

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

**DAYTONA STATE COLLEGE**

For the Fiscal Year Ended  
June 30, 2020



Sherrill F. Norman, CPA  
Auditor General

## Board of Trustees and President

During the 2019-20 fiscal year, Dr. Tom LoBasso served as President of Daytona State College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Dr. Randall Howard from 7-30-19, Chair from 10-14-19	Volusia
Betty J. Holness, Vice Chair from 8-15-19	Volusia
Stan T. Escudero, Vice Chair through 8-14-19, Chair 8-15-19 through 10-13-19 <sup>a</sup>	Volusia
Forough B. Hosseini, Chair through 8-14-19 <sup>a</sup>	Volusia
Robert C. "Bob" Davis	Volusia
Sarah Dougherty	Volusia
Randy Dye from 10-14-19	Volusia
Lloyd J. Freckleton	Flagler
Mary Ann Haas	Flagler
Robert Lloyd from 10-14-19	Volusia
Garry R. Lubi	Flagler
Anne C. Patterson through 7-29-19	Volusia

<sup>a</sup> Trustee served through 10-13-19.

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 Vincent Coppola and the audit was supervised by Keith A. Wolfe, CPA.

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

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**State of Florida Auditor General**

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

**DAYTONA STATE COLLEGE**  
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# SUMMARY

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## SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Daytona State College (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

## SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

## AUDIT OBJECTIVES AND SCOPE

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

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

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

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Tallahassee, Florida 32399-1450



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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Daytona State College, a component unit of the State of Florida, and its aggregate discretely presented component units 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 aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports 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 reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Daytona State College and of its aggregate discretely presented component units as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of College Contributions – Florida Retirement System Pension Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of College Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021, on our consideration of the Daytona State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts,

and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Daytona State College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 26, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

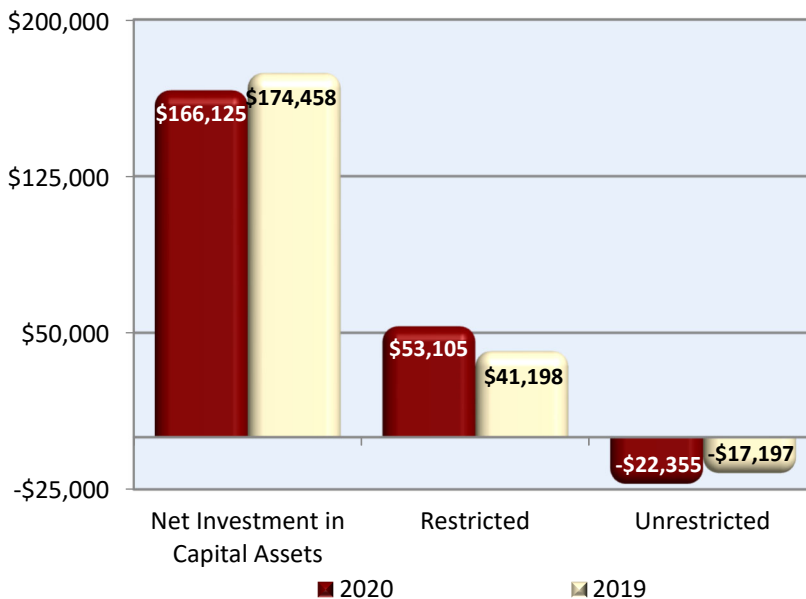
### FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$276.5 million at June 30, 2020. This balance reflects a decrease of \$0.9 million, or 0.3 percent, compared to the 2018-19 fiscal year, resulting from an increase in current assets, offset by decreases in net capital assets and deferred outflows of resources. While assets and deferred outflows of resources decreased, liabilities and deferred inflows of resources increased by \$0.7 million, or 0.9 percent, totaling \$79.6 million at June 30, 2020, compared to \$78.9 million at June 30, 2019. As a result, the College's net position decreased by \$1.6 million, resulting in a year-end balance of \$196.9 million.

The College's operating revenues totaled \$27.9 million for the 2019-20 fiscal year, representing a 1.3 percent increase compared to the 2018-19 fiscal year. Operating expenses totaled \$122.2 million for the 2019-20 fiscal year, representing an increase of 3.6 percent as compared to the 2018-19 fiscal year.

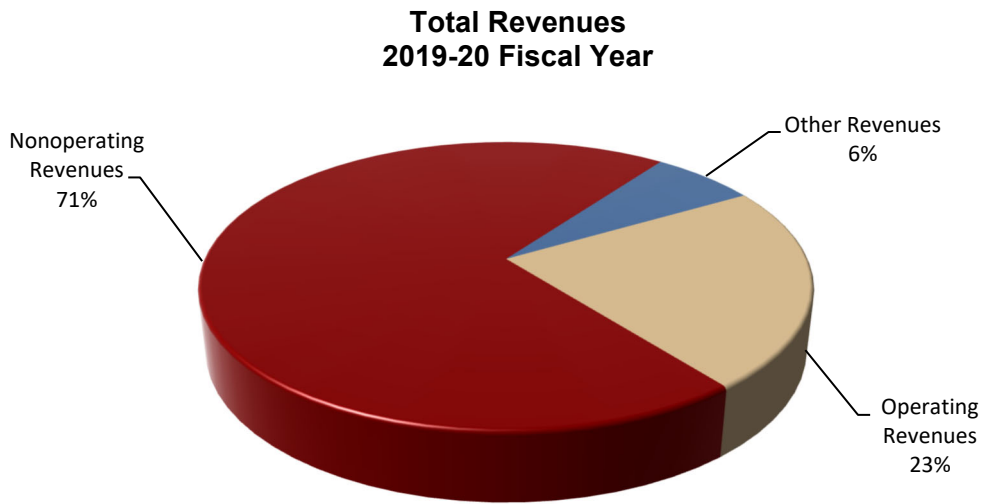
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2020, and June 30, 2019, is shown in the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

