

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

DAYTONA STATE COLLEGE

For the Fiscal Year Ended
June 30, 2019



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2018-19 fiscal year, Dr. Thomas LoBasso served as President of Daytona State College and the following individuals served as Members of the Board of Trustees:

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Stan T. Escudero, Vice Chair	Volusia
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Sarah Dougherty	Volusia
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The team leader was Keith O. Auyang, CPA, and the audit was supervised by Keith A. Wolfe, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Daytona State College (a component unit of the State of Florida) 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 Daytona 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, 2019. 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

We conducted our audit in accordance with 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.



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Daytona 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, 2019, 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 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 solely 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 other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Daytona State College and of its discretely presented component unit as of June 30, 2019, 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**, the **Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of College Contributions – Florida Retirement System Pension Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of College Contributions – Health Insurance Subsidy Pension 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 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 our report dated March 5, 2020, on our consideration of the Daytona 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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 the Daytona State College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 5, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019, 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, 2019, and June 30, 2018.

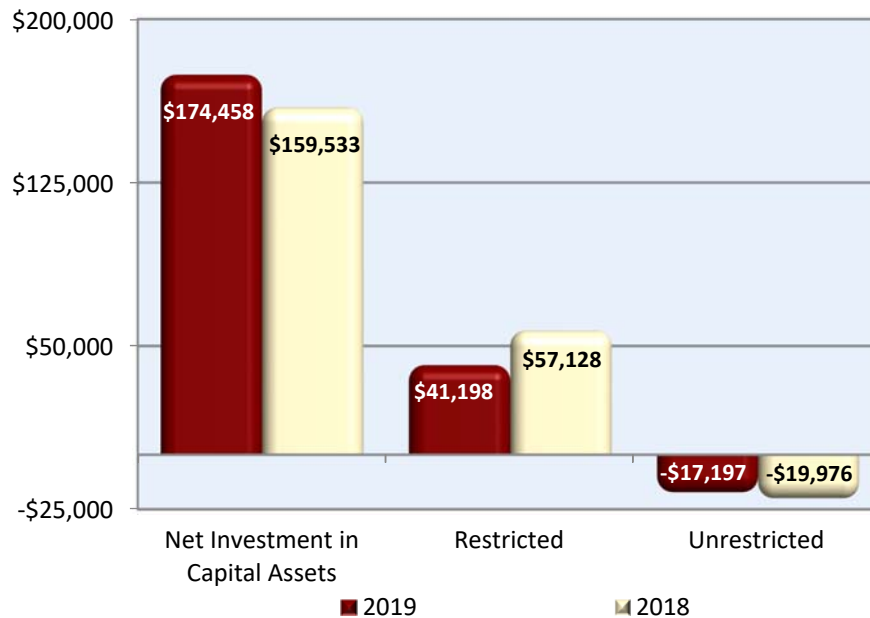
FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$277.4 million at June 30, 2019. This balance reflects an increase of \$1.3 million, or 0.5 percent, as compared to the 2017-18 fiscal year, resulting from an increase in depreciable capital assets, net, offset by decreases in non-depreciable capital assets and deferred outflows of resources. While total assets grew, liabilities and deferred inflows of resources decreased by \$0.5 million, or 0.6 percent, totaling \$78.9 million at June 30, 2019, compared to \$79.4 million at June 30, 2018. As a result, the College's net position increased by \$1.8 million, resulting in a year-end balance of \$198.5 million.

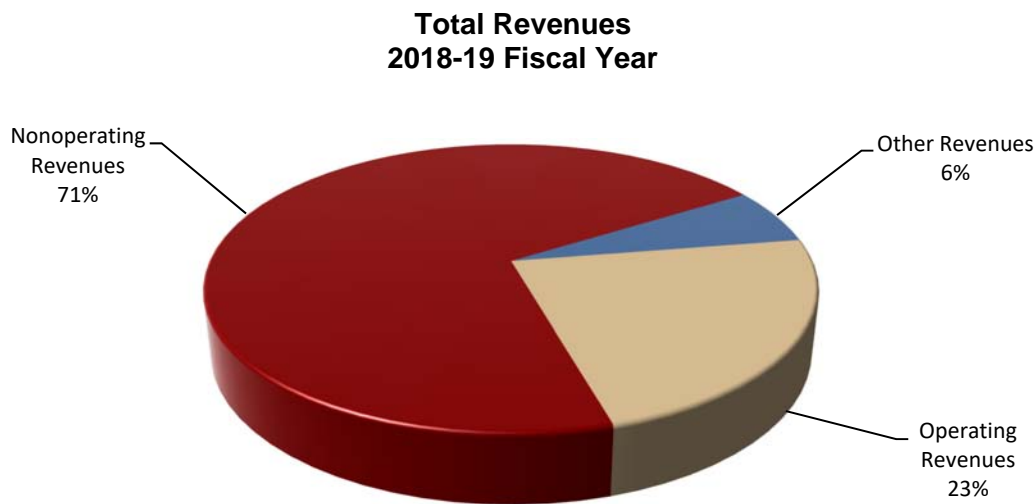
The College's operating revenues totaled \$27.6 million for the 2018-19 fiscal year, representing a 0.9 percent increase compared to the 2017-18 fiscal year. Operating expenses totaled \$118 million for the 2018-19 fiscal year, representing an increase of 3 percent as compared to the 2017-18 fiscal year.

Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2019, and June 30, 2018, is shown in the following graph:

Net Position
(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2018-19 fiscal year:



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to Governmental Accounting Standards Board (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. The financial statements, and notes thereto, encompass the College and its component unit, Daytona State College Foundation, Inc. (Foundation). Based on the application of the criteria for determining component units, the Foundation is included within the College reporting entity as a discretely presented component unit.

This MD&A focuses on the College, excluding the discretely presented component unit. The MD&A information for the discretely presented component unit is included in its separately issued audit report.

The Statement of Net Position

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, 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.

