

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2021-172
March 2021

ST. JOHNS 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, Mr. Joe H. Pickens, J.D., served as President of St. Johns River State College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Samuel Garrison, Chair	Clay
Wendell D. Davis, Vice Chair	Clay
Jan Conrad from 8-28-19 ^a	St. Johns
Robert Crum	St. Johns
Leslie Dougher	Clay
Brian Keith	Putnam
James E. Reid	Putnam

^a Trustee position vacant 7-1-19, through 8-27-19.

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 Zhen Yang, CPA, and the audit was supervised by Randy R. Arend, 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.

This report and other reports prepared by the Auditor General are available at:

FLAuditor.gov

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General

Claude Pepper Building, Suite G74 · 111 West Madison Street · Tallahassee, FL 32399-1450 · (850) 412-2722

ST. JOHNS RIVER STATE COLLEGE

TABLE OF CONTENTS

	<u>Page No.</u>
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	1
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	14
Statement of Revenues, Expenses, and Changes in Net Position	16
Statement of Cash Flows	18
Notes to Financial Statements	20
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios	40
Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	42
Schedule of College Contributions – Florida Retirement System Pension Plan	42
Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan.....	44
Schedule of College Contributions – Health Insurance Subsidy Pension Plan.....	44
Notes to Required Supplementary Information	46
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 <i>GOVERNMENT AUDITING STANDARDS</i>	47
Internal Control Over Financial Reporting	47
Compliance and Other Matters	48
Purpose of this Report	48

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

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

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

AUDITOR GENERAL STATE OF FLORIDA

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



Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of St. Johns River State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 St. Johns 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021, on our consideration of the St. Johns River State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts,

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 24, 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, and its discretely presented component unit, the St. Johns River State College Foundation, Inc. for the fiscal years ended March 31, 2020, and March 31, 2019.

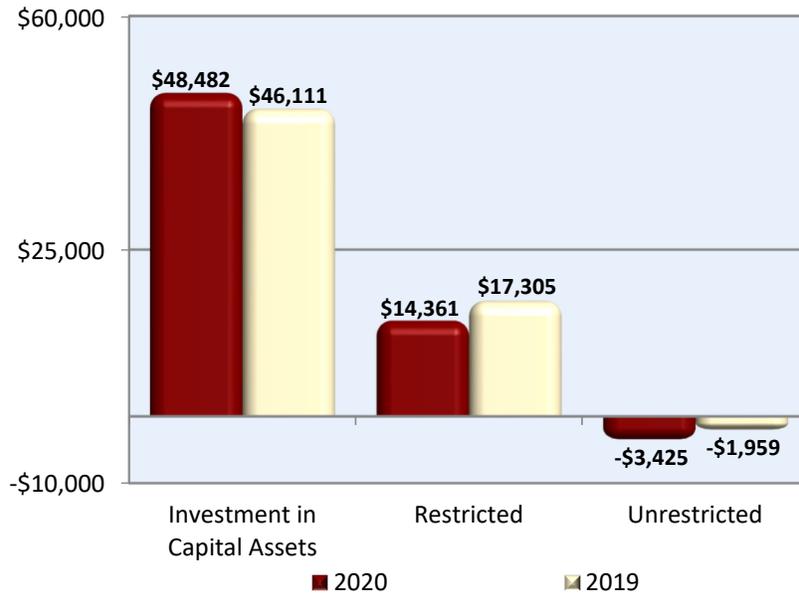
FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$88.4 million at June 30, 2020. This balance reflects a \$0.4 million, or 0.4 percent, increase as compared to the 2018-19 fiscal year, resulting primarily from a \$2.4 million increase in capital assets, net of depreciation, and a \$1.9 million increase in other noncurrent assets, offset by a \$3.2 million decrease in current assets, resulting primarily from a \$4.9 million decrease in due from other governmental agencies offset by a \$1.7 million increase in cash and cash equivalents, and a \$0.7 million decrease in deferred outflows of resources. In addition, liabilities and deferred inflows of resources increased by \$2.4 million, or 9.1 percent, totaling \$29 million at June 30, 2020, resulting primarily from a \$1.8 million increase in the net pension liability and a \$0.4 million increase in salary and payroll taxes payable. As a result, the College's net position decreased by \$2 million, resulting in a year-end balance of \$59.4 million.

The College's operating revenues totaled \$13.6 million for the 2019-20 fiscal year, representing a 0.4 percent decrease compared to the 2018-19 fiscal year. Operating expenses increased \$4.3 million for the 2019-20 fiscal year to \$53.4 million, representing an increase of 8.8 percent as compared to the 2018-19 fiscal year. This increase resulted primarily from a \$3.2 million increase in personnel services and a \$1.5 million increase in materials and supplies.

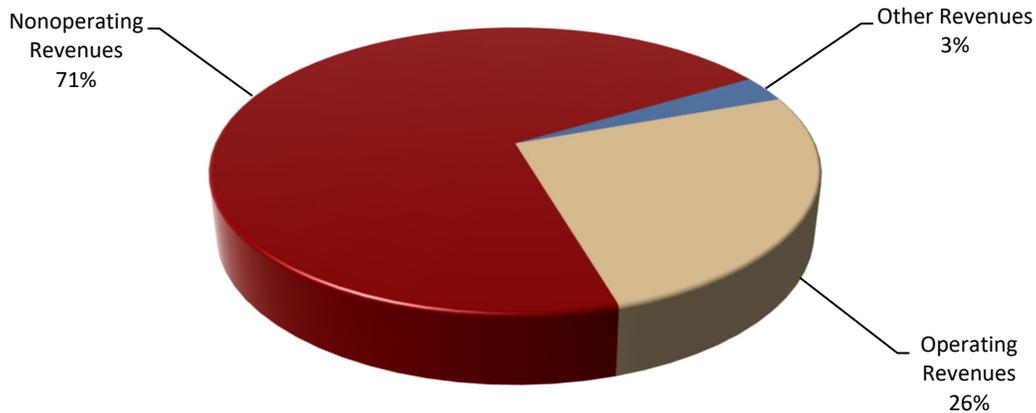
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2020, and June 30, 2019, is shown in the following graph:

**Net Position
(In Thousands)**



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, the St. Johns 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.

