

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

INDIAN RIVER STATE COLLEGE

For the Fiscal Year Ended
June 30, 2020



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2019-20 fiscal year, Dr. Edwin R. Massey served as President of Indian River State College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Jose L. Conrado, Chair	Indian River
Sandra J. Krischke, Vice Chair	St. Lucie
Susan R. Caron	St. Lucie
Vicki H. Davis	Martin
Mark A. Feurer ^a	Indian River
Anthony D. George Jr.	Martin
Christa Luna	Okeechobee
J. Brantley Schirard Jr.	St. Lucie

^a Trustee resigned 4-1-20, and Trustee position vacant through 6-30-20.

Note: One Trustee position vacant for the entire fiscal year.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The team leader was Mark D. Kenny, CPA, and the audit was supervised by Tim L. Tucker, 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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INDIAN RIVER STATE COLLEGE
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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Indian River 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 Indian River State College and its officers with administrative and stewardship responsibilities for College operations had:

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2020. 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 Indian River State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2020, 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 Indian River State College and of its discretely presented component unit as of June 30, 2020, 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 January 14, 2021, on our consideration of the Indian River State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts,

and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 Indian River State College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
January 14, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

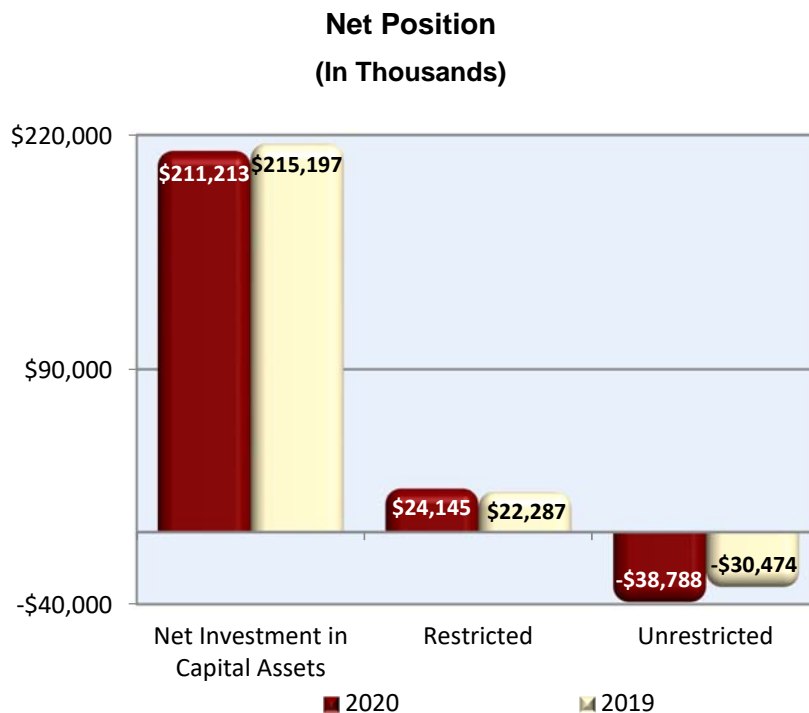
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2020, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2020, and June 30, 2019.

FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$280 million at June 30, 2020. This balance reflects a \$7.2 million, or 2.5 percent, decrease as compared to the 2018-19 fiscal year. Liabilities and deferred inflows of resources increased by \$3.3 million, or 4.1 percent, totaling \$83.5 million at June 30, 2020, compared to \$80.2 million at June 30, 2019. As a result, the College's net position decreased by \$10.4 million, or 5 percent, resulting in a year-end balance of \$196.6 million.

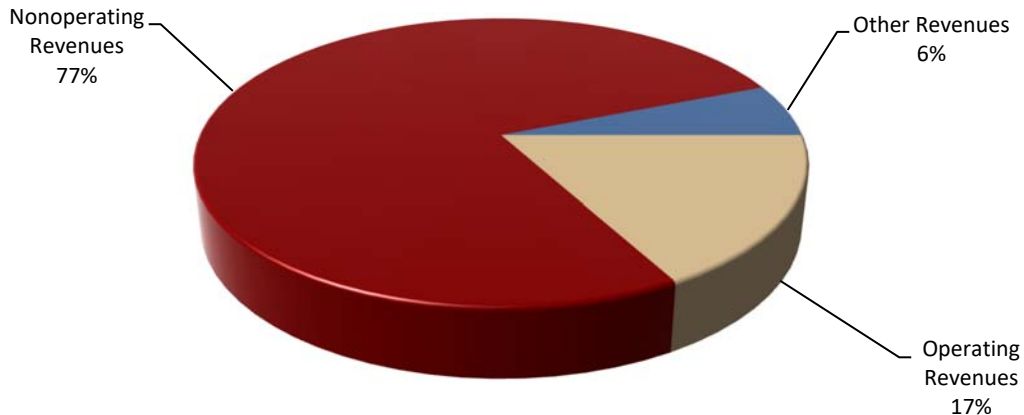
The College's operating revenues totaled \$23.3 million for the 2019-20 fiscal year, representing a 10.4 percent decrease compared to the 2018-19 fiscal year. Operating expenses totaled \$147.7 million for the 2019-20 fiscal year, representing an increase of 4.8 percent.

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, 2020, and June 30, 2019, is shown in the following graph:



The following chart provides a graphical presentation of College revenues by category for the 2019-20 fiscal year:

Total Revenues 2019-20 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, Indian River 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.

Information regarding the component unit is presented in the notes to financial statements. This MD&A focuses on the College, excluding the discretely presented component unit.