The following summarizes the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30:

Condensed Statement of Net Position at June 30

(In Thousands)

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets	\$ 51,557	\$ 60,031
Capital Assets, Net	182,218	168,743
Other Noncurrent Assets	<u>26,625</u>	<u>29,011</u>
Total Assets	<u>260,400</u>	<u>257,785</u>
Deferred Outflows of Resources	<u>16,951</u>	<u>18,310</u>
Liabilities		
Current Liabilities	13,117	12,844
Noncurrent Liabilities	<u>57,787</u>	<u>60,421</u>
Total Liabilities	<u>70,904</u>	<u>73,265</u>
Deferred Inflows of Resources	<u>7,988</u>	<u>6,145</u>
Net Position		
Net Investment in Capital Assets	174,458	159,533
Restricted	41,198	57,128
Unrestricted	<u>(17,197)</u>	<u>(19,976)</u>
Total Net Position	<u>\$ 198,459</u>	<u>\$ 196,685</u>

The \$8.5 million decrease in the College's current assets was primarily caused by a \$5.3 million increase in current cash and cash equivalents and a \$14.1 million decrease in due from other governmental agencies, which in the prior fiscal year included Public Education Capital Outlay funds due to the College for the construction of the new student center. The \$13.5 million increase in capital assets, net, was primarily due to the addition of the new student center building. The \$2.6 million decrease in noncurrent liabilities was primarily due to a \$1.6 million decrease in noncurrent portion of the net pension liabilities and a \$1 million decrease in loans payable. Net investment in capital assets increased due to the capitalization of the new student center building and capital equipment purchased for the building.

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 College's activity for the 2018-19 and 2017-18 fiscal years:

**Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years**

(In Thousands)

	<u>2018-19</u>	<u>2017-18</u>
Operating Revenues	\$ 27,572	\$ 27,335
Less, Operating Expenses	<u>117,957</u>	<u>114,565</u>
Operating Loss	(90,385)	(87,230)
Net Nonoperating Revenues	<u>84,625</u>	<u>79,891</u>
Loss Before Other Revenues	(5,760)	(7,339)
Other Revenues	<u>7,544</u>	<u>7,653</u>
Net Increase In Net Position	<u>1,784</u>	<u>314</u>
Net Position, Beginning of Year	196,685	186,605
Adjustment to Beginning Net Position (1) (2)	<u>(10)</u>	<u>9,766</u>
Net Position, Beginning of Year, as Restated	<u>196,675</u>	<u>196,371</u>
Net Position, End of Year	<u>\$ 198,459</u>	<u>\$ 196,685</u>

- (1) For the 2018-19 fiscal year, the College's beginning net position was decreased due to the implementation of GASB Statement No. 75 by the Florida Retirement System.
- (2) For the 2017-18 fiscal year, the College's beginning net position was increased due to the implementation of GASB Statement No. 75 for the College.

Nonoperating revenues increased \$4.7 million primarily due to a \$1.4 million increase in State noncapital appropriations, a \$1.6 million increase in Federal and State student financial aid, and a \$1.2 million increase in unrealized gain on investment.

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.

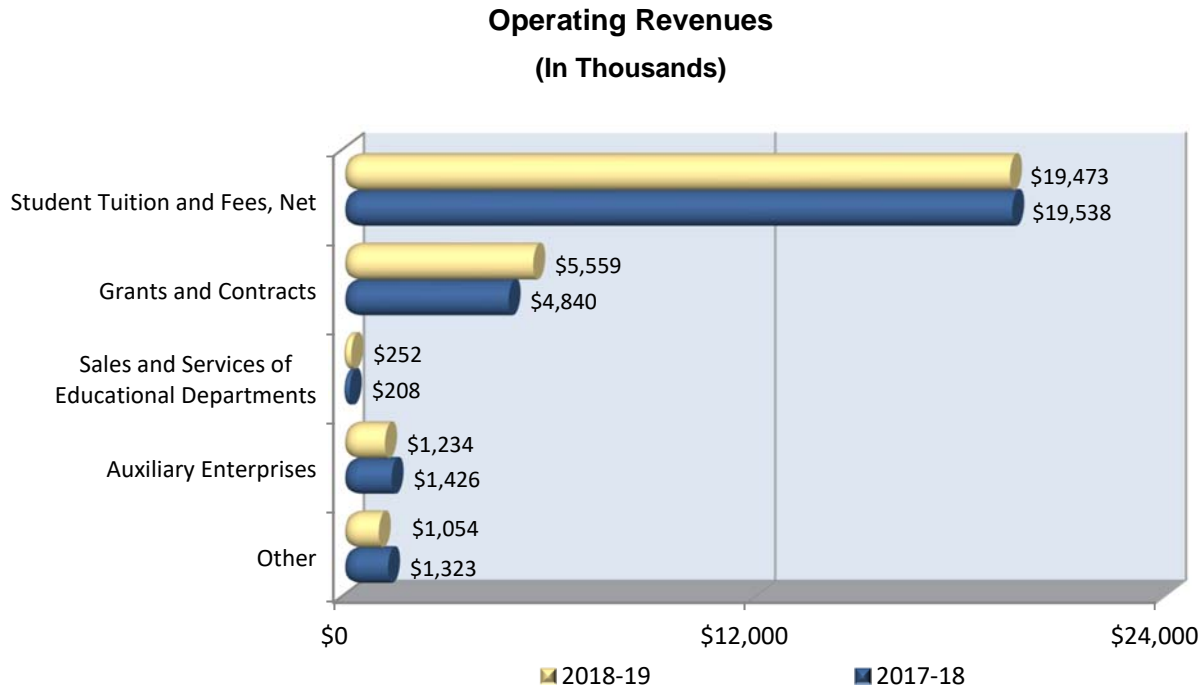
The following summarizes the operating revenues by source that were used to fund operating activities for the 2018-19 and 2017-18 fiscal years:

**Operating Revenues
For the Fiscal Years**

(In Thousands)

	<u>2018-19</u>	<u>2017-18</u>
Student Tuition and Fees, Net	\$ 19,473	\$ 19,538
Grants and Contracts	5,559	4,840
Sales and Services of Educational Departments	252	208
Auxiliary Enterprises	1,234	1,426
Other	<u>1,054</u>	<u>1,323</u>
Total Operating Revenues	<u>\$ 27,572</u>	<u>\$ 27,335</u>

The following chart presents the College's operating revenues for the 2018-19 and 2017-18 fiscal years:



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 2018-19 and 2017-18 fiscal years:

Operating Expenses
For the Fiscal Years
(In Thousands)

	<u>2018-19</u>	<u>2017-18</u>
Personnel Services	\$ 68,592	\$ 68,089
Scholarships and Waivers	17,397	16,334
Utilities and Communications	3,929	3,903
Contractual Services	6,019	5,792
Other Services and Expenses	4,135	4,326
Materials and Supplies	9,324	7,646
Depreciation	8,561	8,475
Total Operating Expenses	<u><u>\$ 117,957</u></u>	<u><u>\$ 114,565</u></u>

The following chart presents the College's operating expenses for the 2018-19 and 2017-18 fiscal years:

Operating Expenses
(In Thousands)



Operating expenses increased \$3.4 million primarily due to \$1.7 million increase for materials and supplies purchased predominantly for the new student center building, a \$1.1 million increase in scholarships and waivers, and a \$0.5 million increase in personnel services.