**Net Position**  
(In Thousands)





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



**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 units, Daytona State College Foundation, Inc. (Foundation) and the Daytona State College Housing Corporation (Housing Corp). Based on the application of the criteria for determining component units, the Foundation and the Housing Corp are included within the College reporting entity as discretely presented component units.

This MD&A focuses on the College, excluding the discretely presented component units. The MD&A information for the discretely presented component units is included in their separately issued audit reports.

**The Statement of Net Position**

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

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

## Condensed Statement of Net Position at June 30

(In Thousands)

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current Assets	\$ 53,080	\$ 51,557
Capital Assets, Net	172,844	182,218
Other Noncurrent Assets	<u>35,710</u>	<u>26,625</u>
<b>Total Assets</b>	<u>261,634</u>	<u>260,400</u>
<b>Deferred Outflows of Resources</b>	<u>14,827</u>	<u>16,951</u>
<b>Liabilities</b>		
Current Liabilities	12,319	13,117
Noncurrent Liabilities	<u>59,594</u>	<u>57,787</u>
<b>Total Liabilities</b>	<u>71,913</u>	<u>70,904</u>
<b>Deferred Inflows of Resources</b>	<u>7,673</u>	<u>7,988</u>
<b>Net Position</b>		
Net Investment in Capital Assets	166,125	174,458
Restricted	53,105	41,198
Unrestricted	<u>(22,355)</u>	<u>(17,197)</u>
<b>Total Net Position</b>	<u>\$ 196,875</u>	<u>\$ 198,459</u>

The \$1.5 million increase in the College's current assets was primarily caused by a \$3.8 million increase in due from other governmental agencies, a \$0.5 million increase in accounts receivable and a \$3 million decrease in current cash and cash equivalents. The \$9.4 million decrease in capital assets, net, was primarily due to the demolition of two buildings on the Daytona Beach campus as set forth in the College's master plan. The \$9.1 million increase in other noncurrent assets was due to an increase in restricted cash and cash equivalents. The \$1.8 million increase in noncurrent liabilities was primarily due to a \$2.1 million increase in noncurrent portion of the net pension liabilities, a \$0.5 million increase in the noncurrent portion of compensated absences payable and a \$1 million decrease in the noncurrent portion of loans payable. Net investment in capital assets decreased primarily due to the demolition of the two buildings as noted above.

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

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

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

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

(In Thousands)

	<b>2019-20</b>	<b>2018-19</b>
Operating Revenues	\$ 27,929	\$ 27,572
Less, Operating Expenses	122,157	117,957
<b>Operating Loss</b>	(94,228)	(90,385)
Net Nonoperating Revenues	84,539	84,625
<b>Loss Before Other Revenues</b>	(9,689)	(5,760)
Other Revenues	8,105	7,544
<b>Net Increase (Decrease) In Net Position</b>	(1,584)	1,784
Net Position, Beginning of Year	198,459	196,685
<b>Adjustment to Beginning Net Position (1)</b>	-	(10)
<b>Net Position, Beginning of Year, as Restated</b>	198,459	196,675
<b>Net Position, End of Year</b>	\$ 196,875	\$ 198,459

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

**Operating Revenues**

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

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

**Operating Revenues  
For the Fiscal Years**

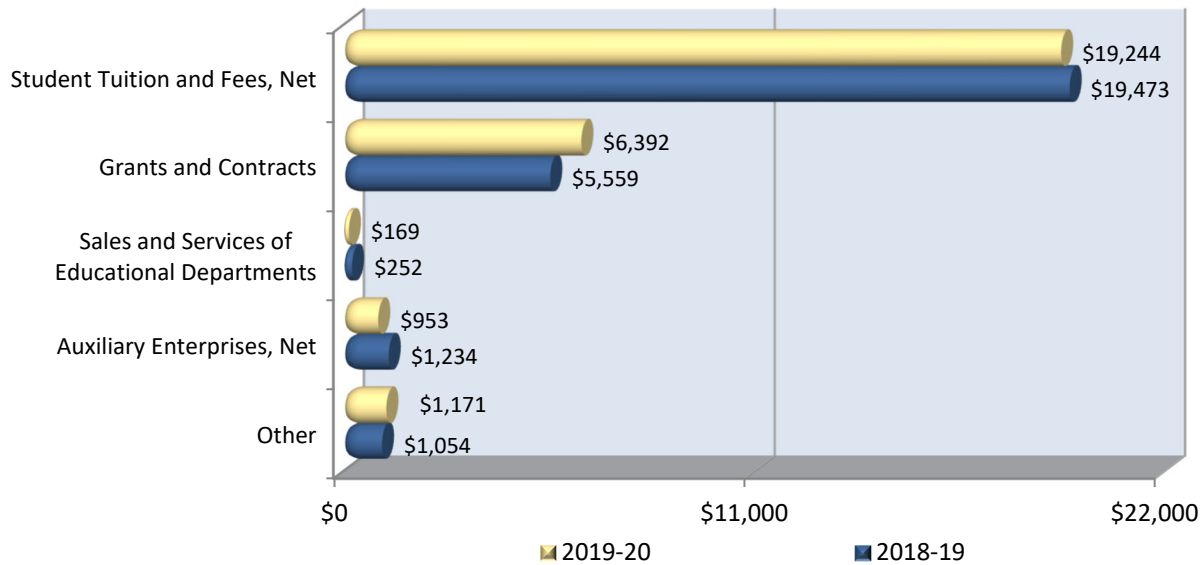
(In Thousands)