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 and its component unit, using the accrual basis of accounting, and presents the financial position of the College and its component unit 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 current financial condition. The changes in net position that occur over time indicate improvement or deterioration in financial condition.

The following summarizes the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College and its component unit for the respective fiscal years ended:

Condensed Statement of Net Position at June 30

(In Thousands)

	<u>College</u>		<u>Component Unit</u>	
	<u>6-30-20</u>	<u>6-30-19</u>	<u>3-31-20</u>	<u>3-31-19</u>
Assets				
Current Assets	\$ 23,248	\$ 26,457	\$ 2,868	\$ 3,282
Capital Assets, Net	48,482	46,111	-	-
Other Noncurrent Assets	8,959	7,031	3,223	2,911
Total Assets	<u>80,689</u>	<u>79,599</u>	<u>6,091</u>	<u>6,193</u>
Deferred Outflows of Resources	<u>7,688</u>	<u>8,396</u>	<u>-</u>	<u>-</u>
Liabilities				
Current Liabilities	2,192	2,016	147	11
Noncurrent Liabilities	24,609	22,124	92	90
Total Liabilities	<u>26,801</u>	<u>24,140</u>	<u>239</u>	<u>101</u>
Deferred Inflows of Resources	<u>2,158</u>	<u>2,398</u>	<u>106</u>	<u>116</u>
Net Position				
Investment in Capital Assets	48,482	46,111	-	-
Restricted	14,361	17,305	4,493	4,569
Unrestricted	(3,425)	(1,959)	1,253	1,407
Total Net Position	<u>\$ 59,418</u>	<u>\$ 61,457</u>	<u>\$ 5,746</u>	<u>\$ 5,976</u>

The decrease in current assets was primarily caused by a \$4.9 million decrease in due from other governmental agencies offset by a \$1.7 million increase in cash and cash equivalents related to the drawdown of State capital appropriations for the Orange Park Campus Renovations project. The increase in capital assets is primarily due to \$3.6 million in construction for the Orange Park Campus Renovations project and \$1.1 million in furniture, machinery, and equipment acquisitions, offset by an increase in accumulated depreciation of \$2.3 million. The \$0.7 million decrease in the College's deferred outflows of resources resulted mainly from pension-related adjustments required by GASB Statement

No. 68, and other postemployment benefits adjustments required by GASB Statement No. 75. The increase in noncurrent liabilities is primarily due to a \$1.8 million increase in the College's net pension liability.

The Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the College's and its component unit'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 and its component unit's activity for the respective fiscal years ended:

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

(In Thousands)

	College		Component Unit	
	6-30-20	6-30-19	3-31-20	3-31-19
Operating Revenues	\$ 13,596	\$ 13,655	\$ 499	\$ 650
Less, Operating Expenses	53,376	49,042	610	599
Operating Income (Loss)	(39,780)	(35,387)	(111)	51
Net Nonoperating Revenues	36,268	34,671	(346)	361
Income (Loss) Before Other Revenues	(3,512)	(716)	(457)	412
Other Revenues	1,473	7,205	227	-
Net Increase (Decrease) In Net Position	(2,039)	6,489	(230)	412
Net Position, Beginning of Year	61,457	54,968	5,976	5,564
Net Position, End of Year	\$ 59,418	\$ 61,457	\$ 5,746	\$ 5,976

Operating Revenues

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

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

Operating Revenues For the Fiscal Years

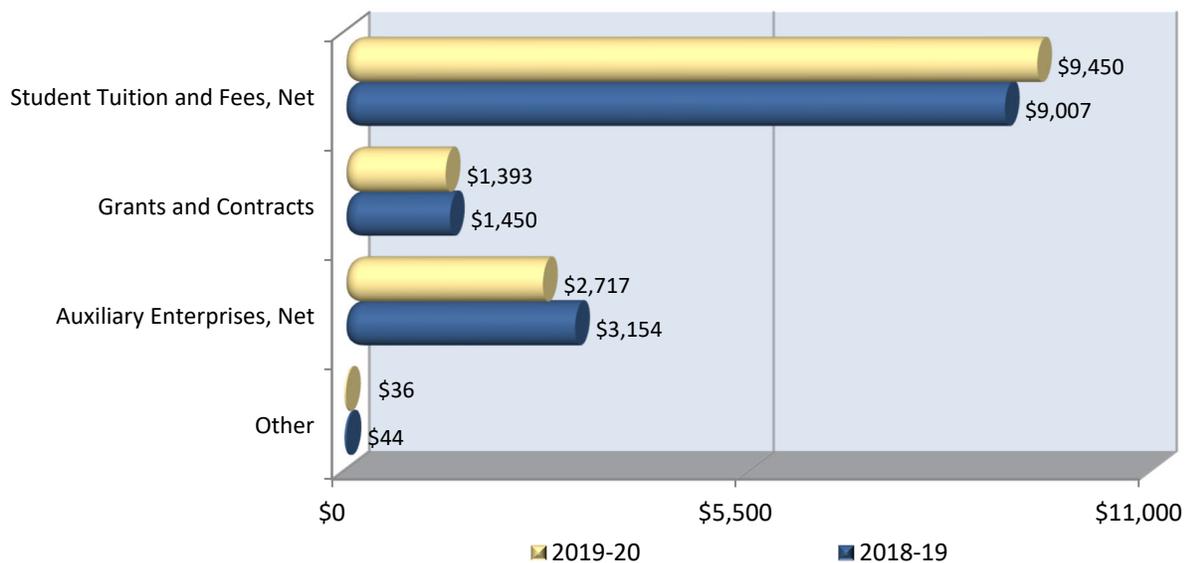
(In Thousands)

