federal Direct Student Loan program receipts (\$10.1 million). Major uses of funds were for payments to employees (\$59.7 million), payments to suppliers (\$23.7 million), payments for student scholarships (\$15 million), payments for employee benefits (\$13.2 million), and disbursements to students for Federal Direct Student Loans of (\$10.1 million).

The College’s overall cash and cash equivalents increased \$4.8 million as a result of the following factors:

- Net cash used for operating activities increased \$2.8 million, primarily due to an increase in payments for employee compensation and benefits of \$4.4 million, resulting from an increase in the number of fulltime faculty, offset by a reduction in payments to suppliers of \$1.6 million due to fewer equipment purchases.
- Cash provided by noncapital financing activities increased \$3.4 million. This was primarily the results of an increase in cash provided by State noncapital appropriations of \$2.5 million and an increase in cash provided by gifts and grants of \$2.4 million, offset by a decrease in cash provided by Federal and State student financial aid of \$1.5 million.
- Cash provided by capital and related financing activities increased \$12.1 million. This included an increase in cash provided by State capital appropriations of \$4.4 million; a decrease in cash provided by capital grants and gifts of \$3.5 million; a decrease in cash used to purchases of capital assets of \$9.9 million, as construction on major projects, such as the Science, Technology, Engineering and Math Building, the Thermal Energy Storage Tank project and other capital asset purchases, were completed or nearly completed; and a decrease in cash used for interest and principal payments on capital debt of \$1.3 million.
- Cash provided by investing activities remained about the same as the prior fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2014, the College had \$333.8 million in capital assets, less accumulated depreciation of \$109.3 million, for net capital assets of \$224.5 million. Depreciation charges for the current fiscal year totaled \$7.1 million. The following table summarizes the College’s capital assets, net of accumulated depreciation, at June 30:

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

<u>Capital Assets</u>	<u>2014</u>	<u>2013</u>
Land	\$ 23,506	\$ 23,504
Buildings	190,648	178,058
Other Structures and Improvements	1,615	1,815
Furniture, Machinery, and Equipment	3,066	3,126
Capital Lease & Leasehold Improvements	94	182
Construction in Progress	5,533	\$ 21,819
Data Software in Progress	36	
Capital Assets, Net	\$224,498	\$ 228,504

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

DEBT ADMINISTRATION

As of June 30, 2014, the College had \$2 million in long-term debt outstanding. The decrease in College long-term debt of \$393 thousand was the result of principal payments on bond debt and capital leases. 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, at June 30:
(In Thousands)**

	<u>College</u>		<u>Component Unit</u>	
	<u>6-30-14</u>	<u>6-30-13</u>	<u>3-31-14</u>	<u>3-31-13</u>
SBE Capital Outlay Bonds	\$ 1,830	\$ 2,135	\$	\$
Capital Lease Payable	179	267		
Student Revenue Housing Promissory Note			6,000	
Total	\$ 2,009	\$ 2,402	\$ 6,000	\$

Additional information about the College’s and its component unit’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. Economic growth is anticipated to increase and there will continue to be a demand for State resources. State noncapital appropriations increased by 1.8 percent for the 2014-15 fiscal year and, as a result, the Board of Trustees elected to maintain the 2013-14 fiscal year level of tuition and fees for the 2014-15 fiscal year for all credit and non-credit hour courses. The College’s current financial and capital plans indicate a utilization of fund balance reserves as necessary to maintain its commitment to ensure student success.

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 Sheryl S. Vittitoe, CPA, Vice President of Financial Services/CFO, 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 POSITION
June 30, 2014**