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>2020</u>	<u>2019</u>
Assets		
Current Assets	\$ 27,196	\$ 27,463
Capital Assets, Net	211,915	216,074
Other Noncurrent Assets	<u>21,369</u>	<u>21,299</u>
Total Assets	<u>260,480</u>	<u>264,836</u>
Deferred Outflows of Resources	<u>19,558</u>	<u>22,399</u>
Liabilities		
Current Liabilities	7,389	8,156
Noncurrent Liabilities	<u>69,880</u>	<u>66,106</u>
Total Liabilities	<u>77,269</u>	<u>74,262</u>
Deferred Inflows of Resources	<u>6,199</u>	<u>5,963</u>
Net Position		
Net Investment in Capital Assets	211,213	215,197
Restricted	24,145	22,287
Unrestricted	<u>(38,788)</u>	<u>(30,474)</u>
Total Net Position	<u>\$ 196,570</u>	<u>\$ 207,010</u>

Total liabilities increased \$3 million primarily from a \$3.7 million increase in net pension and other postemployment benefits liability. The net effect of the decrease in assets and deferred outflows of resources, coupled with the increase in liabilities and deferred inflows of resources, resulted in a total net position decrease of \$10.4 million, or 5 percent. Further information related to pension expenses, liabilities, deferred inflows and outflows, and other relevant actuarial data is found in the notes and supplementary information of this report.

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 2019-20 and 2018-19 fiscal years:

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

(In Thousands)

	<u>2019-20</u>	<u>2018-19</u>
Operating Revenues	\$ 23,311	\$ 26,011
Less, Operating Expenses	<u>147,673</u>	<u>140,964</u>
Operating Loss	(124,362)	(114,953)
Net Nonoperating Revenues	<u>105,853</u>	<u>95,119</u>
Loss Before Other Revenues	(18,509)	(19,834)
Other Revenues	<u>8,069</u>	<u>8,280</u>
Net Decrease In Net Position	<u>(10,440)</u>	<u>(11,554)</u>
Net Position, Beginning of Year	<u>207,010</u>	<u>218,564</u>
Net Position, End of Year	<u><u>\$ 196,570</u></u>	<u><u>\$ 207,010</u></u>

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities for the 2019-20 and 2018-19 fiscal years:

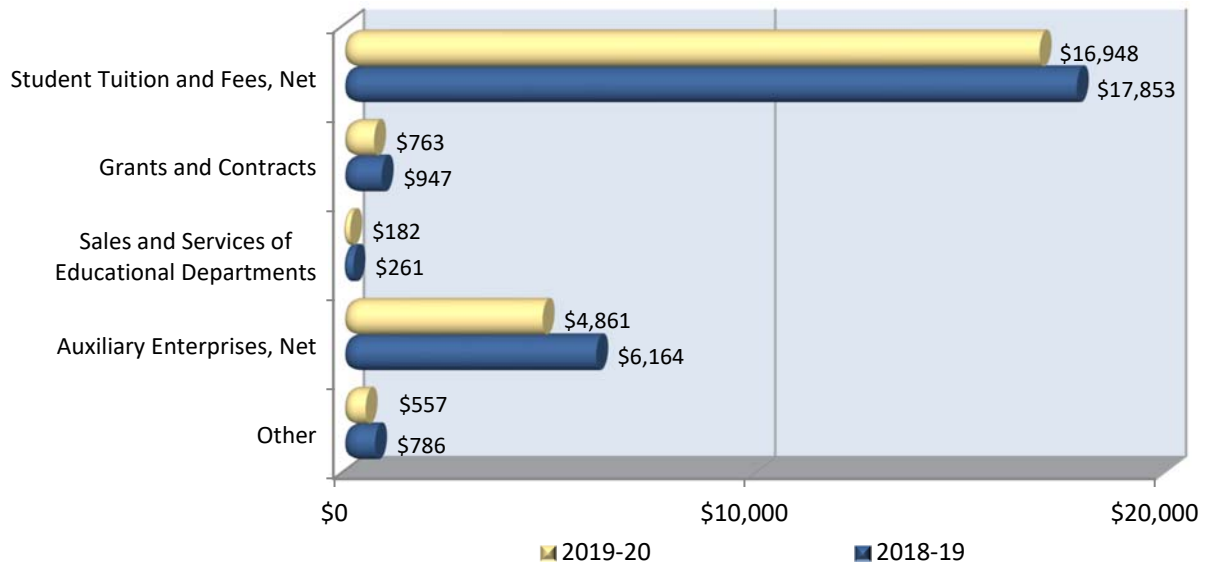
**Operating Revenues
For the Fiscal Years**

(In Thousands)

	<u>2019-20</u>	<u>2018-19</u>
Student Tuition and Fees, Net	\$ 16,948	\$ 17,853
Grants and Contracts	763	947
Sales and Services of Educational Departments	182	261
Auxiliary Enterprises, Net	4,861	6,164
Other	<u>557</u>	<u>786</u>
Total Operating Revenues	<u><u>\$ 23,311</u></u>	<u><u>\$ 26,011</u></u>

The following chart presents the College's operating revenues for the 2019-20 and 2018-19 fiscal years:

Operating Revenues
(In Thousands)



College operating revenue decreased \$2.7 million, or 10.4 percent, primarily in auxiliary enterprises and student tuition and fees.