	<b>2019-20</b>	<b>2018-19</b>
Student Tuition and Fees, Net	\$ 19,244	\$ 19,473
Grants and Contracts	6,392	5,559
Sales and Services of Educational Departments	169	252
Auxiliary Enterprises	953	1,234
Other	1,171	1,054
<b>Total Operating Revenues</b>	\$ 27,929	\$ 27,572

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

## Operating Revenues

(In Thousands)



### Operating Expenses

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

The following summarizes operating expenses by natural classification for the 2019-20 and 2018-19 fiscal years:

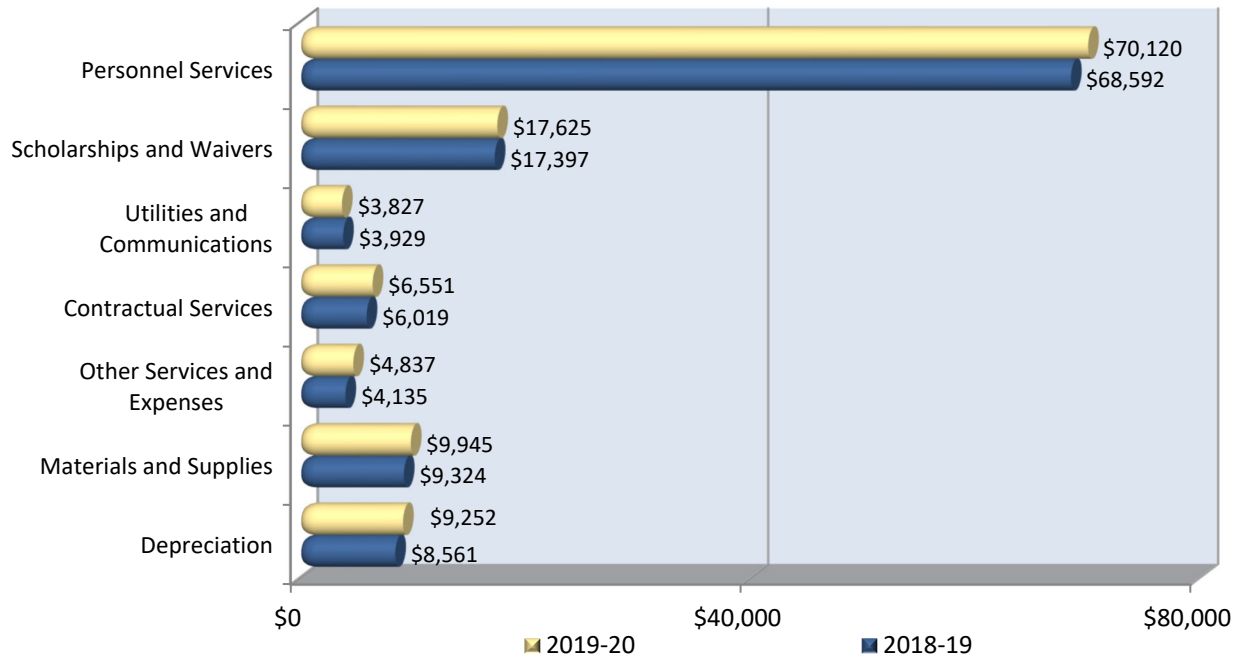
### Operating Expenses For the Fiscal Years

(In Thousands)

	<u>2019-20</u>	<u>2018-19</u>
Personnel Services	\$ 70,120	\$ 68,592
Scholarships and Waivers	17,625	17,397
Utilities and Communications	3,827	3,929
Contractual Services	6,551	6,019
Other Services and Expenses	4,837	4,135
Materials and Supplies	9,945	9,324
Depreciation	9,252	8,561
<b>Total Operating Expenses</b>	<b><u>\$ 122,157</u></b>	<b><u>\$ 117,957</u></b>

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

**Operating Expenses**  
(In Thousands)



Operating expense increased by \$4.2 million primarily due to a \$1.5 million increase in personnel services, a \$0.7 million increase in depreciation expense which includes depreciation expense of the new student center for the first year, a \$0.7 million increase in other services and expenses, a \$0.6 million increase in materials and supplies, and a \$0.5 million increase in contractual services.