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 7,986,250	\$ 2,464,050
Restricted Cash and Cash Equivalents	5,408,776	
Investments		19,550,837
Accounts Receivable, Net	2,098,709	
Due from Other Governmental Agencies	3,990,345	
Due from Component Unit	25,586	
Inventories	1,708,038	
Prepaid Expenses	1,299,608	
Deposits	17,978	38,223
Other Assets		5,035,596
Total Current Assets	22,535,290	27,088,706
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	7,056,973	
Investments	15,411,031	51,707,996
Restricted Investments	8,246,792	
Depreciable Capital Assets, Net	195,422,807	3,680,107
Nondepreciable Capital Assets	29,074,882	337,005
Other Assets		1,060,700
Total Noncurrent Assets	255,212,485	56,785,808
TOTAL ASSETS	277,747,775	83,874,514
LIABILITIES		
Current Liabilities:		
Accounts Payable	380,482	24,405
Salary and Payroll Taxes Payable	2,680,430	
Retainage Payable	120,144	
Due to Other Governmental Agencies	3,976	
Unearned Revenue	1,105,308	20,100
Deposits Held for Others	2,157,643	2,122,219
Long-Term Liabilities - Current Portion:		
Bonds Payable	320,000	
Notes Payable		60,891
Capital Lease Payable	94,549	
Compensated Absences Payable	399,498	
Total Current Liabilities	7,262,030	2,227,615
Noncurrent Liabilities:		
Bonds Payable	1,510,000	
Notes Payable		5,939,109
Capital Lease Payable	84,696	
Compensated Absences Payable	8,220,402	
Other Postemployment Benefits Payable	613,239	
Total Noncurrent Liabilities	10,428,337	5,939,109
TOTAL LIABILITIES	17,690,367	8,166,724

**INDIAN STATE RIVER COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2014**

	College	Component Unit
NET POSITION		
Net Investment in Capital Assets	\$ 222,488,444	\$ 2,363,988
Restricted:		
Nonexpendable:		
Endowment		21,767,836
Expendable:		
Grants and Loans	4,962,092	
Scholarships	166,231	27,258,020
Capital Projects	16,072,925	
Debt Service	44,311	
Other		5,968,870
Unrestricted	16,323,405	18,349,076
TOTAL NET POSITION	\$ 260,057,408	\$ 75,707,790

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 POSITION
For the Fiscal Year Ended June 30, 2014**

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$15,297,127	\$ 15,665,286	\$
Federal Grants and Contracts	1,584,884	
State and Local Grants and Contracts	386,563	155,335
Nongovernmental Grants and Contracts	3,618	4,198,877
Sales and Services of Educational Departments	210,203	
Auxiliary Enterprises, Net of Scholarship		
Allowances of \$3,070,850	6,102,887	
Other Operating Revenues	909,369	
	24,862,810	4,354,212
EXPENSES		
Operating Expenses:		
Personnel Services	73,456,106	294,934
Scholarships and Waivers	14,980,887	2,572,278
Utilities and Communications	4,650,581	
Contractual Services	5,482,966	
Other Services and Expenses	5,429,768	1,198,302
Materials and Supplies	12,839,982	
Depreciation	7,082,189	172,776
	123,922,479	4,238,290
Operating Income (Loss)	(99,059,669)	115,922
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	46,789,101	
Federal and State Student Financial Aid	31,148,712	
Gifts and Grants	10,450,322	
Investment Income	300,703	594,003
Net Gain on Investments	38,083	9,483,082
Other Nonoperating Revenues	4,595	1,059,105
Interest on Capital Asset-Related Debt	(127,519)	(1,385)
Other Nonoperating Expenses	(50,645)	
	88,553,352	11,134,805
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(10,506,317)	11,250,727
State Capital Appropriations	1,819,889	23,887
Capital Grants, Contracts, Gifts, and Fees	4,109,908	
Additions to Endowments		754,930
	5,929,797	778,817
Total Other Revenues	5,929,797	778,817
Increase (Decrease) in Net Position	(4,576,520)	12,029,544
Net Position, Beginning of Year	264,633,928	63,678,246
Net Position, End of Year	\$ 260,057,408	\$ 75,707,790