	College		Component Unit	
	6-30-20	6-30-19	3-31-20	3-31-19
Student Tuition and Fees, Net	\$ 9,450	\$ 9,007	\$ -	\$ -
Grants and Contracts	1,393	1,450	-	-
Auxiliary Enterprises, Net	2,717	3,154	-	-
Other	36	44	499	650
Total Operating Revenues	\$ 13,596	\$ 13,655	\$ 499	\$ 650

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 changes were the result of an increase in student tuition and fees revenues offset by a decrease in auxiliary enterprises revenues. Student tuition and fees revenues increased by \$0.4 million, or 4.9 percent compared to the prior fiscal year, due to increased student enrollment. Auxiliary enterprises revenues decreased by \$0.4 million, or 13.9 percent compared to the prior fiscal year, due primarily to decreases in Thrasher-Horne Center cultural program ticket sales and meeting room rentals because of the Coronavirus pandemic.

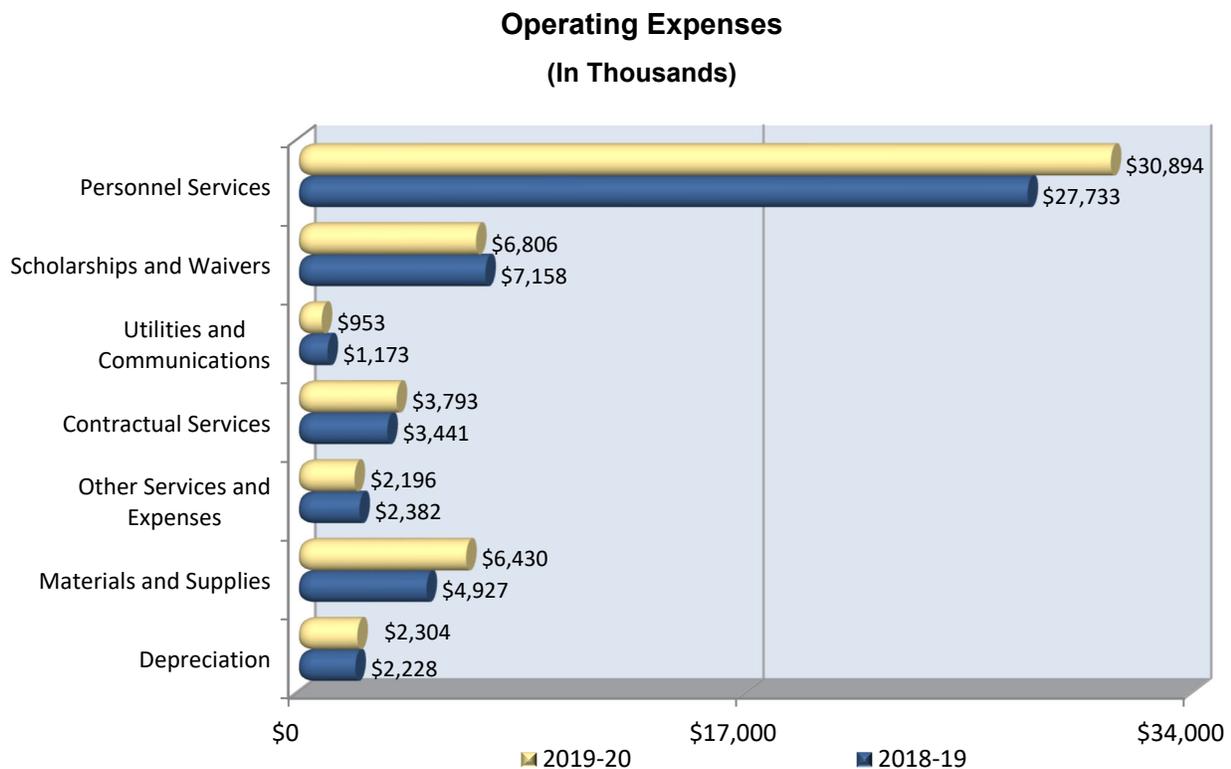
Operating Expenses

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

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

Operating Expenses For the Fiscal Years				
(In Thousands)				
	College		Component Unit	
	6-30-20	6-30-19	3-31-20	3-31-19
Personnel Services	\$ 30,894	\$ 27,733	\$ -	\$ -
Scholarships and Waivers	6,806	7,158	360	376
Utilities and Communications	953	1,173	-	-
Contractual Services	3,793	3,441	20	19
Other Services and Expenses	2,196	2,382	230	204
Materials and Supplies	6,430	4,927	-	-
Depreciation	2,304	2,228	-	-
Total Operating Expenses	\$ 53,376	\$ 49,042	\$ 610	\$ 599

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



College operating expense changes were primarily the result of an increase in personnel services expenses and materials and supplies expenses. Personnel services expenses increased by \$3.2 million, or 11.4 percent, due primarily to increases in GASB Statement No. 68 pension expenses of \$1.4 million, and Board-approved salary increases along with associated increases in payroll tax and retirement contributions. Materials and supplies increased by \$1.5 million, or 30.5 percent, due primarily to minor equipment purchases and expenses associated with the Orange Park Campus Renovations project.