**Nonoperating Revenues and Expenses**

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2019-20 and 2018-19 fiscal years:

**Nonoperating Revenues (Expenses)  
For the Fiscal Years**

(In Thousands)

	<b>2019-20</b>	<b>2018-19</b>
State Noncapital Appropriations	\$ 52,263	\$ 52,911
Federal and State Student Financial Aid	29,251	27,586
Gifts and Grants	3,157	2,102
Investment Income	1,674	1,183
Net Unrealized Gain on Investments	1,082	1,214
Loss on Disposal of Capital Assets	(2,604)	-
Interest on Capital Asset-Related Debt	(302)	(348)
Other Nonoperating Revenues (Expenses)	18	(23)
<b>Net Nonoperating Revenues</b>	<b>\$ 84,539</b>	<b>\$ 84,625</b>

**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)

	<b>2019-20</b>	<b>2018-19</b>
State Capital Appropriations	\$ 5,654	\$ 5,040
Capital Grants, Contracts, Gifts, and Fees	2,451	2,504
<b>Total</b>	<b>\$ 8,105</b>	<b>\$ 7,544</b>

**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	\$ (83,528)	\$ (79,555)
Noncapital Financing Activities	84,671	82,600
Capital and Related Financing Activities	2,195	(2,545)
Investing Activities	2,758	2,410
<b>Net Increase in Cash and Cash Equivalents</b>	6,096	2,910
Cash and Cash Equivalents, Beginning of Year	61,191	58,281
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 67,287</b>	<b>\$ 61,191</b>

Major sources of funds came from State noncapital appropriations (\$52.3 million), Federal and State student financial aid (\$29.3 million), and net student tuition and fees (\$19.1 million). Major uses of funds were for payments to employees (\$52.3 million), payments to suppliers for goods and services (\$21.8 million), and payments for student scholarships (\$17.5 million).

<b>CAPITAL ASSETS AND DEBT ADMINISTRATION</b>
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**Capital Assets**

At June 30, 2020, the College had \$318.3 million in capital assets, less accumulated depreciation of \$145.5 million, for net capital assets of \$172.8 million. Depreciation charges for the current fiscal year totaled \$9.3 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)

	2020	2019
Land	\$ 15,403	\$ 15,403
Artwork	399	399
Construction in Progress	1,081	1,920
Buildings	147,621	155,965
Other Structures and Improvements	4,337	2,917
Furniture, Machinery, and Equipment	3,162	3,298
Data Software	841	2,316
<b>Capital Assets, Net</b>	<b>\$172,844</b>	<b>\$182,218</b>

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

**Debt Administration**

As of June 30, 2020, the College had \$6.7 million in outstanding capital outlay bonds payable and loans payable, representing a decrease of \$1 million, or 13.4 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

## Long-Term Debt at June 30

(In Thousands)

	<u>2020</u>	<u>2019</u>
SBE Capital Outlay Bonds	\$ 19	\$ 40
Loans Payable	<u>6,700</u>	<u>7,720</u>
<b>Total</b>	<u>\$ 6,719</u>	<u>\$ 7,760</u>

On January 14, 2020, the State Board of Education (SBE) issued \$20,530,000 of the SBE Capital Outlay Bonds, Series 2020A. The College's portion of the bonds, \$19,000, was used to refund \$20,000 of outstanding SBE Capital Outlay Bonds, Series 2010A. The proceeds of the bond issue were deposited in a trust fund with the State Board of Administration (SBA) to provide for all future debt service payments on the bonds. The assets with the SBA and the liability for the refunded bonds are not included on the College's statement of net position. As a result of the refunding, the College had a debt service savings of \$1,000 and obtained an economic gain of \$943.

The SBE issues capital outlay bonds on behalf of the College. During the 2019-20 fiscal year debt repayments totaled \$1 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

### ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Daytona State College's economic condition correlates to factors affecting the State of Florida relative to various changes in the State and the surrounding counties' unemployment rate. Currently Florida's unemployment rate is 10.3 percent, which is an increase of approximately 7 percent from a year ago. Volusia and Flagler counties reflect unemployment rates of 9.5 and 9.4 percent, respectively. Historically when there is a substantial increase in the unemployment rate due to the downtrends in the economy, colleges and universities realize an influx of applications resulting in an increase in enrollment. Due to the fact that the above intensifications resulted from a global pandemic, COVID-19, there was a lot of uncertainty introduced to every aspect of society nationwide. This has triggered a change in the trajectory of how educational institutions will provide the necessary academic and supportive services to students. However, Daytona State College's District Board of Trustees remained steadfast as it relates to college affordability for students and voted once again to maintain the current tuition and fee rate with no increases across the board. Given the above, coupled with the recent reductions in State appropriations statewide, the College's administration will continue its charge to strategize ways to enhance the overall operating efficiencies and manage the fiscal resources effectively during the 2020-21 fiscal year.

### REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President of Finance/CBO, Daytona State College, 1200 West International Speedway Boulevard, Daytona Beach, Florida 32114.