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, 2014**

	<u>College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 15,604,446
Grants and Contracts	2,616,414
Payments to Suppliers	(23,680,682)
Payments for Utilities and Communications	(4,650,581)
Payments to Employees	(59,674,755)
Payments for Employee Benefits	(13,198,502)
Payments for Scholarships	(14,980,887)
Auxiliary Enterprises, Net	5,972,017
Sales and Service of Educational Departments	210,203
Other Payments	(74,279)
	<u>(91,856,606)</u>
Net Cash Used by Operating Activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	46,789,101
Federal and State Student Financial Aid	31,148,712
Federal Direct Loan Program Receipts	10,109,620
Federal Direct Loan Program Disbursements	(10,109,620)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	10,450,322
Other Nonoperating Receipts	4,595
Other Nonoperating Disbursements	(50,645)
	<u>88,342,085</u>
Net Cash Provided by Noncapital Financing Activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	7,214,330
Capital Grants and Gifts	4,725,948
Purchases of Capital Assets	(3,595,037)
Principal Paid on Capital Debt and Leases	(392,738)
Interest Paid on Capital Debt and Leases	(127,519)
	<u>7,824,984</u>
Net Cash Provided by Capital and Related Financing Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	143,352
Net Gain on Investments	38,083
Investment Income	300,703
	<u>482,138</u>
Net Cash Provided by Investing Activities	
Net Increase in Cash and Cash Equivalents	
Cash and Cash Equivalents, Beginning of Year	4,792,601
	<u>15,659,398</u>
Cash and Cash Equivalents, End of Year	<u>\$ 20,451,999</u>

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

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (99,059,669)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	7,082,189
Changes in Assets and Liabilities:	
Receivables	(191,710)
Inventories	72,034
Prepaid Expenses	(510,470)
Other Assets	328
Accounts Payable	(882,175)
Due to Other Governmental Agencies	(2,707)
Salaries and Payroll Taxes Payable	111,864
Unearned Revenue	641,349
Deposits Held for Others	411,376
Compensated Absences Payable	385,294
Other Postemployment Benefits Payable	85,691
NET CASH USED BY OPERATING ACTIVITIES	\$ (91,856,606)

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, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Indian River State College Foundation, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2014.

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

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options.

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

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 Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- Other Required Supplementary Information

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

The College's component unit uses the economic resources management 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.

Significant interdepartmental sales between auxiliary service departments and other institutional departments of the College 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 position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the College's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition 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. The College determines its scholarship allowance by

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

determining through its accounting records, those transactions where the student's classes and books were paid by an applicable financial aid resource. 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, 2014, the College reported as cash equivalents at fair value \$4,243,414 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's, had an effective duration of 2.57 years, and had a fair value factor of 1.0074 at June 30, 2014. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2014, the College reported as cash equivalents at \$5,339,711 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2014, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 40 days as of June 30, 2014. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

Capital Assets. College capital assets consist of land; construction in progress; data software 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,

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

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 – 5 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 \$3,593,247. 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 leases 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.

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, 2014, 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, 2014**

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 209,474
State Board of Administration Debt Service Accounts	44,311
Mutual Funds	<u>23,404,038</u>
Total College Investments	<u>\$ 23,657,823</u>

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

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

At June 30, 2014, the College reported investments at fair value of \$209,474 in Fund B. The College's investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.84438408 at June 30, 2014. The weighted-average life (WAL) of Fund B at June 30, 2014, was 2.86 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2014. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

State Board of Administration Debt Service Accounts

The College reported investments totaling \$44,311 at June 30, 2014, 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.

Other Investments

The College reported other investments at fair value totaling \$23,404,038 at June 30, 2014. The following risks apply to other College investments:

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

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, 2014, the College's investments in the Federated United States Government Securities Fund mutual fund amounting to \$6,247,427 had a weighted average maturity of 1.5 years. The College's investment in Ridgeworth United States Government Securities Ultra-Short Bond Fund mutual fund amounting to \$12,772,859 had a weighted average maturity of 3.74 years. The College's investment in Vanguard Limited Term Tax Exempt Fund in the amount of \$2,088,021 had an average maturity of 3.2 years. The College's investment in Thornburg Limited Term Municipal Fund in the amount of \$2,143,493 had an average maturity of 4.1 years.

Credit Risk. Credit risk is the risk that 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 \$23,404,038 are all held by the safekeeping agent in the name of the College.

Component Unit Investments. Investments held by the College's component unit at March 31, 2014, are reported at fair value as follows:

<u>Investment Type</u>	<u>Component Unit</u>
Equities	\$ 59,832,353
Fixed Income investments	11,426,480
	<hr/>
Total	<u>\$ 71,258,833</u>

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

3. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$ 1,841,447 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$978,803 for Federal Student Financial Aid.