Nonoperating Revenues

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. The following summarizes the College's nonoperating revenues for the 2019-20 and 2018-19 fiscal years:

Nonoperating Revenues For the Fiscal Years		
(In Thousands)		
	2019-20	2018-19
State Noncapital Appropriations	\$ 23,286	\$ 22,927
Federal and State Student Financial Aid	10,383	9,977
Gifts and Grants	1,316	830
Investment Income	1,196	900
Other Nonoperating Revenues	75	32
Gain on Disposal of Capital Assets	12	5
Nonoperating Revenues	\$ 36,268	\$ 34,671

Nonoperating revenues increased by \$1.6 million, or 4.6 percent, when compared to the prior fiscal year. Gifts and grants increased by \$0.5 million, or 58.6 percent, primarily due to increases in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding and high school student dual enrollment revenue, and Federal and State student financial aid increased by \$0.4 million, or 4.1 percent, primarily due to a \$0.8 million increase in CARES Act student grant funding, offset by a \$0.4 million decrease in Federal Pell student financial aid.

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	\$ 175	\$ 5,938
Capital Grants, Contracts, Gifts, and Fees	1,298	1,267
Total	\$ 1,473	\$ 7,205

Other revenues decreased \$5.7 million, or 79.6 percent, due to a decrease of State Public Education Capital Outlay appropriations of \$5.8 million.

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	\$ (34,335)	\$ (31,493)
Noncapital Financing Activities	34,988	33,732
Capital and Related Financing Activities	1,637	(748)
Investing Activities	1,212	869
Net Increase in Cash and Cash Equivalents	3,502	2,360
Cash and Cash Equivalents, Beginning of Year	22,042	19,682
Cash and Cash Equivalents, End of Year	\$ 25,544	\$ 22,042

Major sources of funds came from State noncapital appropriations (\$23.3 million), Federal and State student financial aid (\$10.4 million), net student tuition and fees (\$9.2 million), State capital appropriations (\$5.1 million), Federal Direct Student Loan program receipts (\$3.7 million), and net auxiliary enterprises (\$2.7 million). Major uses of funds were for payments to employees and for employee benefits (\$27.5 million), payments to suppliers (\$12.3 million), payments for scholarships (\$6.8 million), purchase of capital assets (\$4.9 million), and disbursements to students for Federal Direct Student Loans (\$3.7 million).

The College's overall cash and cash equivalents increased by \$3.5 million, or 15.9 percent, from the prior fiscal year. Net cash provided by capital and related financing activities increased by \$2.4 million primarily due to an increase in State capital appropriations receipts for capital construction projects. Net cash provided by noncapital financing activities increased by \$1.3 million primarily due to increases in Federal and State student financial aid and State noncapital appropriations receipts. Net cash used by operating activities increased by \$2.8 million primarily due to an increase in payments to suppliers and payments to employees and the associated benefits.

CAPITAL ASSETS AND CAPITAL EXPENSES AND COMMITMENTS
--

Capital Assets

At June 30, 2020, the College had \$86.6 million in capital assets, less accumulated depreciation of \$38.1 million, for net capital assets of \$48.5 million. Depreciation charges for the current fiscal year totaled \$2.3 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)

	<u>2020</u>	<u>2019</u>
Land	\$ 687	\$ 687
Construction in Progress	1,054	3,399
Buildings	44,669	40,444
Other Structures and Improvements	159	203
Furniture, Machinery, and Equipment	1,913	1,378
Capital Assets, Net	<u>\$ 48,482</u>	<u>\$ 46,111</u>

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 for a \$5.1 million Orange Park Campus Renovations project and a \$2.1 million St. Augustine Campus Renovations project. The College's construction commitments at June 30, 2020, are as follows:

	Amount (In Thousands)
Total Committed	\$ 7,163
Completed to Date	<u>(1,053)</u>
Balance Committed	<u>\$ 6,110</u>

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

For the 2020-21 fiscal year, the College received a \$1.6 million, or 7 percent, increase in overall State funding for operations. However, since the College's economic condition is closely tied to that of the State of Florida and given the negative economic growth linked to the Coronavirus pandemic, a decrease in State funding is anticipated. The Florida College System Chancellor's Office informed the College that the Governor authorized a 6 percent holdback of operating appropriations for program funds, student success incentive performance funds, and industry certifications. The College's 2020-21 fiscal year budget was prepared with adequate reserves to cover this potential decrease in State funding. Other than State appropriations, the College receives the majority of its other operating funds from student tuition and fees. While the 2020-21 fiscal year budget was based upon a flat enrollment level as compared to the prior fiscal year, the Coronavirus pandemic is anticipated to cause a decline in those enrollment levels. Despite the expected revenue reductions from the State and potential enrollment level declines, the College plans to utilize reserves and, if needed, develop budgetary reduction plans to help cover pandemic-related economic issues. Additionally, the College was awarded \$3.1 million in Federal CARES Act funds which will continue to assist students in the form of emergency grant aid and also assist in enhancing online learning initiatives, cover certain technology needs, and address safety issues resulting from the pandemic so that all campuses can reopen safely for students and staff.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