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# BASIC FINANCIAL STATEMENTS

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

June 30, 2020

	<u>College</u>	<u>Component Units</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 21,657,798	\$ 191,910
Restricted Cash and Cash Equivalents	9,919,446	128,249
Accounts Receivable, Net	3,975,532	-
Notes Receivable, Net	47,559	-
Due from Other Governmental Agencies	16,473,317	-
Due from Component Units/College	9,376	7,372,174
Prepaid Expenses	992,655	-
Deposits	4,494	-
<b>Total Current Assets</b>	<u>53,080,177</u>	<u>7,692,333</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	35,710,171	-
Investments	-	1,070,332
Restricted Investments	462	27,605,310
Depreciable Capital Assets, Net	155,960,748	-
Nondepreciable Capital Assets	16,882,961	596,157
Other Assets	-	29,850
<b>Total Noncurrent Assets</b>	<u>208,554,342</u>	<u>29,301,649</u>
<b>TOTAL ASSETS</b>	<u>261,634,519</u>	<u>36,993,982</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	447,882	-
Pensions	14,378,925	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>14,826,807</u>	<u>-</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	1,609,777	41,313
Accrued Interest Payable	66,852	-
Salary and Payroll Taxes Payable	2,529,641	-
Retainage Payable	193,116	-
Due to Component Units/College	4,829,944	37,932
Unearned Revenue	226,018	-
Deposits Held for Others	308,018	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	11,000	-
Loans Payable	1,055,000	-
Special Termination Benefits Payable	16,129	-
Compensated Absences Payable	1,181,506	-
Other Postemployment Benefits Payable	65,206	-
Net Pension Liability	226,223	-
<b>Total Current Liabilities</b>	<u>12,318,430</u>	<u>79,245</u>

	<u>College</u>	<u>Component Units</u>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds Payable	8,000	-
Loans Payable	5,645,000	-
Special Termination Benefits Payable	445,501	-
Compensated Absences Payable	10,069,826	-
Other Postemployment Benefits Payable	394,870	-
Net Pension Liability	43,030,893	-
<b>Total Noncurrent Liabilities</b>	<u>59,594,090</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>71,912,520</u>	<u>79,245</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	188,730	-
Pensions	7,484,684	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>7,673,414</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	166,124,639	596,157
Restricted:		
Nonexpendable:		
Endowment	17,211	15,490,463
Expendable:		
Grants and Loans	5,734,317	19,621,680
Scholarships	313,537	-
Capital Projects	47,039,776	-
Debt Service	532	-
Unrestricted	<u>(22,354,620)</u>	<u>1,206,437</u>
<b>TOTAL NET POSITION</b>	<u>\$ 196,875,392</u>	<u>\$ 36,914,737</u>

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

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

	<u>College</u>	<u>Component Units</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$12,392,698	\$ 19,244,341	\$ -
Federal Grants and Contracts	4,184,965	-
State and Local Grants and Contracts	1,010,917	325,248
Nongovernmental Grants and Contracts	1,195,600	-
Sales and Services of Educational Departments	169,074	-
Auxiliary Enterprises	952,995	-
Other Operating Revenues	1,171,164	5,543,505
<b>Total Operating Revenues</b>	<u>27,929,056</u>	<u>5,868,753</u>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	70,119,972	325,248
Scholarships and Waivers	17,624,708	961,105
Utilities and Communications	3,826,704	-
Contractual Services	6,551,470	29,198
Other Services and Expenses	4,837,323	1,270,746
Materials and Supplies	9,945,231	21,724
Depreciation	9,251,632	-
<b>Total Operating Expenses</b>	<u>122,157,040</u>	<u>2,608,021</u>
<b>Operating Income (Loss)</b>	<u>(94,227,984)</u>	<u>3,260,732</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	52,263,208	-
Federal and State Student Financial Aid	29,251,372	-
Gifts and Grants	3,156,761	1,368,023
Investment Income	1,673,897	810,485
Net Unrealized and Realized Gain on Investments	1,082,027	3,530,416
Loss on Disposal of Capital Assets	(2,604,419)	-
Interest on Capital Asset-Related Debt	(302,477)	-
Other Nonoperating Revenues	18,168	-
<b>Net Nonoperating Revenues</b>	<u>84,538,537</u>	<u>5,708,924</u>
<b>Income (Loss) Before Other Revenues</b>	<u>(9,689,447)</u>	<u>8,969,656</u>
State Capital Appropriations	5,654,361	-
Capital Grants, Contracts, Gifts, and Fees	2,450,879	-
<b>Total Other Revenues</b>	<u>8,105,240</u>	<u>-</u>
<b>Increase (Decrease) in Net Position</b>	<u>(1,584,207)</u>	<u>8,969,656</u>
Net Position, Beginning of Year	<u>198,459,599</u>	<u>27,945,081</u>
<b>Net Position, End of Year</b>	<u>\$ 196,875,392</u>	<u>\$ 36,914,737</u>