Operating Expenses

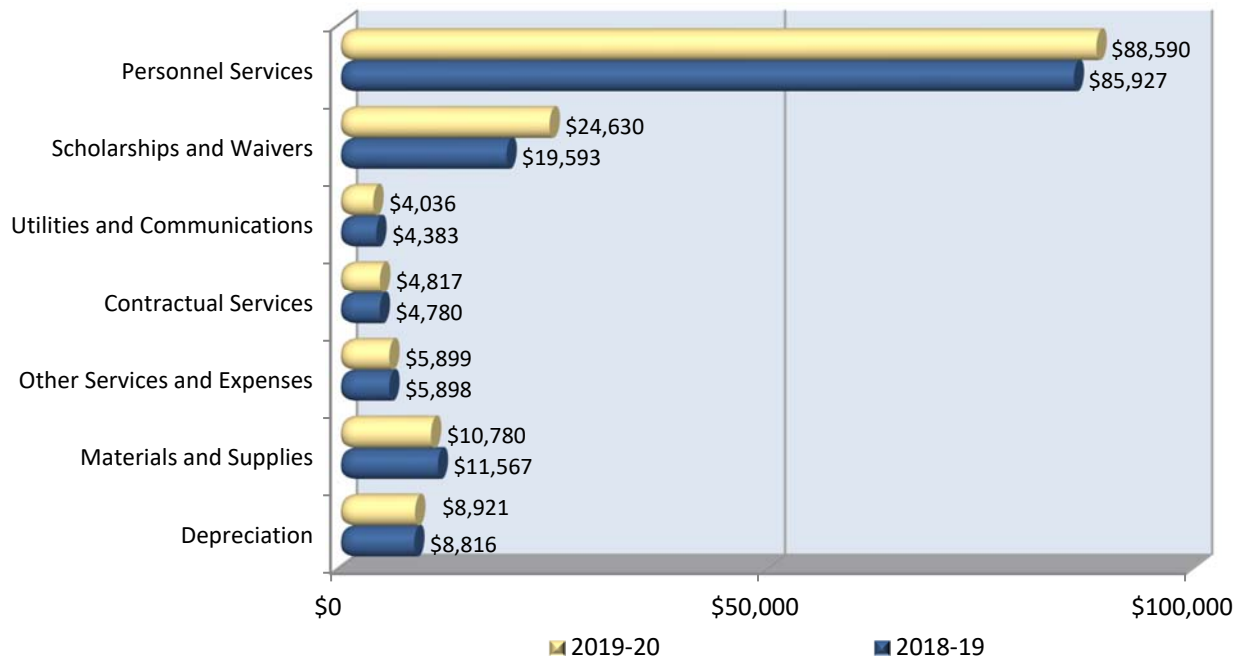
Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen 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 2019-20 and 2018-19 fiscal years:

Operating Expenses For the Fiscal Years		
(In Thousands)		
	2019-20	2018-19
Personnel Services	\$ 88,590	\$ 85,927
Scholarships and Waivers	24,630	19,593
Utilities and Communications	4,036	4,383
Contractual Services	4,817	4,780
Other Services and Expenses	5,899	5,898
Materials and Supplies	10,780	11,567
Depreciation	8,921	8,816
Total Operating Expenses	\$ 147,673	\$ 140,964

The following chart presents the College’s operating expenses for the 2019-20 and 2018-19 fiscal years:

Operating Expenses
(In Thousands)



College operating expense changes were the result of the following factors:

- An increase in personnel services of \$2.7 million, or 3.1 percent, related to an increase in the employer share of collective pension expense.
- An increase in scholarships and waivers of \$5 million, or 25.7 percent, related to an increase in Pell grants and the receipt of the CARES Act: Higher Education Relief Fund grant.

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 2019-20 and 2018-19 fiscal years:

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

	2019-20	2018-19
State Noncapital Appropriations	\$ 51,732	\$ 51,089
Federal and State Student Financial Aid	35,348	30,132
Gifts and Grants	17,919	13,149
Investment Income	906	807
Interest on Capital Asset-Related Debt	(52)	(58)
Net Nonoperating Revenues	\$ 105,853	\$ 95,119

Net nonoperating revenues increased overall by \$10.7 million, or 11.3 percent, as compared to the prior fiscal year, primarily due to increases in Federal and State Student financial aid and gifts and grants.

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 2019-20 and 2018-19 fiscal years:

Other Revenues For the Fiscal Years (In Thousands)		
	2019-20	2018-19
State Capital Appropriations	\$ 5,043	\$ 1,685
Capital Grants, Contracts, Gifts, and Fees	3,026	6,595
Total	\$ 8,069	\$ 8,280

Other revenues decreased overall by \$0.2 million, or 2.5 percent, compared to the prior fiscal year, in capital grants, contracts, gifts, and fees due to remodeling and renovation projects, offset in State capital appropriations due to an increase in public education capital outlay funding.

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 2019-20 and 2018-19 fiscal years:

Condensed Statement of Cash Flows For the Fiscal Years (In Thousands)		
	2019-20	2018-19
Cash Provided (Used) by:		
Operating Activities	\$ (104,442)	\$ (109,733)
Noncapital Financing Activities	105,000	94,832
Capital and Related Financing Activities	(651)	5,287
Investing Activities	83	6,089
Net Decrease in Cash and Cash Equivalents	(10)	(3,525)
Cash and Cash Equivalents, Beginning of Year	9,588	13,113
Cash and Cash Equivalents, End of Year	\$ 9,578	\$ 9,588

Major sources of funds came from State noncapital appropriations (\$51.7 million), Federal and State student financial aid (\$35.3 million), gifts and grants received for other than capital and endowment purposes (\$17.9 million), and net student tuition and fees (\$18.3 million). Major uses of funds were for payments to employee salaries and benefits (\$82.4 million), payments for student scholarships (\$24.6 million), payments to suppliers (\$21.1 million), and purchases of capital assets (\$5.1 million).

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION
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Capital Assets

At June 30, 2020, the College had \$364.5 million in capital assets, less accumulated depreciation of \$152.6 million, for net capital assets of \$211.9 million. Depreciation charges for the current fiscal year totaled \$8.9 million. The following table summarizes the College’s capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30
(In Thousands)

	2020	2019
Land	\$ 24,860	\$ 24,860
Construction in Progress	1,528	1,039
Buildings	174,814	178,326
Other Structures and Improvements	1,878	2,255
Furniture, Machinery, and Equipment	1,906	1,131
Computer Software	6,805	8,294
Assets Under Capital Lease and Leasehold Improvements	124	169
Capital Assets, Net	\$211,915	\$216,074

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2020, were incurred for the construction of a new building, the Industrial Technology Building. The College’s major construction commitments at June 30, 2000, are as follows:

	Amount
Total Committed	\$ 10,718,354
Completed to Date	(1,431,238)
Balance Committed	\$ 9,287,116

Additional information about the College’s construction commitments is presented in the notes to financial statements.