ST. JOHNS RIVER STATE COLLEGE A Component Unit of the State of Florida Statement of Net Position

June 30, 2020

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 16,177,288	\$ 1,663,562
Restricted Cash and Cash Equivalents	407,717	-
Investments	-	1,204,798
Accounts Receivable, Net	938,313	-
Due from Other Governmental Agencies	5,004,333	-
Due from Component Unit	26,302	-
Inventories	678,619	-
Prepaid Expenses	8,494	-
Deposits Receivable	7,241	-
Total Current Assets	<u>23,248,307</u>	<u>2,868,360</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	8,958,759	-
Restricted Investments	-	3,126,887
Depreciable Capital Assets, Net	46,740,564	-
Nondepreciable Capital Assets	1,741,073	-
Irrevocable Split-Interest Agreement Receivable	-	96,050
Total Noncurrent Assets	<u>57,440,396</u>	<u>3,222,937</u>
TOTAL ASSETS	<u>80,688,703</u>	<u>6,091,297</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	437,766	-
Pensions	7,250,263	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>7,688,029</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	130,981	136,486
Salary and Payroll Taxes Payable	1,447,499	-
Retainage Payable	76,436	-
Unearned Revenue	116,823	-
Deposits Held for Others	25,716	-
Long-Term Liabilities - Current Portion:		
Compensated Absences Payable	229,727	-
Other Postemployment Benefits Payable	59,644	-
Net Pension Liability	105,157	-
Irrevocable Split-Interest Agreement Payable	-	10,600
Total Current Liabilities	<u>2,191,983</u>	<u>147,086</u>

	<u>College</u>	<u>Component Unit</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Compensated Absences Payable	2,013,758	-
Other Postemployment Benefits Payable	1,942,553	-
Net Pension Liability	20,652,352	-
Irrevocable Split-Interest Agreement Payable	-	92,128
Total Noncurrent Liabilities	<u>24,608,663</u>	<u>92,128</u>
TOTAL LIABILITIES	<u>26,800,646</u>	<u>239,214</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	165,167	-
Pensions	1,992,949	-
Irrevocable Split-Interest Agreements	-	106,323
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,158,116</u>	<u>106,323</u>
NET POSITION		
Investment in Capital Assets	48,481,637	-
Restricted:		
Nonexpendable:		
Endowment	-	3,013,886
Expendable:		
Grants and Loans	172,054	-
Scholarships	189,305	1,478,924
Capital Projects	14,000,271	-
Unrestricted	<u>(3,425,297)</u>	<u>1,252,950</u>
TOTAL NET POSITION	<u>\$ 59,417,970</u>	<u>\$ 5,745,760</u>

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

ST. JOHNS RIVER STATE COLLEGE
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net 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 \$3,248,457	\$ 9,450,016	\$ -
Federal Grants and Contracts	846,580	-
State and Local Grants and Contracts	516,686	-
Nongovernmental Grants and Contracts	30,000	-
Auxiliary Enterprises, Net of Scholarship Allowances of \$625,005	2,716,790	-
Other Operating Revenues	35,612	499,063
Total Operating Revenues	13,595,684	499,063
EXPENSES		
Operating Expenses:		
Personnel Services	30,894,231	-
Scholarships and Waivers	6,806,185	359,625
Utilities and Communications	952,922	-
Contractual Services	3,792,884	20,190
Other Services and Expenses	2,195,797	229,886
Materials and Supplies	6,429,736	-
Depreciation	2,304,163	-
Total Operating Expenses	53,375,918	609,701
Operating Loss	(39,780,234)	(110,638)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	23,286,521	-
Federal and State Student Financial Aid	10,382,562	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	1,316,287	-
Investment Income (Loss)	1,196,281	(346,439)
Other Nonoperating Revenues	74,919	-
Gain on Disposal of Capital Assets	11,677	-
Net Nonoperating Revenues (Expenses)	36,268,247	(346,439)
Loss Before Other Revenues	(3,511,987)	(457,077)
State Capital Appropriations	174,800	-
Capital Grants, Contracts, Gifts, and Fees	1,298,452	-
Endowment Contributions	-	226,487
Total Other Revenues	1,473,252	226,487
Decrease in Net Position	(2,038,735)	(230,590)
Net Position, Beginning of Year	61,456,705	5,976,350
Net Position, End of Year	\$ 59,417,970	\$ 5,745,760

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

THIS PAGE INTENTIONALLY LEFT BLANK

ST. JOHNS 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	\$ 9,162,038
Grants and Contracts	1,387,607
Payments to Suppliers	(12,288,230)
Payments for Utilities and Communications	(952,922)
Payments to Employees	(21,144,638)
Payments for Employee Benefits	(6,378,805)
Payments for Scholarships	(6,806,185)
Auxiliary Enterprises, Net	2,663,382
Other Receipts	22,381
	(34,335,372)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	23,286,521
Federal and State Student Financial Aid	10,385,349
Federal Direct Loan Program Receipts	3,738,936
Federal Direct Loan Program Disbursements	(3,738,936)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	1,316,287
	34,988,157
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	5,114,325
Capital Grants and Gifts	1,298,453
Proceeds from Insurance Recoveries	74,919
Proceeds from Sale of Capital Assets	11,677
Purchases of Capital Assets	(4,863,034)
	1,636,340
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	1,212,156
	3,501,281
Net Increase in Cash and Cash Equivalents	22,042,483
Cash and Cash Equivalents, Beginning of Year	22,042,483
	\$ 25,543,764