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 2018-19 and 2017-18 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years
(In Thousands)

	<u>2018-19</u>	<u>2017-18</u>
State Noncapital Appropriations	\$ 52,911	\$ 51,483
Federal and State Student Financial Aid	27,586	26,012
Gifts and Grants	2,102	2,213
Investment Income	1,183	561
Net Unrealized Gain on Investments	1,214	-
Interest on Capital Asset-Related Debt	(348)	(409)
Gain (Loss) on Disposal of Capital Assets	(23)	31
Net Nonoperating Revenues	<u>\$ 84,625</u>	<u>\$ 79,891</u>

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2018-19 and 2017-18 fiscal years:

	<u>2018-19</u>	<u>2017-18</u>
State Capital Appropriations	\$ 5,040	\$ 5,233
Capital Grants, Contracts, Gifts, and Fees	2,504	2,420
Total	<u>\$ 7,544</u>	<u>\$ 7,653</u>

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. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. 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 following summarizes the College's cash flows for the 2018-19 and 2017-18 fiscal years:

	<u>2018-19</u>	<u>2017-18</u>
Cash Provided (Used) by:		
Operating Activities	\$ (79,555)	\$ (77,707)
Noncapital Financing Activities	82,600	79,708
Capital and Related Financing Activities	(2,545)	(3,385)
Investing Activities	2,410	570
Net Increase (Decrease) in Cash and Cash Equivalents	2,910	(814)
Cash and Cash Equivalents, Beginning of Year	58,281	59,095
Cash and Cash Equivalents, End of Year	<u>\$ 61,191</u>	<u>\$ 58,281</u>

Major sources of funds came from State noncapital appropriations (\$52.9 million), Federal and State student financial aid (\$27.6 million), State capital appropriations (\$19.3 million), and net student tuition and fees (\$19.2 million). Major uses of funds were for payments to employees (\$53.6 million), purchases of capital assets (\$21.9 million), payments to suppliers of goods and services (\$19.6 million), and payments for student scholarships (\$17.6 million).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the College had \$323 million in capital assets, less accumulated depreciation of \$140.8 million, for net capital assets of \$182.2 million. Depreciation charges for the current fiscal year totaled \$8.6 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 15,403	\$ 15,403
Artwork	399	399
Construction in Progress	1,920	20,719
Buildings	155,965	123,396
Other Structures and Improvements	2,917	2,160
Furniture, Machinery, and Equipment	3,298	2,601
Data Software	2,316	4,065
Capital Assets, Net	<u><u>\$182,218</u></u>	<u><u>\$168,743</u></u>

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

Debt Administration

As of June 30, 2019, the College had \$7.8 million in outstanding capital outlay bonds payable and loans payable, representing a decrease of \$1.5 million, or 15.7 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

	<u>2019</u>	<u>2018</u>
SBE Capital Outlay Bonds	\$ 40	\$ 510
Loans Payable	7,720	8,700
Total	<u><u>\$ 7,760</u></u>	<u><u>\$ 9,210</u></u>

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2018-19 fiscal year, there were no bond sales and debt repayments totaled \$1.5 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Daytona State College's economic condition correlates to factors affecting the State of Florida relative to various changes in the State and surrounding counties. Currently, Florida's unemployment rate is at 3.4 percent, less than the nation's rate of 3.7 percent. Additionally, Volusia and Flagler counties reflect unemployment rates of 3.2 and 3.5 percent, respectively, which is a strong indication that both counties

have recovered, at least from a statistical standpoint, from the economic downturn experienced in prior fiscal years. Additionally, the job market continues to flourish with a 2.6 percent increase over the past year, which is well ahead of the national pace. Consequently, this had an adverse effect on student enrollment at the College. However, there is some relief on the horizon; with the Summer Semester ending with a 4.8 percent increase in enrollment, and data reflects this increase is tracking into the Fall Semester. Further, the District Board of Trustees voted to maintain the current tuition and fee rate with no increases across the board for another fiscal year. With this mandate, the College's administration will continue its charge to increase accountability and performance outcomes to ensure students achieve the highest academic success. A look ahead at the College's financial forecast and capital outlay encourages the development of a strategic plan to incorporate other revenue streams, through established community partnerships and business ventures, coupled with increased operating efficiencies to ensure continued focus on mission-driven services, which will enhance the College's overall productivity during the next fiscal year.

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 Senior Vice President of Finance/CFO, Daytona State College, 1200 West International Speedway Boulevard, Daytona Beach, Florida 32114.

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BASIC FINANCIAL STATEMENTS

DAYTONA STATE COLLEGE A Component Unit of the State of Florida Statement of Net Position

June 30, 2019

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 24,304,805	\$ 79,132
Restricted Cash and Cash Equivalents	10,263,234	148,376
Accounts Receivable, Net	3,484,718	-
Notes Receivable, Net	48,395	-
Due from Other Governmental Agencies	12,652,258	-
Due from Component Unit/College	16,808	3,955,320
Prepaid Expenses	782,760	4,034
Deposits	4,494	8,100
Total Current Assets	<u>51,557,472</u>	<u>4,194,962</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	26,623,033	-
Investments	-	418,400
Restricted Investments	2,103	23,691,291
Depreciable Capital Assets, Net	164,496,502	-
Nondepreciable Capital Assets	17,721,573	-
Total Noncurrent Assets	<u>208,843,211</u>	<u>24,109,691</u>
TOTAL ASSETS	<u>260,400,683</u>	<u>28,304,653</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	47,740	-
Pensions	16,903,442	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>16,951,182</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,209,189	43,756
Accrued Interest Payable	77,029	-
Salary and Payroll Taxes Payable	2,445,848	-
Retainage Payable	978,497	-
Due to Component Unit/College	4,428,336	159,610
Unearned Revenue	223,525	156,206
Deposits Held for Others	200,037	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	20,000	-
Loans Payable	1,020,000	-
Special Termination Benefits Payable	16,129	-
Compensated Absences Payable	1,132,535	-
Other Postemployment Benefits Payable	43,301	-
Net Pension Liability	322,846	-
Total Current Liabilities	<u>13,117,272</u>	<u>359,572</u>