Debt Administration

As of June 30, 2020, the College had \$0.7 million in outstanding bonds payable and capital lease payables, representing a decrease of \$175 thousand, or 20 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

	<u>2020</u>	<u>2019</u>
SBE Capital Outlay Bonds	\$ 465	\$ 595
Capital Leases	<u>237</u>	<u>282</u>
Total	<u>\$ 702</u>	<u>\$ 877</u>

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2019-20 fiscal year, the debt repayments totaled \$130 thousand.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. Due to the pandemic and the negative economic growth linked to the COVID-19 virus and increased demand for State resources, the prospect of decreased State funding is anticipated in the 2020-21 fiscal year. Enrollment patterns are expected to be somewhat volatile and difficult to predict due to student concerns about COVID-19 at least through the Fall 2020 semester. The College's current financial and capital plans indicate that there are adequate financial resources to maintain its present level of services. The College expects to revise its budgets based upon student tuition and State resources available to fund operations in 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 Barry A. Keim, Vice President of Financial Services, CFO, Indian River State College, 3209 Virginia Avenue, Fort Pierce, Florida 34981.

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BASIC FINANCIAL STATEMENTS

INDIAN RIVER STATE COLLEGE
A Component Unit of the State of Florida
Statement of Net Position
June 30, 2020

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 3,230,637	\$ 4,618,901
Restricted Cash and Cash Equivalents	4,391,196	-
Investments	-	24,086,415
Accounts Receivable, Net	4,155,575	-
Notes Receivable, Net	8,790	-
Due from Other Governmental Agencies	11,089,146	-
Due from Component Unit	82,606	-
Inventories	2,804,228	-
Prepaid Expenses	1,422,462	-
Deposits	10,839	54,617
Other Assets	-	7,743,523
Total Current Assets	27,195,479	36,503,456
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,956,592	-
Investments	11,249,385	60,956,853
Restricted Investments	8,162,610	-
Depreciable Capital Assets, Net	185,527,361	5,142,413
Nondepreciable Capital Assets	26,387,968	251,407
Other Assets	-	533,100
Total Noncurrent Assets	233,283,916	66,883,773
TOTAL ASSETS	260,479,395	103,387,229
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	624,728	-
Pensions	18,933,588	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	19,558,316	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,063,064	12,309
Salary and Payroll Taxes Payable	2,490,776	-
Retainage Payable	11,916	-
Unearned Revenue	1,310,500	-
Deposits Held for Others	1,261,116	2,519,425
Long-Term Liabilities - Current Portion:		
Bonds Payable	145,000	-
Note Payable	-	229,218
Capital Lease Payable	121,431	-
Compensated Absences Payable	565,851	-
Other Postemployment Benefits Payable	115,869	-
Net Pension Liability	303,804	-
Total Current Liabilities	7,389,327	2,760,952

	<u>College</u>	<u>Component Unit</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	320,000	-
Note Payable	-	4,630,195
Capital Lease Payable	115,908	-
Compensated Absences Payable	10,390,805	-
Other Postemployment Benefits Payable	3,489,525	-
Net Pension Liability	55,563,317	-
Total Noncurrent Liabilities	<u>69,879,555</u>	<u>4,630,195</u>
TOTAL LIABILITIES	<u>77,268,882</u>	<u>7,391,147</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	226,696	-
Pensions	5,972,595	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,199,291</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	211,212,990	534,407
Restricted:		
Nonexpendable:		
Endowment	-	28,005,744
Expendable:		
Grants and Loans	5,599,023	-
Scholarships	117,382	32,033,713
Capital Projects	18,419,818	-
Debt Service	8,663	674,997
Other	-	6,571,542
Unrestricted	<u>(38,788,338)</u>	<u>28,175,679</u>
TOTAL NET POSITION	<u>\$ 196,569,538</u>	<u>\$ 95,996,082</u>

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

INDIAN RIVER STATE COLLEGE
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$12,236,736	\$ 16,948,200	\$ -
Federal Grants and Contracts	509,685	-
State and Local Grants and Contracts	252,538	154,002
Nongovernmental Grants and Contracts	-	2,705,728
Sales and Services of Educational Departments	181,758	-
Auxiliary Enterprises, Net of Scholarship Allowances of \$1,381,942	4,860,788	-
Other Operating Revenues	557,171	-
Total Operating Revenues	23,310,140	2,859,730
EXPENSES		
Operating Expenses:		
Personnel Services	88,590,123	470,663
Scholarships and Waivers	24,630,363	3,554,789
Utilities and Communications	4,036,364	-
Contractual Services	4,816,817	-
Other Services and Expenses	5,898,624	6,169,415
Materials and Supplies	10,780,478	-
Depreciation	8,920,524	427,828
Total Operating Expenses	147,673,293	10,622,695
Operating Loss	(124,363,153)	(7,762,965)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	51,732,378	-
Federal and State Student Financial Aid	35,348,283	-
Gifts and Grants	17,918,502	-
Investment Income	906,013	1,441,718
Net Loss on Investments	-	(8,319,948)
Other Nonoperating Revenues	-	1,846,975
Interest on Capital Asset-Related Debt	(52,125)	(85,779)
Net Nonoperating Revenues (Expenses)	105,853,051	(5,117,034)
Loss Before Other Revenues	(18,510,102)	(12,879,999)
State Capital Appropriations	5,042,940	196,916
Capital Grants, Contracts, Gifts, and Fees	3,026,262	-
Total Other Revenues	8,069,202	196,916
Decrease in Net Position	(10,440,900)	(12,683,083)
Net Position, Beginning of Year	207,010,438	108,679,165
Net Position, End of Year	\$ 196,569,538	\$ 95,996,082

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

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INDIAN RIVER STATE COLLEGE
A Component Unit of the State of Florida
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 18,312,566
Grants and Contracts	3,819,715
Payments to Suppliers	(21,126,290)
Payments for Utilities and Communications	(4,036,364)
Payments to Employees	(65,190,248)
Payments for Employee Benefits	(17,185,412)
Payments for Scholarships	(24,627,137)
Loans Issued to Students	4,305
Auxiliary Enterprises, Net	5,167,802
Sales and Services of Educational Departments	181,758
Other Receipts	237,735
	(104,441,570)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	51,732,378
Federal and State Student Financial Aid	35,349,542
Federal Direct Loan Program Receipts	4,269,876
Federal Direct Loan Program Disbursements	(4,269,876)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	17,918,502
	105,000,422
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,624,838
Capital Grants and Gifts	3,026,262
Purchases of Capital Assets	(5,075,483)
Principal Paid on Capital Debt and Leases	(174,538)
Interest Paid on Capital Debt and Leases	(52,125)
	(651,046)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	14,637,815
Purchases of Investments	(15,461,117)
Investment Income	906,013
	82,711
Net Decrease in Cash and Cash Equivalents	(9,483)
Cash and Cash Equivalents, Beginning of Year	9,587,908
Cash and Cash Equivalents, End of Year	\$ 9,578,425