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

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

**For the Fiscal Year Ended June 30, 2020**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 19,058,875
Grants and Contracts	4,030,272
Payments to Suppliers	(21,796,566)
Payments for Utilities and Communications	(3,826,704)
Payments to Employees	(52,291,959)
Payments for Employee Benefits	(13,454,960)
Payments for Scholarships	(17,474,446)
Loans Issued to Students	(294,606)
Collection on Loans to Students	295,442
Auxiliary Enterprises	778,673
Sales and Services of Educational Departments	169,074
Other Receipts	1,279,145
	<b>(83,527,760)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	52,263,208
Federal and State Student Financial Aid	29,251,372
Federal Direct Loan Program Receipts	14,062,087
Federal Direct Loan Program Disbursements	(14,062,087)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	3,156,761
	<b>84,671,341</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	4,595,525
Capital Grants and Gifts	2,450,879
Proceeds from Sale of Capital Assets	18,168
Purchases of Capital Assets	(3,525,898)
Principal Paid on Capital Debt	(1,041,000)
Interest Paid on Capital Debt	(302,477)
	<b>2,195,197</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	1,641
Investment Income	2,755,924
	<b>2,757,565</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>6,096,343</b>
Cash and Cash Equivalents, Beginning of Year	61,191,072
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 67,287,415</b>

	<u>College</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (94,227,984)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	9,251,632
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(531,534)
Notes Receivables, Net	836
Due from Other Governmental Agencies	(2,721,503)
Due from Component Units	7,432
Prepaid Expenses	(209,896)
Accounts Payable	50,851
Salary and Payroll Taxes Payable	83,793
Unearned Revenue	2,493
Deposits Held for Others	107,981
Special Termination Benefits Payable	37,076
Compensated Absences Payable	525,795
Other Postemployment Benefits Payable	193,672
Net Pension Liability	2,091,425
Deferred Outflows of Resources Related to Other Postemployment Benefits	(400,142)
Deferred Inflows of Resources Related to Other Postemployment Benefits	188,730
Deferred Outflows of Resources Related to Pensions	2,524,517
Deferred Inflows of Resources Related to Pensions	(502,934)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (83,527,760)</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITIES</b>	
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ (2,604,419)

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

# **NOTES TO FINANCIAL STATEMENTS**

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## **1. Summary of Significant Accounting Policies**

**Reporting Entity.** The governing body of Daytona State College, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education (SBE) rules. However, the Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and SBE rules. The College serves Volusia and Flagler Counties.

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

**Discretely Presented Component Units.** Based on the application of the criteria for determining component units, the following component units are included within the College's reporting entity:

- Daytona State College Foundation, Inc. (Foundation): This legally separate entity is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.
- Daytona State College Housing Corporation (Housing Corp): On September 19, 2019, the Daytona State Housing Corporation was formed as a nonprofit corporation under the laws of the State of Florida to assist in the achievement of the College's mission by receiving, investing, and administering real and personal property including, but not limited to, the construction and management of College dormitories for the benefit of students of the College. This 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 component units are also direct-support organizations, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, are financially accountable to the College. The Foundation and Housing Corp are 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 and the Housing Corp receive, hold, invest, and administer property, and make expenditures to or for the benefit of the College.

The component units are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's and Housing Corp's audited financial statements are available to the public and can be obtained from the Vice President of Finance/CBO, Daytona State College, 1200 West International Speedway Boulevard, Daytona Beach, Florida 32114. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year



ended December 31, 2019, and the Housing Corp's audited financial statements for the fiscal year ended June 30, 2020. Additional condensed financial statements for the College's component units are included in a subsequent note.

**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 units use 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, gifts and grants, and investment income (net of unrealized gains or losses on investments). Interest on capital asset-related

debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against student tuition and fees.

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

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

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

At June 30, 2020, the College reported as cash equivalents at fair value \$62,252,833 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 3.). 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.

At June 30, 2020, the College reported as cash equivalents \$431,598 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 53 days as of June 30, 2020. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost.

Section 218.409(8)(a), Florida Statutes, provides that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

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

- Buildings – 40 years
- Other Structures and Improvements – 10 years

- Furniture, Machinery, and Equipment:
  - Computer Equipment – 3 years
  - Vehicles, Office Machines, and Educational Equipment – 5 years
  - Furniture – 7 years
- Data Software – 5 years

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

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

**2. 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.

<b>Fund</b>	<b>Net Position</b>
Current Funds - Unrestricted	\$ (33,026,796)
Auxiliary Funds	10,672,176
<b>Total</b>	<b>\$ (22,354,620)</b>

**3. Investments**

The Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; and other investments approved by the Board of Trustees as authorized by law. SBE Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments

authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments.

Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

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

**State Board of Administration Debt Service Accounts.** The College reported investments totaling \$462 at June 30, 2020, in the SBA Debt Service Accounts, at fair value using quoted market process (Level 1 inputs). These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

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

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

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

*Custodial credit risk – deposits:* Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the Foundation's and the Housing Corp's deposits may not be returned to them. At December 31, 2019, the Foundation's cash deposits with financial and brokerage institutions was \$132,046, all of which were insured up to respective FDIC and SIPC limits. At June 30, 2020, the Housing Corporation's cash deposits with financial institutions was \$158,254, all of which were insured up to respective FDIC limits.