	<u>College</u>	<u>Component Unit</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	20,000	-
Loans Payable	6,700,000	-
Special Termination Benefits Payable	408,425	-
Compensated Absences Payable	9,593,003	-
Other Postemployment Benefits Payable	223,103	-
Net Pension Liability	40,842,845	-
Total Noncurrent Liabilities	<u>57,787,376</u>	<u>-</u>
TOTAL LIABILITIES	<u>70,904,648</u>	<u>359,572</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	7,987,618	-
NET POSITION		
Net Investment in Capital Assets	174,458,075	-
Restricted:		
Nonexpendable:		
Endowment	17,211	14,067,440
Expendable:		
Grants and Loans	4,305,599	13,258,837
Scholarships	348,627	-
Capital Projects	36,524,922	-
Debt Service	2,103	-
Unrestricted	(17,196,938)	618,804
TOTAL NET POSITION	<u>\$ 198,459,599</u>	<u>\$ 27,945,081</u>

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

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DAYTONA 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, 2019

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$12,341,694	\$ 19,473,021	\$ -
Federal Grants and Contracts	3,977,657	-
State and Local Grants and Contracts	1,279,574	359,249
Nongovernmental Grants and Contracts	302,143	-
Sales and Services of Educational Departments	252,150	-
Auxiliary Enterprises	1,233,764	-
Other Operating Revenues	1,053,748	1,682,878
Total Operating Revenues	<u>27,572,057</u>	<u>2,042,127</u>
EXPENSES		
Operating Expenses:		
Personnel Services	68,591,997	356,643
Scholarships and Waivers	17,396,732	1,155,648
Utilities and Communications	3,929,301	-
Contractual Services	6,019,504	26,762
Other Services and Expenses	4,135,223	460,140
Materials and Supplies	9,323,850	13,699
Depreciation	8,560,704	-
Total Operating Expenses	<u>117,957,311</u>	<u>2,012,892</u>
Operating Income (Loss)	<u>(90,385,254)</u>	<u>29,235</u>
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	52,911,125	-
Federal and State Student Financial Aid	27,585,973	-
Gifts and Grants	2,102,542	239,141
Investment Income	1,182,670	416,464
Net Unrealized and Realized Gain/(Loss) on Investments	1,214,496	(1,594,950)
Interest on Capital Asset-Related Debt	(348,490)	-
Other Nonoperating Expenses	(22,840)	-
Net Nonoperating Revenues (Expenses)	<u>84,625,476</u>	<u>(939,345)</u>
Loss Before Other Revenues	<u>(5,759,778)</u>	<u>(910,110)</u>
State Capital Appropriations	5,039,890	-
Capital Grants, Contracts, Gifts, and Fees	2,504,159	-
Total Other Revenues	<u>7,544,049</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>1,784,271</u>	<u>(910,110)</u>
Net Position, Beginning of Year	196,685,224	28,855,191
Adjustment to Beginning Net Position	(9,896)	-
Net Position, Beginning of Year, as Restated	<u>196,675,328</u>	<u>28,855,191</u>
Net Position, End of Year	<u>\$ 198,459,599</u>	<u>\$ 27,945,081</u>

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

DAYTONA STATE COLLEGE
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2019

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 19,224,989
Grants and Contracts	6,519,848
Payments to Suppliers	(19,614,482)
Payments for Utilities and Communications	(3,929,301)
Payments to Employees	(53,584,036)
Payments for Employee Benefits	(13,417,565)
Payments for Scholarships	(17,551,792)
Loans Issued to Students	(570,765)
Collection on Loans to Students	558,171
Auxiliary Enterprises	1,446,819
Sales and Services of Educational Departments	252,150
Other Receipts	1,111,454
	(79,554,510)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	52,911,125
Federal and State Student Financial Aid	27,585,973
Federal Direct Loan Program Receipts	14,951,120
Federal Direct Loan Program Disbursements	(14,951,120)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	2,102,542
	82,599,640
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	19,315,069
Capital Grants and Gifts	1,807,694
Purchases of Capital Assets	(21,869,272)
Principal Paid on Capital Debt	(1,450,000)
Interest Paid on Capital Debt	(348,492)
	(2,545,001)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	13,241
Investment Income	2,397,166
	2,410,407
Net Increase in Cash and Cash Equivalents	2,910,536
Cash and Cash Equivalents, Beginning of Year	58,280,536
	61,191,072
Cash and Cash Equivalents, End of Year	\$ 61,191,072

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (90,385,254)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	8,560,704
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(246,260)
Notes Receivable, Net	(12,594)
Due from Other Governmental Agencies	(119,244)
Due from Component Unit	(3,747)
Prepaid Expenses	(135,863)
Accounts Payable	1,083,966
Salaries and Payroll Taxes Payable	83,875
Unearned Revenue	55,681
Deposits Held for Others	57,706
Special Termination Benefits Payable	32,440
Compensated Absences Payable	(74,252)
Other Postemployment Benefits Payable	(26,041)
Net Pension Liability	(1,627,278)
Deferred Outflows of Resources Related to Other Postemployment Benefits	6,871
Deferred Outflows of Resources Related to Pensions	1,351,956
Deferred Inflows of Resources Related to Pensions	1,842,824
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (79,554,510)</u>

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The governing body of Daytona State College, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education (SBE) rules. However, the 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 SBE rules. The College serves Volusia and Flagler 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 Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the Board of Trustees are such that exclusion would cause the College's financial statements to be misleading. Based on 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 Daytona 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 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.

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 and can be obtained from the Senior Vice President of Finance/CFO, Daytona State College, 1200 West International Speedway Boulevard, Daytona Beach, Florida 32114. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2018.

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

business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- 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

Measurement Focus and Basis of Accounting. Basis of accounting refers to when revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The College follows GASB standards of accounting and financial reporting.

The College's component unit uses the economic resources measurement focus and accrual basis of accounting, and follows GASB standards of accounting and financial reporting.

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, gifts and grants, and investment income (net of unrealized gains or losses on investments). Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by

the student or the third party making payment on behalf of the student. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against student tuition and fees.

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 cash placed with the State Treasury Special Purpose Investment Accounts (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 3 months or less, that are not held solely for income or profit, to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury SPIA and SBA Florida PRIME investment pools to be cash equivalents.

College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to 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, 2019, the College reported as cash equivalents at fair value \$57,581,979 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 4). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.71 years and fair value factor of 1.0103 at June 30, 2019. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balance. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. 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, 2019, the College reported as cash equivalents \$424,386 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, 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 28 days as of June 30, 2019. 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 amortized cost. Section 218.409(8)(a), Florida Statutes, provides that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Capital Assets. College capital assets consist of land, artwork, construction in progress, buildings, other structures and improvements, furniture, machinery, and equipment, and data software. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, loans payable, special termination benefits payable, compensated absences payable, other postemployment benefits payable, and net pension liabilities that are not scheduled to be paid within the next fiscal year.