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (124,363,153)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	8,920,524
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	1,114,792
Notes Receivable, Net	4,304
Inventories	607,371
Due from Other Governmental Agencies	573,327
Due from Component Unit	2,336,229
Prepaid Expenses	(209,717)
Deposits	2,544
Accounts Payable	(183,704)
Salaries and Payroll Taxes Payable	(150,366)
Due to Other Governmental Agencies	(1,376)
Unearned Revenue	264,523
Deposits Held for Others	(320,599)
Compensated Absences Payable	142,035
Other Postemployment Benefits Payable	659,185
Net Pension Liability	3,085,615
Deferred Outflows of Resources Related to Other Postemployment Benefits	(474,779)
Deferred Inflows of Resources Related to Other Postemployment Benefits	(35,451)
Deferred Outflows of Resources Related to Pensions	3,315,158
Deferred Inflows of Resources Related to Pensions	271,968
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (104,441,570)</u></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 Indian River 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 Martin, St. Lucie, Indian River, and Okeechobee Counties.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the 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 Indian River State College Foundation, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

The Foundation is 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 Vice President for Financial Services, CFO, Indian River State College, 3209 Virginia Avenue, Fort Pierce, Florida 34981. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2020.

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 the accrual basis of accounting, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

Significant interdepartmental sales between auxiliary service departments and other institutional departments 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. 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. The College determines its scholarship allowance by determining through its accounting records, those transactions where the student's classes and books were paid by an applicable financial aid resource. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fees and auxiliary revenue.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash invested with 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 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, 2020, the College reported as cash equivalents \$906 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 53 days as of June 30, 2020. 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, and the Investment 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, 2020, 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, computer software in progress, construction in progress, buildings, other structures and improvements, furniture, machinery, and equipment, computer software, and assets under capital lease and leasehold improvements. 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 (excluding disaster restoration). Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 or 50 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, and Educational Equipment – 5, 7, or 10 years
 - Furniture – 7 or 10 years
- Capitalized Computer Software – 7 years
- Assets Under Capital Lease and Leasehold Improvements – 5 years

Land, buildings, and equipment of the College’s component unit are stated at cost except for donated property which is stated at fair market value at the date of the donation and is net of accumulated depreciation of \$5,077,308. The College’s component unit depreciates buildings and equipment using the straight-line method over estimated lives ranging from 3 to 40 years.

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, capital lease 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. 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	\$ (50,297,798)
Auxiliary Funds	11,509,460
Total	\$ (38,788,338)

3. 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. Significant College investments were classified as level 2 and these securities are valued daily by a pricing service that uses evaluated pricing application which incorporate available market information. Available information is also applied through benchmarking processes, sector groupings, and matrix pricing (Level 2 inputs).

The College's investments at June 30, 2020, are reported as follows:

	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
SBA Debt Service Accounts	\$ 8,663	\$ 8,663	\$ -	\$ -
Obligations of United States Government				
Agencies and Instrumentalities	11,283,054	-	11,283,054	-
Bonds and Notes				
Corporate Bonds and Notes	3,753,549	-	3,753,549	-
Foreign Bonds - Notes and Debentures	1,885,128	-	1,885,128	-
Asset-Backed Securities	2,323,050	-	2,323,050	-
Mutual Funds				
Bonds	10,060	10,060	-	-
Total investments by fair value level	\$ 19,263,504	\$ 18,723	\$ 19,244,781	\$ -
Investments measured at the net asset value (NAV)				
Money Market Funds	148,491			
Total investments measured at fair value	\$ 19,411,995			

State Board of Administration Debt Service Accounts. The College reported investments totaling \$8,663 at June 30, 2020, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of 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.

Managed Investments. The College's other investments totaling \$19,403,332 at June 30, 2020, are reported at fair value and are managed by a contracted investment management firm. The following risks apply to other College investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The College's investment policy provides that the maximum effective maturity of the type of security will not be greater than 5.5 years and limits the maximum allocation to all corporate and bank credit instruments to 50 percent combined. The maximum exposure to any one Federal agency investment is 40 percent and the maturity limit for mortgage-backed and asset-backed securities is based on the expected average life at the time of purchase. At June 30, 2020, the College had \$7,576,528 in United States Treasury bonds and \$3,706,526 in Federal Agency bonds with final maturity dates between July 2021 and September 2032. The College's investment in corporate securities totaled \$3,753,549 with final maturity dates between March 2021 and June 2024 and foreign securities totaled \$1,885,128 with final maturity dates between January 2021 and May 2023. The College's investment in asset-backed-securities totaling \$2,323,050 have final maturity dates between June 2021 and May 2025. The College's investments in mutual funds totaled \$10,060 and money market funds totaled \$148,491.

Credit Risk: Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy addresses credit risk through the authorization of the following investments:

- United States Treasury bills, notes, bonds, strips, and other obligations whose principal and interest is fully guaranteed by the United States of America, any of its agencies, or instrumentalities.
- Government Sponsored Enterprises: Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), Student Loan Marketing Association (SLMA), Financing Corporation (FICO), the Resolution Funding Corporation (REFCO), Farm Credit System Financial Assistance Corporation, the Federal Housing Finance Board, and all other government-sponsored agencies and enterprises.
- Repurchase agreements rated at least "A1/P1" or the equivalent.
- Nonnegotiable certificates of deposit and savings account in State-certified qualified public depositories.
- Agency mortgage-backed securities guaranteed by the United States Government or a Federal agency.
- Money market funds, including, but not limited to, commercial paper, time deposits and bankers' acceptances, rated at least "AAAm/Aaa-mf" or the equivalent by Standard & Poor's, Moody's Investors Service, and all other nationally recognized credit rating organizations.
- Corporate bonds and notes with an "A-/A3" rating.
- Supranationals where United States is a shareholder and voting member with a rating of "A-1+/P-1, AAA/Aaa" or equivalent.
- Asset Backed Securities with a rating of "A-1+/P-1, AAA/Aaa" or equivalent.
- Any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes, which maintains a similar investment objective.