4. DUE FROM COMPONENT UNIT

The College recorded an amount of \$25,586 representing scholarships that will be reimbursed by the Foundation, pursuant to agreements between the College and the Foundation. The College’s financial statements are reported for the fiscal year ended June 30, 2014. The College’s component unit’s financial statements are reported for the fiscal year ended March 31, 2014. Accordingly, although the College reported an amount as due from the component unit on the statement of net position, the component unit has not reported an amount due to the College.

5. 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.

6. CAPITAL ASSETS

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 23,504,195	\$ 2,200	\$	\$ 23,506,395
Construction in Progress	21,818,602	1,889,755	18,175,599	5,532,758
Data Software in Progress		35,729		35,729
Total Nondepreciable Capital Assets	\$ 45,322,797	\$ 1,927,684	\$ 18,175,599	\$ 29,074,882
Depreciable Capital Assets:				
Buildings	\$ 254,004,620	\$ 18,024,299	\$	\$ 272,028,919
Other Structures and Improvements	11,702,062	151,300		11,853,362
Furniture, Machinery, and Equipment	19,694,995	1,147,974	1,011,168	19,831,801
Assets Under Capital Lease and Leasehold Improvements	1,024,948			1,024,948
Total Depreciable Capital Assets	286,426,625	19,323,573	1,011,168	304,739,030
Less, Accumulated Depreciation:				
Buildings	75,946,840	5,434,398		81,381,238
Other Structures and Improvements	9,886,240	352,133		10,238,373
Furniture, Machinery, and Equipment	16,568,815	1,208,516	1,011,168	16,766,163
Assets Under Capital Lease and Leasehold Improvements	843,307	87,142		930,449
Total Accumulated Depreciation	103,245,202	7,082,189	1,011,168	109,316,223
Total Depreciable Capital Assets, Net	\$ 183,181,423	\$ 12,241,384	\$	\$ 195,422,807

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

7. UNEARNED REVENUE

Unearned revenue includes \$1,105,308 of restricted grants and contracts received prior to fiscal year-end related to subsequent accounting periods.

8. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2014, 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, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 2,135,000	\$	\$ 305,000	\$ 1,830,000	\$ 320,000
Capital Lease Payable	266,983		87,738	179,245	94,549
Compensated Absences Payable	8,234,606	1,129,885	744,591	8,619,900	399,498
Other Postemployment Benefits Payable	527,548	184,819	99,128	613,239	
Total Long-Term Liabilities	\$ 11,164,137	\$ 1,314,704	\$ 1,236,457	\$ 11,242,384	\$ 814,047

Bonds Payable. The 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 SBA 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, 2014:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2005R	\$ 735,000	5.00	2017
Series 2011A	1,095,000	3.00 - 5.00	2023
Total	\$ 1,830,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

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

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2015	\$ 320,000	\$ 85,100	\$ 405,100
2016	345,000	69,100	414,100
2017	340,000	51,850	391,850
2018	110,000	34,850	144,850
2019	120,000	29,350	149,350
2020-2023	595,000	54,750	649,750
Total	\$ 1,830,000	\$ 325,000	\$ 2,155,000

Capital Lease Payable. Vehicles in the amount of \$435,712 are being acquired under a capital lease agreement. The average interest rate is 7.54 percent. Capital lease principal payments for fiscal year 2013-2014 totaled \$87,738. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2014, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2015	\$ 114,907
2016	92,185
2017	4,008
Total Minimum Payments	211,100
Less, Amount Representing Interest	31,855
Present Value of Minimum Payments	\$ 179,245

Notes Payable – Component Unit. The long-term debt of the component unit as of March 31, 2014, is as follows:

Student Housing Notes Payable, secured by all income related to student housing, interest only due, with \$25,932 monthly payments beginning April 1, 2015, including interest at 1.7% per annum, maturing April 1, 2038.	<u>\$6,000,000</u>
---	--------------------

Maturities of the long-term debt are as follow:

<u>Fiscal Year Ending March 31</u>	<u>Amount</u>
2015	\$ 60,891
2016	210,190
2017	214,112
2018	217,832
2019	221,617
Thereafter	5,075,358
Total	\$ 6,000,000

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

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2014, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$8,619,900. The current portion of the compensated absences liability, \$399,498, 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 System Risk Management Consortium (Consortium) and life insurance benefits through purchased commercial insurance.