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Adjustment to Beginning Net Position

The net pension liability for the FRS pension plan at July 1, 2017, was increased by \$10,152,810 due to the restatement of the fund's beginning net position as a result of the implementation of GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other than Pensions*. The College's proportionate share of this restated beginning net liability was \$9,896.

3. Deficit Net Position in Individual Funds

The College reported an unrestricted net position which included a deficit in the current funds - unrestricted, as shown below. This deficit can be attributed to the full recognition of long-term liabilities (i.e., compensated absences payable, OPEB payable, and net pension liabilities) in the current unrestricted funds.

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (25,732,917)
Auxiliary Funds	8,535,979
Total	\$ (17,196,938)

4. Investments

The Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; 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; and other investments approved by the Board of Trustees as authorized by law. 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.

Fair Value Measurement. The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

State Board of Administration Debt Service Accounts. The College reported investments totaling \$2,103 at June 30, 2019, in the SBA Debt Service Accounts, at fair value using quoted market process (Level 1 inputs). 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 6 months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Unit Investments.

Investment decisions are made subject to guidelines established by the Foundation's Investment Committee and approved by the Foundation's Board of Directors. All deposits and investments are held at financial and brokerage institutions in the name of the Foundation.

The Foundation's investment and spending policy is set forth in a document approved by Daytona State College Foundation Investment Committee and approved by the Foundation's Board of Directors. The objectives of the policy fundamentally preserve and enhance Foundation resources both at present and in the future, as well as, strive to provide a steady, growing income stream to support the Foundation's mission while providing sufficient reinvestment to protect endowments from inflation.

According to the Investment Policy, endowment target allocations are 19 to 59 percent in domestic equities, 1 to 41 percent in international equities, 20 to 60 percent in fixed-income securities, and 0 to 20 percent in other income assets, other growth assets, REIT/inflation hedges, and/or cash and cash equivalents. The Foundation contracts with a qualified investment manager to whom authority is delegated to invest and reinvest assets in accordance with the investment policy.

Custodial credit risk – deposits: Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the Foundation's deposits may not be returned to it. At December 31, 2018, the Foundation's cash deposits with financial and brokerage institutions was \$235,427, all of which were insured up to respective FDIC and SIPC limits.

Interest rate risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Foundation's policy for managing its exposure for changes in interest rate is through maintaining diversification of its investments and investment maturity dates to minimize the impact of downturns in the market.

Credit risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration risk: The Foundation's investment policy discourages more than 5 percent of the portfolio's total assets taken at current value be invested in the securities of one issuer, other than the

United States of America, its agencies or instrumentalities. The Policy further discourages more than 40 percent of the portfolio's assets to be invested in the securities of the companies in any one industry.

Fair Value Measurement. The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the inputs used in valuation and gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest level, Level 1, is given to unadjusted quoted prices in active markets and the lowest level, Level 3, to unobservable inputs that reflect the Foundation's significant market assumptions. The three levels of the fair value hierarchy are as follows:

- Level 1 – Valuations based on unadjusted quoted market prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 – Valuations based on pricing inputs that are other than quoted prices in active markets, which are either directly or indirectly observable. Examples include commingled funds which hold actively traded public securities, but whose valuations are determined only periodically, (typically monthly). Other examples include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves, prepayment speeds, credit risks, default rates, loss severities, etc.) or can be corroborated by observable market data.
- Level 3 – Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets and liabilities. Level 3 investments primarily comprise alternative investments that do not have a liquid market at the balance sheet date. Inputs used for Level 3 may include the original transaction price, recent transactions in the same or similar market, completed or pending third party transactions in the underlying investment or comparable issuers, and subsequent rounds of financing. When observable prices are not available, these investments are valued using one or more valuation techniques described below:
 - Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
 - Income Approach: This approach determines a valuation by discounting cash flows.
 - Cost Approach: This approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset.

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value (NAV).

The fair value hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The classification of assets and liabilities in the fair value hierarchy is not necessarily an indication of the risks or liquidity, but is based on the observability of the valuation inputs.

<u>Deposits and Investments</u>	<u>Average Maturity</u>	<u>Fair Value Level</u>	<u>Credit Quality (S&P)</u>	<u>Fair Value</u>
Cash and Cash Equivalents	N/A	N/A	N/A	\$ 227,508
Municipal Bonds	19	1	AAAm	50,748
Mutual Funds - Fixed Income	8.15	2	A	8,479,045
Mutual Funds - Equity	N/A	2	N/A	13,313,756
Investment in Real Property	N/A	3	N/A	2,266,142
Total Deposits and Investments of Component Unit				<u><u>\$24,337,199</u></u>

5. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a \$1,117,081 allowance for doubtful accounts.

6. Notes Receivable

Notes receivable represent student loans made under the short-term loan program of \$52,131. Notes receivable are reported net of a \$3,736 allowance for doubtful notes.

7. Due From Other Governmental Agencies

The amount due from other governmental agencies consists of \$9,901,889 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$2,750,369 for contract and grant reimbursement due from third parties.

8. Due From and To Component Unit/College

The \$4,428,336 reported as due to component unit consists of amounts owed by the College to the Foundation, pursuant to an agreement to invest Foundation short-term cash on hand in the State Treasury SPIA and SBA Florida PRIME investment accounts of the College. The \$16,808 reported as due from component unit to the College consists of student assistance related to child care services. The College's financial statements are reported for the fiscal year ended June 30, 2019. The Foundation's financial statements are reported for the fiscal year ended December 31, 2018. Accordingly, amounts reported by the College as due from and to component unit on the statement of net position do not agree with amounts reported by the component unit as due from and to the College.

9. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2019, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 15,402,520	\$ -	\$ -	\$ 15,402,520
Artwork	399,435	-	-	399,435
Construction in Progress	20,719,067	20,353,864	39,153,313	1,919,618
Total Nondepreciable Capital Assets	\$ 36,521,022	\$ 20,353,864	\$ 39,153,313	\$ 17,721,573
Depreciable Capital Assets:				
Buildings	\$ 205,529,733	\$ 37,749,074	\$ 1,106,870	\$ 242,171,937
Other Structures and Improvements	31,025,742	1,404,259	1,981	32,428,020
Furniture, Machinery, and Equipment	22,348,499	1,739,065	2,162,472	21,925,092
Data Software	8,747,667	-	-	8,747,667
Total Depreciable Capital Assets	267,651,641	40,892,398	3,271,323	305,272,716
Less, Accumulated Depreciation:				
Buildings	82,133,735	5,124,589	1,051,526	86,206,798
Other Structures and Improvements	28,866,097	646,643	1,981	29,510,759
Furniture, Machinery, and Equipment	19,747,637	1,039,939	2,160,815	18,626,761
Data Software	4,682,363	1,749,533	-	6,431,896
Total Accumulated Depreciation	135,429,832	8,560,704	3,214,322	140,776,214
Total Depreciable Capital Assets, Net	\$ 132,221,809	\$ 32,331,694	\$ 57,001	\$ 164,496,502

10. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2019, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable	\$ 510,000	\$ -	\$ 470,000	\$ 40,000	\$ 20,000
Loans Payable	8,700,000	-	980,000	7,720,000	1,020,000
Special Termination Benefits Payable	392,114	48,569	16,129	424,554	16,129
Compensated Absences Payable	10,799,790	1,233,033	1,307,285	10,725,538	1,132,535
Other Postemployment Benefits Payable	292,445	23,542	49,583	266,404	43,301
Net Pension Liability (1)	42,792,969	25,447,919	27,075,197	41,165,691	322,846
Total Long-Term Liabilities	\$ 63,487,318	\$ 26,753,063	\$ 29,898,194	\$ 60,342,187	\$ 2,554,811

(1) Net Pension Liability beginning balance adjusted for adoption of GASB Statement No. 75 by the Florida Retirement System, as described in Note 2.

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, 2019:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rate (Percent)</u>	<u>Annual Maturity To</u>
SBE Capital Outlay Bonds: Series 2010A, Refunding	\$ 40,000	5	2021

Annual requirements to amortize all bonded debt outstanding as of June 30, 2019, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>SBE Capital Outlay Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 20,000	\$ 2,000	\$ 22,000
2021	20,000	1,000	21,000
Total	\$ 40,000	\$ 3,000	\$ 43,000

Loans Payable. Pursuant to Section 1001.64(38), Florida Statutes, the College obtained two loans to finance the cost of acquisition and construction of various capital projects and equipment, including but not limited to, construction of the Hospitality Center, a physical plant, a shipping and receiving building, additional parking and the demolition of a building. The College borrowed \$10 million on December 23, 2005, at a stated interest rate of 3.96 percent, and \$8 million on January 10, 2006, at a stated interest rate of 4.03 percent. Both loans mature on January 1, 2026, and principal and interest payments are due the end of each quarter. These loans are direct borrowings from a bank. The loans are not secured by any assets pledged as collateral. The loans contain provisions that in the event of default the bank may accelerate payment for all principal and interest due under the loans, and also allows for prepayment, which could result in prepayment fee.

Annual requirements to amortize the outstanding loans as of June 30, 2019, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,020,000	\$ 293,200	\$ 1,313,200
2021	1,055,000	251,794	1,306,794
2022	1,100,000	209,038	1,309,038
2023	1,145,000	164,487	1,309,487
2024	1,200,000	118,139	1,318,139
2025-2026	2,200,000	88,806	2,288,806
Total	\$ 7,720,000	\$ 1,125,464	\$ 8,845,464

Special Termination Benefits Payable. The Board of Trustees established a severance pay plan for certain College administrative employees. The plan provided that an eligible employee's total benefit could not exceed an amount equal to twice the employee's annualized base pay determined as of the date of the employee's separation from service and the payment must be paid within 60 days of the separation date. The Board of Trustees, during its December 8, 2011 meeting, terminated further accrual of benefits under this plan after July 1, 2011. As of June 30, 2018, there were two remaining employees in the plan. Upon their separation, the two remaining employees will be paid their portion of the remaining

plan liability, or \$189,568. During the 2018-19 fiscal year, there were no payments made from the Special Termination Benefits plan.

On December 8, 2011, the College Board of Trustees adopted a Deferred Compensation Plan (Compensation Plan) effective July 1, 2011. Under the Compensation Plan, the President is an eligible participant, and can determine, on a plan year by plan year basis, which other eligible employees could participate in the Compensation Plan. The Compensation Plan provides that an eligible employee's total benefit may not exceed an amount equal to twice the employee's annualized base pay determined as of the date of the employee separates from service. Effective July 1, 2011, the former President of the College became eligible to participate in the Compensation Plan. The former President separated employment on June 30, 2015, and received a lump sum payment of \$19,250, and the first of ten annual \$16,129 payments, in the 2015-16 fiscal year. During the 2018-19 fiscal year, the College paid the fourth of the ten annual payments to the former President, and contributed \$48,569 to the Compensation Plan for the current President, an eligible participant in the Compensation Plan, effective July 1, 2016.

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, 2019, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$10,725,538. The current portion of the compensated absences liability, \$1,132,535, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for other postemployment benefits administered by the Florida College System Risk Management Consortium (Consortium).

General Information about the OPEB Plan

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the Consortium that provides OPEB for all employees who satisfy the College's retirement eligibility provisions. 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 health and hospitalization plan for medical insurance coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB 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 OPEB 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 (Medicare) program for their primary coverage as soon as they are eligible. The OPEB Plan contribution requirements and benefit terms of the College and the OPEB Plan members are established

and may be amended by action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Employees Covered by Benefit Terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	36
Active Employees	897
Total	<u>933</u>

Total OPEB Liability

The College's total OPEB liability of \$266,404 was measured as of June 30, 2018, and was determined by an actuarial valuation as of June 30, 2017.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.6 percent
Salary increases	Regular Employees: 4.00-7.80 percent, including inflation Senior Management: 4.70-7.10 percent, including inflation
Discount rate	3.87 percent at current measurement date 3.56 percent at prior measurement date
Healthcare cost trend rates	Pre-Medicare: 7.5 percent for 2017, decreasing to an ultimate rate of 5.0 percent by 2023 Medicare: 5.5 percent for 2017 decreasing to an ultimate rate of 5.0 percent by 2020
Benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate as of the current measurement date was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for FRS experience and generational mortality improvements using Scale MP-2014.

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017, valuation were based on a review of recent plan experience done concurrently with the June 30, 2017, valuation.

Changes in the Total OPEB Liability

	Amount
Balance at 6/30/18	<u>\$ 292,445</u>
Changes for the year:	
Service Cost	14,044
Interest	9,498
Changes in Assumptions or Other Inputs	2,175
Benefit Payments	<u>(51,758)</u>
Net Changes	<u>(26,041)</u>
Balance at 6/30/19	<u><u>\$ 266,404</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.56 percent in 2018 to 3.87 percent in 2019 due to the change in the Municipal Bond Rate.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the College, as well as what the College’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
Total OPEB liability	\$258,592	\$266,404	\$271,872

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the College, as well as what the College’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$251,347	\$266,404	\$284,344

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the College recognized OPEB expense of \$24,131. At June 30, 2019, the College reported deferred outflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>
Change of assumptions or other inputs	\$ 4,439
Transactions subsequent to the measurement date	43,301
Total	\$ 47,740

Of the total amount reported as deferred outflows of resources related to OPEB, \$43,301 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 589
2021	589
2022	589
2023	589
2024	589
Thereafter	1,494
Total	\$ 4,439

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the College recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2019, the College's proportionate share of the net pension liabilities totaled \$41,165,691. Note 11. includes a complete discussion of defined benefit pension plans.

11. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class employed by the State and faculty and specified employees of State colleges. Chapter 112, Florida Statutes, established the HIS Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the College are eligible to enroll as members of the State-administered 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 FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and

described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of 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 Web site (www.dms.myflorida.com).

The College's FRS and HIS pension expense totaled \$4,913,451 for the fiscal year ended June 30, 2019.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 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 creditable 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. 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 to eligible participants.

The 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-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
Senior Management Service Class	2.00

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018-19 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.26
FRS, Senior Management Service	3.00	24.06
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.03
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The College's contributions to the Plan totaled \$2,718,207 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the College reported a liability of \$27,975,863 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The College's proportionate share of the net pension liability was based on the College's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the College's proportionate share was

0.092879752 percent, which was a decrease of 0.004595074 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the College recognized pension expense of \$4,338,252. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,369,975	\$ 86,018
Change of assumptions	9,141,151	-
Net difference between projected and actual earnings on FRS Plan investments	-	2,161,476
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	335,947	2,586,268
College FRS contributions subsequent to the measurement date	2,718,207	-
Total	\$ 14,565,280	\$ 4,833,762

The deferred outflows of resources totaling \$2,718,207, resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 3,129,507
2021	1,808,917
2022	(220,896)
2023	1,275,825
2024	909,179
Thereafter	110,779
Total	\$ 7,013,311

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (Property)	11%	6.6%	6.0%	11.3%
Private Equity	10%	10.7%	7.8%	26.5%
Strategic Investments	6%	6.0%	5.7%	8.6%
Total	100%			
Assumed inflation - Mean			2.6%	1.9%

(1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2018 valuation was updated from 7.10 percent to 7.00 percent.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 percent) or 1 percentage point higher (8.00 percent) than the current rate:

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
College's proportionate share of the net pension liability	\$51,057,123	\$27,975,863	\$8,805,512

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the

Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2019, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled \$661,398 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the College reported a net pension liability of \$13,189,828 for its proportionate share of the net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within 1 year, net of the College's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The College's proportionate share of the net pension liability was based on the College's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the College's proportionate share was 0.124619126 percent, which was a decrease of 0.005852919 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the College recognized pension expense of \$575,199. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 201,930	\$ 22,409
Change of assumptions	1,466,872	1,394,539
Net difference between projected and actual earnings on HIS Plan investments	7,962	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	-	1,736,908
College contributions subsequent to the measurement date	661,398	-
Total	\$ 2,338,162	\$ 3,153,856

The deferred outflows of resources related to pensions totaling \$661,398, resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ (224,762)
2021	(225,433)
2022	(245,455)
2023	(231,451)
2024	(354,027)
Thereafter	(195,964)
Total	\$ (1,477,092)

Actuarial Assumptions. The total pension liability at July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal bond rate	3.87 percent

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.87 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate

selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2018 valuation was updated from 3.58 percent to 3.87 percent.

Sensitivity of the College’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College’s proportionate share of the net pension liability calculated using the discount rate of 3.87 percent, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	<u>1% Decrease (2.87%)</u>	<u>Current Discount Rate (3.87%)</u>	<u>1% Increase (4.87%)</u>
College’s proportionate share of the net pension liability	\$15,022,441	\$13,189,828	\$11,662,239

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2019, the College reported a payable of \$322,846 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2019.

12. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State’s Comprehensive Annual Financial Report.

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. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-19 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

After termination and applying to receive benefits, the member may roll over vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The College's Investment Plan pension expense totaled \$989,977 for the fiscal year ended June 30, 2019.

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 8 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 5.15 percent of the participant's salary to the participant's account and 3.5 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 8.65 percent, 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.

The College's contributions to the Program totaled \$239,460 and employee contributions totaled \$141,363 for the 2018-19 fiscal year.

Senior Management Service Local Annuity Program. Section 121.055(1)(b)2., Florida Statutes, and Florida Retirement System Rule 60S-1.0057, Florida Administrative Code, provide that local agency employees eligible for the FRS, Senior Management Service Class, may elect to withdraw from the FRS altogether and participate in a local annuity program. Pursuant thereto, the College established the Senior Management Service Class Local Annuity Program (Local Annuity Program). Employees in eligible positions are allowed to make an irrevocable election to participate in the Local Annuity Program, rather than the FRS.

The Local Annuity Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. The College contributes 12.34 percent of the employee's salary to the Local Annuity Program. Employees may make contributions toward the Local Annuity Program by way of salary reduction or by deduction of a percentage of the employee's gross compensation not to exceed the percentage contributed by the employer.

The College's contributions to the Local Annuity Program totaled \$101,478 for the 2018-19 fiscal year.

13. Joint Participation Agreement

Daytona State College entered into a joint participation agreement with Eastern Florida State College to provide for the transition of both Colleges to digital transmission capabilities for their respective public television stations. The Colleges agreed to submit a joint application for Federal funds that will be combined with funding from other sources to finance the project.

The joint participation agreement provides for conversion of master control facilities for each College, the installation of a joint-use digital antenna, and jointly leased tower space. The Colleges will equally share the lease payments and other obligations contained in the tower lease agreement. Also, the Colleges agreed to equally share the costs of maintenance and repairs of the equipment and facilities and common expenses relating to the joint-use of the lease tower, the digital antenna, the transmission lines, and other common equipment. In addition, the Colleges agreed to share any such engineering fees or consulting fees as may be necessary for the common benefit of the Colleges.

Daytona State College has been designated as the fiscal agent and, in accordance with the agreement, will act for the benefit of both Colleges. Daytona State College will serve as the owner of record of the digital antenna, transmission lines, and associated equipment acquired with various Federal and State grants.

14. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance

from commercial companies provided coverage of up to \$100 million for property insurance. 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 3 fiscal years.

15. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net 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	\$ 41,613,168
Public Services	1,944,685
Academic Support	8,386,909
Student Services	12,150,836
Institutional Support	15,228,028
Operation and Maintenance of Plant	11,964,241
Scholarships and Waivers	17,396,732
Depreciation	8,560,704
Auxiliary Enterprises	712,008
Total Operating Expenses	\$ 117,957,311

16. Related Party Transactions

On July 24, 2007, the College purchased 22 condominium units for \$2,685,000 using funds provided by the Foundation. The condominiums were purchased to become dormitories for the College's student athletes. As a part of the purchase, the College and Foundation executed a "Real Property Investment Agreement" disclosing that the Foundation was funding the purchase of real property as an investment. The agreement further provided the "College agrees that the Foundation's return on its investment (in the form of rental income received from College student athletes, via the College) shall be a minimum of a five (5) percent, rate of return per year on the investment, or the greater of the annual rate of return on the Commonfund – Multi-Strategy Bond fund, one year rate, to a maximum of seven (7) percent per year." Per the agreement, the property was deeded in the College's name, while the Foundation retained a 100 percent equity interest in the real property. In the event that any of the units are sold, all sale proceeds are to be paid to the Foundation. If sales do not cover the Foundation's initial investment, the College will attempt to raise funds to match any investment shortfall.

The two parties also entered into a lease agreement, whereby the College leased to the Foundation the condominiums for 1 year, renewable annually for a total of 20 years. The purpose of the lease is to

provide the Foundation with fiscal governance of its investment in the real property in the parameters of the Real Property Investment Agreement. The lease provided for an initial lease payment of \$197,057 to the Foundation, and the maintenance, repairs, and operating expenses were to be paid by the Foundation from the rental payments. Major renovations, such as re-roofing; HVAC replacement; replacement of furniture and appliances; and renovations or remodeling to the units are the responsibility of the Foundation. The Foundation funds a replacement and repair service account in the amount of \$30,000 per year. The College has control of the account, and may withdraw such funds as may be necessary to pay for any major renovation, replacements, or repairs. Upon expiration of the lease and all renewals, any funds remaining in this account will be remitted to the College. In its December 31, 2018, audited financial statements, the Foundation reported \$2,266,142 as restricted investments on its statement of net position. The College does not report the condominiums as assets.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios

	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service cost	\$ 14,044	\$ 13,952
Interest	9,498	8,431
Changes of assumptions or other inputs	2,175	3,204
Benefit Payments	<u>(51,758)</u>	<u>(26,276)</u>
Net change in total OPEB liability	(26,041)	(689)
Total OPEB Liability - beginning, as Restated	<u>292,445</u>	<u>293,134</u>
Total OPEB Liability - ending	<u>\$ 266,404</u>	<u>\$ 292,445</u>
Covered-Employee Payroll	\$ 47,691,228	\$ 42,266,180
Total OPEB Liability as a percentage of covered-employee payroll	0.56%	0.69%

**Schedule of the College's Proportionate Share of the Net Pension Liability –
Florida Retirement System Pension Plan**

	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
College's proportion of the FRS net pension liability	0.092879752%	0.097474826%	0.102985790%	0.113629190%
College's proportionate share of the FRS net pension liability	\$ 27,975,863	\$ 28,832,399	\$ 26,003,993	\$ 14,676,734
College's covered payroll (2)	\$ 46,180,205	\$ 47,378,975	\$ 48,237,861	\$ 49,461,726
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	60.58%	60.85%	53.91%	29.67%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	84.26%	83.89%	84.88%	92.00%

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Covered payroll includes defined benefit plan actives, investment plan members, State college system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of College Contributions – Florida Retirement System Pension Plan

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
Contractually required FRS contribution	\$ 2,718,207	\$ 2,680,544	\$ 2,554,620	\$ 2,511,473
FRS contributions in relation to the contractually required contribution	<u>(2,718,207)</u>	<u>(2,680,544)</u>	<u>(2,554,620)</u>	<u>(2,511,473)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 44,522,211	\$ 46,180,205	\$ 47,378,975	\$ 48,237,861
FRS contributions as a percentage of covered payroll	6.11%	5.80%	5.39%	5.21%

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Covered payroll includes defined benefit plan actives, investment plan members, State college system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

<u>2014 (1)</u>	<u>2013 (1)</u>
0.122606733%	0.113149274%
\$ 7,480,814	\$ 19,478,026
\$ 52,046,719	\$ 52,177,541
14.37%	37.33%
96.09%	88.54%

<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 2,770,376	\$ 2,685,608
<u>(2,770,376)</u>	<u>(2,685,608)</u>
\$ _____ -	\$ _____ -
\$ 49,461,726	\$ 52,046,680
5.60%	5.16%

**Schedule of the College's Proportionate Share of the Net Pension Liability –
Health Insurance Subsidy Pension Plan**

	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
College's proportion of the HIS net pension liability	0.124619126%	0.130472045%	0.136392329%	0.141810273%
College's proportionate share of the HIS net pension liability	\$ 13,189,828	\$ 13,950,674	\$ 15,895,961	\$ 14,462,417
College's covered payroll (2)	\$ 40,718,278	\$ 41,622,453	\$ 42,112,067	\$ 43,051,270
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	32.39%	33.52%	37.75%	33.59%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.15%	1.64%	0.97%	0.50%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

Schedule of College Contributions – Health Insurance Subsidy Pension Plan

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
Contractually required HIS contribution	\$ 661,398	\$ 675,923	\$ 690,933	\$ 699,098
HIS contributions in relation to the contractually required HIS contribution	<u>(661,398)</u>	<u>(675,923)</u>	<u>(690,933)</u>	<u>(699,098)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 39,843,251	\$ 40,718,278	\$ 41,622,453	\$ 42,112,067
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

<u>2014 (1)</u>	<u>2013 (1)</u>
0.152163695%	0.155689929%
\$ 14,227,677	\$ 13,554,855
\$ 45,252,275	\$ 45,267,404
31.44%	29.94%
0.99%	1.78%

<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 542,087	\$ 521,262
<u>(542,087)</u>	<u>(521,262)</u>
\$ -	\$ -
\$ 43,051,270	\$ 45,252,275
1.26%	1.15%

1. Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions. The Municipal Bond Index Rate increased from 3.56 percent to 3.87 percent.

2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan

Changes of Assumptions. The long-term expected rate of return was decreased from 7.10 percent to 7.00 percent, and the active member mortality assumption was updated.

3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan

Changes of Assumptions. The municipal rate used to determine total pension liability increased from 3.58 percent to 3.87 percent.



Sherrill F. Norman, CPA
Auditor General

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

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

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 the Daytona 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, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 5, 2020, 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 from 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 this report is solely to describe the scope of our testing of internal control and compliance and the results 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 communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial "S" and "N".

Sherrill F. Norman, CPA
Tallahassee, Florida
March 5, 2020