United States government obligations are not considered to have credit risk. As of June 30, 2020, the College's investments in Federal agency obligations (Government sponsored enterprises) are rated AA+ by Standard & Poor's. Corporate notes are investment grade debt securities which have credit quality ratings given by Standard & Poor's and are available for purchase in the United States and are issued or guaranteed by a corporation or a financial institution.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover that value of investments or collateral securities that are in the possession of an outside party. The College's investment policy addresses this by requiring that all securities purchased shall be properly designated as an asset of the College and held in safe keeping by a third party custodial bank or institution. Further, the policy states that no withdrawal of securities, in whole or in part, shall be made from safekeeping except those designated within the Investment Management and Custodial Agreement between the Custodian and the College. The College's investments of \$19,403,332 as of June 30, 2020, are held by the safekeeping agent in the name of the College.

Component Unit Investments. Investments held by the Indian River State College Foundation, Inc. at March 31, 2020, are reported as follows:

<u>Investments by fair value level</u>	<u>Amount</u>	<u>Fair Value Measurements Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Fixed Income Investments	\$ 8,188,381	\$ 8,188,381
Equities	76,854,887	76,854,887
Total Component Unit Investments	\$ 85,043,268	\$ 85,043,268

4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a \$702,761 allowance for doubtful accounts.

5. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$10,232,985 of Public Education Capital Outlay allocations due from the State for construction, remodeling, and renovation of College facilities, \$266,057 for Federal student financial aid, and \$165,648 for Federal restricted grants and contracts.

6. Due From Component Unit

The College recorded an amount of \$82,606 representing scholarships that will be reimbursed by the Foundation, pursuant to agreements between the College and the Foundation. The College's financial statements are reported for the fiscal year ended June 30, 2020. The College's component unit financial statements are reported as of March 31, 2020. Although the College reported an amount as due from the component unit on the statement of net position, the component unit has not reported an amount due to the College.

7. Inventories

Inventories consist of items for resale by the campus bookstore and items for resale by the Cosmetology and the Treasure Coast Public Safety Institute departments, and are valued using the last invoice cost, which approximates the first-in, first-out method of inventory valuation.

8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2020, 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	\$ 24,860,099	\$ -	\$ -	\$ 24,860,099
Computer Software in Progress	-	65,677	65,677	-
Construction in Progress	1,038,977	3,389,130	2,900,238	1,527,869
Total Nondepreciable Capital Assets	\$ 25,899,076	\$ 3,454,807	\$ 2,965,915	\$ 26,387,968
Depreciable Capital Assets:				
Buildings	\$ 290,547,424	\$ 2,676,777	\$ -	\$ 293,224,201
Other Structures and Improvements	15,774,195	223,461	-	15,997,656
Furniture, Machinery, and Equipment	17,190,154	1,238,957	1,659,302	16,769,809
Computer Software	10,886,251	65,677	-	10,951,928
Assets Under Capital Lease and Leasehold Improvements	1,116,683	76,149	-	1,192,832
Total Depreciable Capital Assets	335,514,707	4,281,021	1,659,302	338,136,426
Less, Accumulated Depreciation:				
Buildings	112,221,351	6,188,332	-	118,409,683
Other Structures and Improvements	13,519,632	599,934	-	14,119,566
Furniture, Machinery, and Equipment	16,059,022	456,360	1,651,144	14,864,238
Computer Software	2,591,984	1,555,179	-	4,147,163
Assets Under Capital Lease and Leasehold Improvements	947,696	120,719	-	1,068,415
Total Accumulated Depreciation	145,339,685	8,920,524	1,651,144	152,609,065
Total Depreciable Capital Assets, Net	\$ 190,175,022	\$ (4,639,503)	\$ 8,158	\$ 185,527,361

9. Unearned Revenue

As of June 30, 2020, the College reported unearned revenue of \$1,310,500 for restricted grants and contracts received prior to fiscal year end related to subsequent accounting periods.

10. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2020, 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	\$ 595,000	\$ -	\$ 130,000	\$ 465,000	\$ 145,000
Capital Lease Payable	281,877	76,149	120,687	237,339	121,431
Compensated Absences Payable	10,814,621	1,146,580	1,004,545	10,956,656	565,851
Other Postemployment Benefits Payable	2,946,209	809,134	149,949	3,605,394	115,869
Net Pension Liability	52,781,506	30,113,610	27,027,995	55,867,121	303,804
Total Long-Term Liabilities	\$ 67,419,213	\$ 32,145,473	\$ 28,433,176	\$ 71,131,510	\$ 1,251,955

Bonds Payable. 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, 2020:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
SBE Capital Outlay Bonds: Series 2011A	<u>\$ 465,000</u>	3 - 5	2023

Annual requirements to amortize all bonded debt outstanding as of June 30, 2020, 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>
2021	\$ 145,000	\$ 16,850	\$ 161,850
2022	155,000	9,600	164,600
2023	165,000	4,950	169,950
Total	<u>\$ 465,000</u>	<u>\$ 31,400</u>	<u>\$ 496,400</u>

Capital Lease Payable. Vehicles in the amount of \$603,597 are being acquired under a capital lease agreement. The average interest rate is 6.66 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2020, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 144,680
2022	44,766
2023	44,380
2024	35,012
2025	<u>11,637</u>
Total Minimum Payments	280,475
Less, Amount Representing Interest	<u>43,136</u>
Present Value of Minimum Payments	<u>\$ 237,339</u>

Note Payable – Component Unit. The long-term debt of the component unit as of March 31, 2020, is as follows:

Promissory note to bank secured by all income related to student housing, with \$25,932 monthly payments beginning January 1, 2015, including interest at 1.7 percent per annum, maturing April 1, 2038.	\$4,859,413
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Maturities of the long-term debt are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 229,218
2022	233,201
2023	237,252
2024	241,188
2025	245,564
Thereafter	3,672,990
Total	\$ 4,859,413

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, 2020, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$10,956,656. The current portion of the compensated absences liability, \$565,851, is the amount expected to be paid in the coming fiscal year and represents payments for employees in the Deferred Retirement Option Program.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 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 life 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 as well as life insurance for retirees. The OPEB Plan only provides an implicit subsidy as described above.