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (39,780,234)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,304,163
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(263,735)
Due From Other Governmental Agencies	(8,324)
Inventories	76,365
Prepaid Expenses	16,988
Deposits Receivable	(947)
Accounts Payable	75,502
Salary and Payroll Taxes Payable	425,814
Unearned Revenue	(67,321)
Deposits Held for Others	(12,284)
Due From Component Unit	2,673
Compensated Absences Payable	205,754
Other Postemployment Benefits Payable	481,464
Net Pension Liability	1,740,522
Deferred Outflows of Resources Related to Other Postemployment Benefits	(373,988)
Deferred Inflows of Resources Related to Other Postemployment Benefits	(24,742)
Deferred Outflows of Resources Related to Pensions	1,081,720
Deferred Inflows of Resources Related to Pensions	(214,762)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (34,335,372)</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 St. Johns 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 seven 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 Clay, Putnam, and St. Johns Counties.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the 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 St. Johns 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 Development and External Affairs, St. Johns River State College, 5001 St. Johns Avenue, Palatka, Florida 32177. 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 accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

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, and investment income (net of unrealized gains or losses on investments). 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 and book scholarship allowances. Tuition and book 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 is able to identify, within its accounting system, amounts paid for tuition, fees, and book charges by financial aid. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenues and auxiliary enterprise revenues.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash with the State Treasury Special Purpose Investment Account (SPIA) investment pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less, that are not held solely for income or profit, to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury SPIA investment pool to be cash equivalents.

College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2020, the College reported as cash equivalents at fair value \$24,238,733 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The College categorizes the fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation of inputs used to measure the fair value of the assets. 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. The State Treasury SPIA investment pool is valued using Level 3 inputs. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 0.43 years and fair value factor of 1.0291 at June 30, 2020. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balance. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

The Foundation, for reporting cash flows, considers all highly liquid investments with original maturities of 3 months or less to be cash equivalents. At March 31, 2020, the component unit had \$264,491 in demand accounts, \$485,241 in money market accounts, \$412,968 in investment management accounts, and \$500,862 in its separate State Treasury SPIA account.

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

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

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

Noncurrent Liabilities. Noncurrent liabilities include 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	\$ (7,875,254)
Auxiliary Funds	4,449,957
Total	\$ (3,425,297)

3. Investments – Discretely Presented Component Unit

Fair Value Measurement. The Foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the 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.

Investments held by the Foundation as of March 31, 2020, are reported at fair value using quoted market prices in active markets for identical assets (Level 1 inputs) with the following maturities:

Investments by fair value level	Fair Value	Maturity in Years		
		Less than 1	1-5	6-10
U.S. Government Obligations	\$ 100,732	\$ 100,732	\$ -	\$ -
Bonds and Notes	649,948	149,398	500,550	-
Fixed Income Mutual Funds	200,603	-	143,330	57,273
Total investments by fair value level	951,283	\$ 250,130	\$ 643,880	\$ 57,273
Equity Investments:				
Common Stock	2,794,627			
Exchange Traded Funds	55,542			
Real Estate Mutual Fund	285,608			
Fixed Income Exchange Traded Fund	244,625			
Total Component Unit Investments	\$ 4,331,685			

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

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation investment policies include asset allocation guidelines and investment management structure to ensure adequate diversification to reduce the volatility of investment returns.

Credit Risk: Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy requires that debt securities be rated "Baa" or "BBB" or better by Moody's or Standard & Poor's rating services, respectively. The Foundation's investment policy also sets allowable ranges for allocation of assets as follows: domestic equities (50 – 70 percent); international equities (10 – 20 percent); fixed income securities (10 – 20 percent); and cash equivalents (2 – 10 percent); and limits charitable gift annuity investments to no more than 50 percent equities (including mutual funds) and no more than 10 percent in any one stock or fund.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. The Foundation does not have a formal investment policy that addresses custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Foundation's investment policy limits investments with a single issuer to not more than 5 percent of the market value of the portfolio.

4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, interest receivable, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a \$203,176 allowance for doubtful accounts.

5. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$4,996,010 of Public Education Capital Outlay allocations due from the State for maintenance and renovation of College facilities.

6. Due From Component Unit

The amount reported as due from component unit consists of \$26,302 owed to the College as of June 30, 2020, for reimbursement of scholarships and student aid. The College's financial statements are reported for the fiscal year ended June 30, 2020, and the component unit's financial statements are reported for the fiscal year ended March 31, 2020. Accordingly, there was no corresponding amount reported as due to the College by the component unit as of March 31, 2020.

7. 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	\$ 687,582	\$ -	\$ -	\$ 687,582
Construction in Progress	3,398,934	3,616,598	5,962,041	1,053,491
Total Nondepreciable Capital Assets	\$ 4,086,516	\$ 3,616,598	\$ 5,962,041	\$ 1,741,073
Depreciable Capital Assets:				
Buildings	\$ 67,762,032	\$ 5,962,041	\$ -	\$ 73,724,073
Other Structures and Improvements	4,586,101	-	-	4,586,101
Furniture, Machinery, and Equipment	6,768,067	1,057,794	1,318,650	6,507,211
Total Depreciable Capital Assets	79,116,200	7,019,835	1,318,650	84,817,385
Less, Accumulated Depreciation:				
Buildings	27,317,809	1,737,099	-	29,054,908
Other Structures and Improvements	4,383,513	43,473	-	4,426,986
Furniture, Machinery, and Equipment	5,389,986	523,591	1,318,650	4,594,927
Total Accumulated Depreciation	37,091,308	2,304,163	1,318,650	38,076,821
Total Depreciable Capital Assets, Net	\$ 42,024,892	\$ 4,715,672	\$ -	\$ 46,740,564

8. Unearned Revenue

Unearned revenue at June 30, 2020, includes prepayments of Thrasher-Horne Center cultural program sales and meeting room rentals for which expenses have yet to be incurred. As of June 30, 2020, the College reported \$116,823 of unearned revenue.