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

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 84 retirees received postemployment healthcare benefits, and 66 retirees received postemployment life insurance benefits. The College provided required contributions of \$99,128 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$378,379, which represents 0.8 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to

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

cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College’s annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the College’s net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 105,809
Amortization of Unfunded Actuarial Accrued Liability	<u>75,493</u>
Annual Required Contribution	181,302
Interest on Net OPEB Obligation	21,102
Adjustment to Annual Required Contribution	<u>(17,585)</u>
Annual OPEB Cost (Expense)	184,819
Contribution Toward the OPEB Cost	<u>(99,128)</u>
Increase in Net OPEB Obligation	85,691
Net OPEB Obligation, Beginning of Year	<u>527,548</u>
Net OPEB Obligation, End of Year	<u>\$ 613,239</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, 2014, 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>
2011-12	\$ 204,043	29.8%	\$ 371,829
2012-13	204,999	24.0%	527,548
2013-14	184,819	53.6%	613,239

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$2,264,789 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,264,789 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$45,194,221 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5 percent.

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

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

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

The College's OPEB actuarial valuation as of July 1, 2013, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the College's 2013-14 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year, an inflation rate of 3 percent per year, and an annual healthcare cost trend rate of 8.5 percent pre-Medicare and 6.25 percent Medicare for the 2013-14 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 5 years for pre-Medicare and 4 years for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on open basis. The remaining amortization period at June 30, 2014, was 23 years.

9. RETIREMENT PROGRAMS

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of 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.

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

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

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

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

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Florida Retirement System, Special Risk	3.00	19.06
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

(B) Contribution rates are dependent upon retirement class in which reemployed.

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014 totaled \$2,813,586, \$3,019,957, and \$3,865,223, respectively, which were equal to the required contributions for each fiscal year.

There were 206 College participants in the Investment Plan during the 2013-14 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled \$1,025,779, which was equal to the required contribution for the 2013-14 fiscal year.

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

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Division of Retirement's Web site (www.frs.myflorida.com).

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 eight 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, 7.34 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 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 22 College participants during the 2013-14 fiscal year. The College's contributions to the Program totaled \$147,548 and employee contributions totaled \$55,950 for the 2013-14 fiscal year.

10. OPERATING LEASE COMMITMENTS

The College leased building space, one vehicle, three copiers, and one color printer under operating leases, which expire between years 2015 and 2017. These leased assets and the related commitments are not reported on the College's statement of net position. 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:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2015	\$ 165,626
2016	152,875
2017	<u>36,404</u>
Total Minimum Payments Required	<u>\$ 354,905</u>

11. 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

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

under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to \$125 million to February 28, 2014, and up to \$150 million from March 1, 2014, for property insurance. 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 commercial coverage in any of the past three fiscal years.

Life insurance is obtained through a commercial carrier.

12. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 50,914,681
Public Services	720,508
Academic Support	10,272,231
Student Services	10,776,275
Institutional Support	8,401,204
Operation and Maintenance of Plant	12,194,423
Scholarships and Waivers	15,141,570
Depreciation	7,082,189
Auxiliary Enterprises	8,419,398
Total Operating Expenses	\$ 123,922,479

13. RELATED PARTY TRANSACTIONS

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

The 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 2013-14 fiscal year.

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

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 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%
7/1/2013	-	2,264,789	2,264,789	0%	45,194,221	5.0%

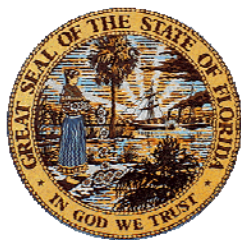
Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the actuarial accrued liability.

**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, 2013, unfunded actuarial accrued liability of \$2,264,789 was \$116,360 higher than the July 1, 2011, liability of \$2,148,429 primarily due to:

- Changes in the assumed rates of healthcare inflation used to project the per capita healthcare costs, per capita costs of healthcare, rates of participation, and conditions for retirement eligibility and rates of retirement for those active employees hired on or after July 1, 2011, have been added.
- Increase in the level of future coverage election for current Medicare-eligible participants, and an increase in the level of per capita healthcare costs for Medicare-eligible participants.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-412-2722
FAX: 850-488-6975

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

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

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 8, 2015, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
January 8, 2015