Employees Covered by Benefit Terms. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	95
DROP Members	46
Active Employees	760
Total	<u>901</u>

Total OPEB Liability

The College's total OPEB liability of \$3,605,394 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60 percent
Real Wage Growth	0.65 percent
Salary Increases	Regular Employees: 4.00 percent – 7.80 percent Senior Management: 4.70 percent – 7.10 percent
Municipal Bond Index Rate	3.50 percent at current measurement date 3.87 percent at prior measurement date
Healthcare cost trend rates	Pre-Medicare: 7.00 percent for 2019, decreasing to an ultimate rate of 4.60 percent by 2026 Medicare: 5.00 percent for 2019 decreasing to an ultimate rate of 4.60 percent by 2021

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019 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, 2019 valuation were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation.

Changes in the Total OPEB Liability

	Amount
Balance at 6/30/19	<u>\$ 2,946,209</u>
Changes for the year:	
Service Cost	126,309
Interest	111,144
Differences Between Expected and Actual Experience	221,635
Changes in Assumptions or Other Inputs	350,046
Benefit Payments	<u>(149,949)</u>
Net Changes	<u>659,185</u>
Balance at 6/30/20	<u><u>\$ 3,605,394</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 percent in 2018 to 3.50 percent in 2019 due to a change in the Municipal Bond Index 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 (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Total OPEB liability	\$4,134,958	\$3,605,394	\$3,179,287

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	\$3,144,782	\$3,605,394	\$4,212,722

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2020, the College recognized OPEB expense of \$264,824. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB 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	\$ 197,280	\$ -
Change of assumptions or other inputs	311,579	226,696
Transactions subsequent to the measurement date	115,869	-
Total	\$ 624,728	\$ 226,696

Of the total amount reported as deferred outflows of resources related to OPEB, \$115,869 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 27,371
2022	27,371
2023	27,371
2024	27,371
2025	27,371
Thereafter	145,308
Total	\$ 282,163

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, 2020, the College's proportionate share of the net pension liabilities totaled \$55,867,121. 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 \$10,494,882 for the fiscal year ended June 30, 2020.

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.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

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 except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of 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 except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments 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
Special Risk Class	3.00

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 2019-20 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.47
FRS, Senior Management Service	3.00	25.41
FRS, Special Risk	3.00	25.48
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.60
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 \$3,515,042 or the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the College reported a liability of \$37,961,695 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The College's proportionate share of the net pension liability was based on the College's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the College's proportionate share was 0.110230052 percent, which was a decrease of 0.006986217 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of \$9,135,421. 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	\$ 2,251,615	\$ 23,559
Change of assumptions	9,316,303	-
Net difference between projected and actual earnings on FRS Plan investments	-	2,100,239
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	442,612	1,744,972
College FRS contributions subsequent to the measurement date	3,515,042	-
Total	\$ 15,525,572	\$ 3,868,770

The deferred outflows of resources totaling \$3,515,042, 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, 2021. 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>
2021	\$ 3,283,526
2022	731,173
2023	2,375,113
2024	1,824,706
2025	322,817
Thereafter	(395,575)
Total	\$ 8,141,760

Actuarial Assumptions. The total pension liability in the July 1, 2019, 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	6.90 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018. This is a change from the prior year mortality assumption which was based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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%	3.3%	3.3%	1.2%
Fixed Income	18%	4.1%	4.1%	3.5%
Global Equity	54%	8.0%	6.8%	16.5%
Real Estate (Property)	10%	6.7%	6.1%	11.7%
Private Equity	11%	11.2%	8.4%	25.8%
Strategic Investments	6%	5.9%	5.7%	6.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.90 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 2019 valuation was updated from 7.00 percent to 6.90 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 6.90 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 (5.90 percent) or 1 percentage point higher (7.90 percent) than the current rate:

	<u>1% Decrease (5.90%)</u>	<u>Current Discount Rate (6.90%)</u>	<u>1% Increase (7.90%)</u>
College's proportionate share of the net pension liability	\$65,623,130	\$37,961,695	\$14,859,718

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.

Payables to the Pension Plan. At June 30, 2020, the College reported a payable of \$647,574 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2020.

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, 2020, 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, 2020, 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 \$876,754 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the College reported a net pension liability of \$17,905,426 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, and update procedures were used to determine liabilities as of June 30, 2019. The College's proportionate share of the net pension liability was based on the College's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the College's proportionate share was 0.160027058 percent, which was a decrease of 0.005082280 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of \$1,359,461. 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>
Change of assumptions	\$ 2,046,399	\$ 1,463,444
Net difference between projected and actual earnings on HIS Plan investments	11,554	-
Difference between expected and actual experience	217,481	21,925
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	255,828	618,456
College contributions subsequent to the measurement date	876,754	-
Total	<u>\$ 3,408,016</u>	<u>\$ 2,103,825</u>

The deferred outflows of resources totaling \$876,754, 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, 2021. 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>
2021	\$ 334,325
2022	231,749
2023	76,594
2024	(197,246)
2025	(36,400)
Thereafter	18,415
Total	<u>\$ 427,437</u>

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	3.50 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 3.50 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 2019 valuation was updated from 3.87 percent to 3.50 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 3.50 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 (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
College’s proportionate share of the net pension liability	\$20,439,962	\$17,905,426	\$15,794,445

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, 2020, the College reported a payable of \$37,841 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2020.