9. 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>
Compensated Absences Payable	\$ 2,037,730	\$ 391,246	\$ 185,491	\$ 2,243,485	\$ 229,727
Other Postemployment Benefits Payable	1,520,733	545,242	63,778	2,002,197	59,644
Net Pension Liability	19,016,987	4,413,521	2,672,999	20,757,509	105,157
Total Long-Term Liabilities	\$ 22,575,450	\$ 5,350,009	\$ 2,922,268	\$ 25,003,191	\$ 394,528

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 \$2,243,485. The current portion of the compensated

absences liability, \$229,727, is the amount expected to be paid in the coming fiscal year and represents an average of the reductions over the past 3 years.

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 healthcare benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. The OPEB Plan contribution requirements and benefit terms of the College and the OPEB Plan members are established and may be amended by action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	24
DROP Members	20
Active Employees	323
Total	<u>367</u>

Total OPEB Liability

The College’s total OPEB liability of \$2,002,197 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
Wage Inflation	3.25 percent
Salary increases	
Regular Employees	4.00 – 7.80 percent
Senior Management	4.70 – 7.10 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.87 percent
Measurement Date	3.50 percent
Healthcare cost trend rates	
Pre-Medicare	7.00 percent for 2019 decreasing to an ultimate rate of 4.50 percent by 2026
Medicare	5.00 percent for 2019 decreasing to an ultimate rate of 4.50 percent by 2021

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

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

The demographic actuarial assumptions for retirement, disability incidence, 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>\$ 1,520,733</u>
Changes for the year:	
Service Cost	62,459
Interest	57,630
Differences Between Expected and Actual Experience	260,385
Changes in Assumptions or Other Inputs	164,768
Benefit Payments	<u>(63,778)</u>
Net Changes	<u>481,464</u>
Balance at 6/30/20	<u><u>\$ 2,002,197</u></u>

Changes of assumptions and other inputs since the prior measurement date are as follows:

- The discount rate changed from 3.87 percent in 2018 to 3.50 percent in 2019.
- The healthcare cost trend rates decreased for Pre-Medicare and Medicare medical and prescription drugs from 7.5 percent for 2017 decreasing to 5 percent by 2023 and 5.5 percent for 2017 decreasing to 5 percent by 2020, to 7 percent for 2019 decreasing to 4.5 percent by 2026 and 5 percent for 2019 decreasing to 4.5 percent by 2021, respectively.

- Changes in the anticipated plan participation are based on a review of recent plan experience.

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	\$2,364,871	\$2,002,197	\$1,714,988

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	\$1,679,603	\$2,002,197	\$2,419,974

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 \$142,378. 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>
Change of assumptions or other inputs	\$ 146,541	\$ 165,167
Differences between expected and actual experience	231,581	-
Transactions subsequent to the measurement date	59,644	-
Total	<u>\$ 437,766</u>	<u>\$ 165,167</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$59,644 resulting from transactions 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	\$ 22,289
2022	22,289
2023	22,289
2024	22,289
2025	22,289
Thereafter	101,510
Total	\$ 212,955

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 \$20,757,509. Note 10. includes a complete discussion of defined benefit pension plans.

10. 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 112, Florida Statutes, established the HIS Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the College are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The College's FRS and HIS pension expense totaled \$4,192,939 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* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. 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

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
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 \$1,289,149 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 liability of \$14,559,845 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 0.042277680 percent, which was a decrease of 0.000979526 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of \$3,755,742. 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	\$ 863,586	\$ 9,036
Change of assumptions	3,739,595	-
Net difference between projected and actual earnings on FRS Plan investments	-	805,527
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	197,034	363,765
College FRS contributions subsequent to the measurement date	1,289,149	-
Total	\$ 6,089,364	\$ 1,178,328

The deferred outflows of resources totaling \$1,289,149, 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	\$ 1,375,999
2022	340,051
2023	954,443
2024	740,754
2025	174,535
Thereafter	36,105
Total	\$ 3,621,887

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	\$25,169,123	\$14,559,845	\$5,699,303

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 \$149,174 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 \$328,112 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 \$6,197,664 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 0.055390690 percent, which was a decrease of 0.001181762 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of \$437,197. 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>
Net difference between projected and actual experience	\$ 75,278	\$ 7,589
Change of assumptions	717,631	506,547
Net difference between projected and actual earnings on HIS Plan investments	3,999	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	35,879	300,485
College contributions subsequent to the measurement date	328,112	-
Total	\$ 1,160,899	\$ 814,621

The deferred outflows of resources totaling \$328,112, 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	\$ 82,363
2022	34,382
2023	(7,730)
2024	(91,500)
2025	(22,055)
Thereafter	22,706
Total	\$ 18,166

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	\$7,074,951	\$6,197,664	\$5,466,983

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 \$35,660 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2020.