*Interest rate risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Foundation's and the Housing Corp's policies for managing their

exposure for changes in interest rate is through maintaining diversification of their investments and investment maturity dates to minimize the impact of downturns in the market.

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

*Concentration risk:* The Foundation's and the Housing Corp's investment policies discourage more than 5 percent of the portfolio's total assets taken at current value be invested in the securities of one issuer, other than the United States of America, its agencies or instrumentalities. The Policies further discourage more than 40 percent of the portfolio's assets to be invested in the securities of the companies in any one industry.

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

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

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

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

<u>Deposits and Investments</u>	<u>Average Maturity</u>	<u>Fair Value Level</u>	<u>Credit Quality (S&amp;P)</u>	<u>Fair Value</u>
<b>Daytona State College Foundation, Inc.</b>				
Cash and Cash Equivalents	N/A	N/A	N/A	\$ 161,905
Mutual Funds - Fixed Income	7.90	2	A	9,014,487
Mutual Funds - Equity	N/A	2	N/A	17,508,986
<b>Total Deposits and Investments</b>				<u>26,685,378</u>
<b>Daytona State College Housing Corporation</b>				
Cash and Cash Equivalents				158,254
State Treasury Special Purpose Investment Accounts				2,152,169
<b>Total Deposits and Investments</b>				<u>2,310,423</u>
<b>Total Deposits and Investments of Component Units</b>				<u>\$ 28,995,801</u>

#### 4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a \$851,687 allowance for doubtful accounts.

#### 5. Notes Receivable

Notes receivable represent student loans made under the short-term loan program of \$50,784. Notes receivable are reported net of a \$3,225 allowance for doubtful notes.

#### 6. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$10,959,584 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$5,512,592 for contract and grant reimbursement due from third parties.

#### 7. Due From and To Component Units/College

The \$4,829,944 reported as due to component units consists of amounts owed by the College to the Foundation pursuant to an agreement to invest Foundation short-term cash on hand in the State Treasury SPIA and SBA Florida Prime investment accounts of the College. The \$9,376 reported as due from component unit to the College consists of student assistance related to child care services from the Foundation.

The College's financial statements are reported for the fiscal year ended June 30, 2020. The Foundation's financial statements are reported for the fiscal year ended December 31, 2019. Accordingly, amounts reported by the College as due from and to component unit on the statement of net position do not agree with amounts reported by the component unit as due from and to the College.

## 8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2020, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 15,402,520	\$ -	\$ -	\$ 15,402,520
Artwork	399,435	-	-	399,435
Construction in Progress	1,919,618	1,296,413	2,135,025	1,081,006
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 17,721,573</b>	<b>\$ 1,296,413</b>	<b>\$ 2,135,025</b>	<b>\$ 16,882,961</b>
Depreciable Capital Assets:				
Buildings	\$ 242,171,937	\$ 264,599	\$ 5,724,939	\$ 236,711,597
Other Structures and Improvements	32,428,020	1,870,426	-	34,298,446
Furniture, Machinery, and Equipment	21,925,092	1,185,273	1,447,746	21,662,619
Data Software	8,747,667	-	-	8,747,667
<b>Total Depreciable Capital Assets</b>	<b>305,272,716</b>	<b>3,320,298</b>	<b>7,172,685</b>	<b>301,420,329</b>
Less, Accumulated Depreciation:				
Buildings	86,206,798	6,009,055	3,125,609	89,090,244
Other Structures and Improvements	29,510,759	451,119	-	29,961,878
Furniture, Machinery, and Equipment	18,626,761	1,317,069	1,442,656	18,501,174
Data Software	6,431,896	1,474,389	-	7,906,285
<b>Total Accumulated Depreciation</b>	<b>140,776,214</b>	<b>9,251,632</b>	<b>4,568,265</b>	<b>145,459,581</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 164,496,502</b>	<b>\$ (5,931,334)</b>	<b>\$ 2,604,420</b>	<b>\$ 155,960,748</b>

## 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>
Bonds Payable	\$ 40,000	\$ 19,000	\$ 40,000	\$ 19,000	\$ 11,000
Loans Payable	7,720,000	-	1,020,000	6,700,000	1,055,000
Special Termination Benefits Payable	424,554	53,205	16,129	461,630	16,129
Compensated Absences Payable	10,725,538	1,760,333	1,234,539	11,251,332	1,181,506
Other Postemployment Benefits Payable	266,404	448,663	254,991	460,076	65,206
Net Pension Liability	41,165,691	27,588,884	25,497,459	43,257,116	226,223
<b>Total Long-Term Liabilities</b>	<b>\$ 60,342,187</b>	<b>\$ 29,870,085</b>	<b>\$ 28,063,118</b>	<b>\$ 62,149,154</b>	<b>\$ 2,555,064</b>



**Bonds Payable.** The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College’s portion of the State-assessed motor vehicle license tax and by the State’s full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2020:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rate (Percent)</u>	<u>Annual Maturity To</u>
SBE Capital Outlay Bonds: Series 2020A, Refunding	\$ 19,000	5	2022

Annual requirements to amortize all bonded debt outstanding as of June 30, 2020, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>SBE Capital Outlay Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 11,000	\$ 916	\$ 11,916
2022	8,000	400	8,400
<b>Total</b>	<b>\$ 19,000</b>	<b>\$ 1,316</b>	<b>\$ 20,316</b>

On January 14, 2020, the SBE issued \$20,530,000 of the SBE Capital Outlay Bonds, Series 2020A. The College’s portion of the bonds, \$19,000, was used to refund \$20,000 of outstanding SBE Capital Outlay Bonds, Series 2010A. The proceeds of the bond issue were deposited in a trust fund with the SBA to provide for all future debt service payments on the bonds. The assets with the SBA and the liability for the refunded bonds are not included on the College’s statement of net position. As a result of the refunding, the College had a debt service savings of \$1,000 and obtained an economic gain of \$973.