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 2019-20 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

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, 2020, 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 \$1,745,641 for the fiscal year ended June 30, 2020.

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, 3.56 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 8.71 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 \$171,301 and employee contributions totaled \$66,117 for the 2019-20 fiscal year.

13. Construction Commitments

The College's major construction commitment at June 30, 2020, was as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Fort Pierce/Massey Campus New Industrial Tech Building	<u>\$ 10,718,354</u>	<u>\$ 1,431,238</u>	<u>\$ 9,287,116</u>

14. Operating Lease Commitments

The College leased building space and six copiers under operating leases, which expire between years 2021 and 2025. These leased assets and the related commitments are not reported on the College's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 176,962
2022	158,813
2023	32,099
2024	32,099
2025	<u>10,699</u>
Total Minimum Payments Required	<u>\$ 410,672</u>

15. 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 to February 29, 2020, and up to \$110 million from March 1, 2020, 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.

Life insurance is obtained through purchased commercial insurance.

16. Litigation

The College is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the College's legal counsel and management, should not materially affect the College's financial position.

17. 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	\$ 46,932,971
Public Services	704,267
Academic Support	12,439,186
Student Services	15,034,363
Institutional Support	10,726,002
Operation and Maintenance of Plant	17,452,911
Scholarships and Waivers	28,332,684
Depreciation	8,920,524
Auxiliary Enterprises	7,130,385
Total Operating Expenses	\$ 147,673,293

18. Related Party Transactions

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

The College approved lease agreements with the Foundation for the use of classroom and office space at the Indian River Academy in Fort Pierce at total annual rents of \$118,445 during the 2019-20 fiscal year.

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

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 126,309	\$ 129,920	\$ 140,413
Interest	111,144	102,599	88,176
Difference between expected and actual experience	221,635	-	-
Changes of assumptions or other inputs	350,046	(110,632)	(210,192)
Benefit Payments	<u>(149,949)</u>	<u>(114,339)</u>	<u>(18,218)</u>
Net change in total OPEB liability	659,185	7,548	179
Total OPEB Liability - beginning, as Restated	<u>2,946,209</u>	<u>2,938,661</u>	<u>2,938,482</u>
Total OPEB Liability - ending	<u>\$ 3,605,394</u>	<u>\$ 2,946,209</u>	<u>\$ 2,938,661</u>
Covered-Employee Payroll	\$ 56,381,445	\$ 56,424,195	\$ 50,099,666
Total OPEB Liability as a percentage of covered-employee payroll	6.39%	5.22%	5.87%

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

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
College's proportion of the FRS net pension liability	0.110230052%	0.117216269%	0.114096518%	0.115331804%
College's proportionate share of the FRS net pension liability	\$ 37,961,695	\$ 35,306,148	\$ 33,748,984	\$ 29,121,371
College's covered payroll (2)	\$ 56,381,445	\$ 56,424,195	\$ 54,653,302	\$ 53,429,522
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	67.33%	62.57%	61.75%	54.50%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.61%	84.26%	83.89%	84.88%

- (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>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
Contractually required FRS contribution	\$ 3,515,042	\$ 3,417,927	\$ 3,340,570	\$ 2,970,213
FRS contributions in relation to the contractually required contribution	<u>(3,515,042)</u>	<u>(3,417,927)</u>	<u>(3,340,570)</u>	<u>(2,970,213)</u>
FRS contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
College's covered payroll (2)	\$ 55,434,773	\$ 56,381,445	\$ 56,424,195	\$ 54,653,302
FRS contributions as a percentage of covered payroll	6.34%	6.06%	5.92%	5.43%

- (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>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.12362537%	0.124172421%	0.116832507%
\$ 15,967,875	\$ 7,576,344	\$ 20,112,074
\$ 52,413,012	\$ 50,924,935	\$ 48,550,130
30.47%	14.88%	41.43%
92.00%	96.09%	88.54%

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 2,826,006	\$ 3,014,092	\$ 2,719,903
<u>(2,826,006)</u>	<u>(3,014,092)</u>	<u>(2,719,903)</u>
\$ _____ -	\$ _____ -	\$ _____ -
\$ 53,429,522	\$ 52,413,012	\$ 50,924,935
5.29%	5.75%	5.34%

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

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
College's proportion of the HIS net pension liability	0.160027058%	0.165109338%	0.163364659%	0.166226524%
College's proportionate share of the HIS net pension liability	\$ 17,905,426	\$ 17,475,358	\$ 17,467,703	\$ 19,373,013
College's covered payroll (2)	\$ 56,381,445	\$ 56,424,195	\$ 54,653,302	\$ 53,429,522
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	31.76%	30.97%	31.96%	36.26%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.63%	2.15%	1.64%	0.97%

(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>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
Contractually required HIS contribution	\$ 876,754	\$ 888,615	\$ 895,392	\$ 864,573
HIS contributions in relation to the contractually required HIS contribution	<u>(876,754)</u>	<u>(888,615)</u>	<u>(895,392)</u>	<u>(864,573)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 55,434,773	\$ 56,381,445	\$ 56,424,195	\$ 54,653,302
HIS contributions as a percentage of covered payroll	1.58%	1.58%	1.59%	1.58%

(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>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.165712629%	0.163637400%	0.160220204%
\$ 16,900,082	\$ 15,300,528	\$ 13,949,275
\$ 52,413,012	\$ 50,924,935	\$ 48,550,130
32.24%	30.05%	28.73%
0.50%	0.99%	1.78%

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 852,320	\$ 633,457	\$ 560,568
<u>(852,320)</u>	<u>(633,457)</u>	<u>(560,568)</u>
\$ -	\$ -	\$ -
\$ 53,429,522	\$ 52,413,012	\$ 50,924,935
1.60%	1.21%	1.10%

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 decreased from 3.87 percent to 3.50 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 7.00 percent to 6.90 percent, and the active member mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.

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 decreased from 3.87 percent to 3.50 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 Indian River State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 14, 2021, 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) as a basis for designing 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 financial statements. 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
January 14, 2021