11. 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

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 \$480,588 for the fiscal year ended June 30, 2020.

Payables to the Investment Plan. At June 30, 2020, the College reported a payable of \$78,815 for the outstanding amount of contributions to the Plan required for fiscal year ended June 30, 2020.

12. Construction Commitments

The College's construction commitments at June 30, 2020, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Orange Park Campus Renovations - Building L	\$ 5,075,572	\$ 810,275	\$ 4,265,297
St. Augustine Campus Renovations - Building V	2,087,481	243,216	1,844,265
Total	\$ 7,163,053	\$ 1,053,491	\$ 6,109,562

13. 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.

14. 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	\$ 16,813,970
Public Services	457,058
Academic Support	3,554,338
Student Services	5,389,821
Institutional Support	7,998,516
Operation and Maintenance of Plant	6,561,333
Scholarships and Waivers	6,806,185
Depreciation	2,304,163
Auxiliary Enterprises	3,490,534
Total Operating Expenses	\$ 53,375,918

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 62,459	\$ 65,386	\$ 72,927
Interest	57,630	53,825	48,219
Difference between expected and actual experience	260,385	-	-
Changes of assumptions or other inputs	164,768	(79,760)	(151,084)
Benefit Payments	(63,778)	(60,765)	(59,519)
Net change in total OPEB liability	481,464	(21,314)	(89,457)
Total OPEB Liability - beginning, as Restated	1,520,733	1,542,047	1,631,504
Total OPEB Liability - ending	\$ 2,002,197	\$ 1,520,733	\$ 1,542,047
Covered-Employee Payroll	\$ 15,660,287	\$ 15,896,035	\$ 15,896,035
Total OPEB Liability as a percentage of covered-employee payroll	12.79%	9.57%	9.70%

THIS PAGE INTENTIONALLY LEFT BLANK

**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	0.042277680%	0.043257206%	0.042311196%	0.043366046%
College's proportionate share of the FRS net pension liability	\$ 14,559,845	\$ 13,029,295	\$ 12,515,368	\$ 10,949,960
College's covered payroll (2)	\$ 18,513,474	\$ 18,489,074	\$ 18,174,849	\$ 18,293,849
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	78.64%	70.47%	68.86%	59.86%
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 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	\$ 1,289,149	\$ 1,341,816	\$ 1,260,976	\$ 1,137,187
FRS contributions in relation to the contractually required contribution	<u>(1,289,149)</u>	<u>(1,341,816)</u>	<u>(1,260,976)</u>	<u>(1,137,187)</u>
FRS contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
College's covered payroll (2)	\$ 19,698,124	\$ 18,513,474	\$ 18,489,074	\$ 18,174,849
FRS contributions as a percentage of covered payroll	6.54%	7.25%	6.82%	6.26%

- (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 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>
0.045294300%	0.045560091%	0.035671013%
\$ 5,850,366	\$ 2,779,836	\$ 6,140,569
\$ 18,089,635	\$ 17,939,087	\$ 16,821,682
32.34%	15.50%	36.50%
92.00%	96.09%	88.54%

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 1,098,667	\$ 1,104,314	\$ 997,959
<u>(1,098,667)</u>	<u>(1,104,314)</u>	<u>(997,959)</u>
\$ _____ -	\$ _____ -	\$ _____ -
\$ 18,293,849	\$ 18,089,635	\$ 17,939,087
6.01%	6.10%	5.56%

**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	0.055390690%	0.056572452%	0.057019833%	0.059101534%
College's proportionate share of the HIS net pension liability	\$ 6,197,664	\$ 5,987,692	\$ 6,096,824	\$ 6,888,039
College's covered payroll (2)	\$ 18,513,474	\$ 18,489,074	\$ 18,174,849	\$ 18,293,849
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.48%	32.39%	33.55%	37.65%
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	\$ 328,112	\$ 308,478	\$ 307,697	\$ 301,742
HIS contributions in relation to the contractually required HIS contribution	<u>(328,112)</u>	<u>(308,478)</u>	<u>(307,697)</u>	<u>(301,742)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 19,698,124	\$ 18,513,474	\$ 18,489,074	\$ 18,174,849
HIS contributions as a percentage of covered payroll	1.67%	1.67%	1.66%	1.66%

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

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

<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.059626812%	0.060377669%	0.057905038%
\$ 6,080,997	\$ 5,645,459	\$ 5,041,395
\$ 18,089,635	\$ 17,939,087	\$ 16,821,682
33.62%	31.47%	29.97%
0.50%	0.99%	1.78%

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 303,885	\$ 227,931	\$ 206,834
<u>(303,885)</u>	<u>(227,931)</u>	<u>(206,834)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 18,293,849	\$ 18,089,635	\$ 17,939,087
1.66%	1.26%	1.15%

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

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

Changes of assumptions and other since the prior measurement date are as follows:

- The discount rate changed from 3.87 percent in 2018 to 3.50 percent in 2019.
- The healthcare cost trend rates decreased for Pre-Medicare and Medicare medical and prescription drugs from 7.5 percent for 2017 decreasing to 5 percent by 2023 and 5.5 percent for 2017 decreasing to 5 percent by 2020, to 7 percent for 2019 decreasing to 4.5 percent by 2026 and 5 percent for 2019 decreasing to 4.5 percent by 2021, respectively.
- Changes in the anticipated plan participation are based on a review of recent plan experience.

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 updated.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 3.87 percent to 3.50 percent.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 St. Johns River State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 March 24, 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 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,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 24, 2021