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

Annual requirements to amortize the outstanding loans as of June 30, 2020, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,055,000	\$ 251,794	\$ 1,306,794
2022	1,100,000	209,038	1,309,038
2023	1,145,000	164,487	1,309,487
2024	1,200,000	118,139	1,318,139
2025	1,240,000	69,497	1,309,497
Thereafter	960,000	19,309	979,309
<b>Total</b>	<b>\$ 6,700,000</b>	<b>\$ 832,264</b>	<b>\$ 7,532,264</b>

**Special Termination Benefits Payable.** The Board of Trustees established a severance pay plan for certain College administrative employees. The plan provided that an eligible employee's total benefit could not exceed an amount equal to twice the employee's annualized base pay determined as of the date of the employee's separation from service and the payment must be paid within 60 days of the separation date. The Board of Trustees, during its December 8, 2011 meeting, terminated further accrual of benefits under this plan after July 1, 2011. As of June 30, 2020, there were two remaining employees in the plan. Upon their separation, the two remaining employees will be paid their portion of the remaining plan liability, or \$189,568. During the 2019-20 fiscal year, there were no payments made from the Special Termination Benefits plan.

On December 8, 2011, the College Board of Trustees adopted a Deferred Compensation Plan (Compensation Plan) effective July 1, 2011. Under the Compensation Plan, the President is an eligible participant, and can determine, on a plan year by plan year basis, which other eligible employees could participate in the Compensation Plan. The Compensation Plan provides that an eligible employee's total benefit may not exceed an amount equal to twice the employee's annualized base pay determined as of the date of the employee separates from service. Effective July 1, 2011, the former President of the College became eligible to participate in the Compensation Plan. The former President separated employment on June 30, 2015, and received a lump sum payment of \$19,250, and the first of ten annual \$16,129 payments, in the 2015-16 fiscal year. During the 2019-20 fiscal year, the College paid the fifth of the ten annual payments to the former President, and contributed \$53,205 to the Compensation Plan for the current President, an eligible participant in the Compensation Plan, effective July 1, 2016.

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2020, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$11,251,332. The current portion of the compensated absences liability, \$1,181,506, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

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

***General Information about the OPEB Plan***

*Plan Description.* The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the Consortium that provides OPEB for all employees who satisfy the College’s retirement eligibility provisions. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College’s health and hospitalization plan for medical insurance coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. The OPEB Plan contribution requirements and benefit terms of the College and the OPEB Plan members are established and may be amended by action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	45
Active Employees	841
<b>Total</b>	<u>886</u>

***Total OPEB Liability***

The College’s total OPEB liability of \$460,076 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	2.6 percent
Salary increases	Regular Employees: 4.00-7.80 percent, including inflation Senior Management: 4.70-7.10 percent, including inflation
Discount rate	3.50 percent at current measurement date 3.87 percent at prior measurement date
Healthcare cost trend rates	Pre-Medicare: 7.0 percent for 2019, decreasing to an ultimate rate of 4.5 percent by 2026 Medicare: 5.0 percent for 2019 decreasing to an ultimate rate of 4.5 percent by 2021
Benefit-related costs	100 percent of projected health insurance premiums for retirees

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

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

The demographic actuarial assumptions for retirement, disability incidence, and withdrawal used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period January 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***

	<b>Amount</b>
<b>Balance at 6/30/19</b>	<u>\$ 266,404</u>
<b>Changes for the year:</b>	
Service Cost	14,271
Interest	9,480
Differences Between Expected and Actual Experience	424,912
Changes in Assumptions or Other Inputs	(211,690)
Benefit Payments	<u>(43,301)</u>
<b>Net Changes</b>	<u>193,672</u>
<b>Balance at 6/30/20</b>	<u>\$ 460,076</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 percent in 2018 to 3.50 percent in 2019 due to the change in the Municipal Bond Rate.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 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	\$469,998	\$460,076	\$450,524

*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	\$427,528	\$460,076	\$500,827

***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 \$47,466. At June 30, 2020, the College reported deferred outflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 378,826	\$ -
Change of assumptions or other inputs	3,850	188,730
Transactions subsequent to the measurement date	65,206	-
<b>Total</b>	<u>\$ 447,882</u>	<u>\$ 188,730</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$65,206 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 23,715
2022	23,715
2023	23,715
2024	23,715
2025	23,715
Thereafter	75,371
<b>Total</b>	<u>\$ 193,946</u>

**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 \$43,257,116. 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 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class employed by the State and faculty and specified employees of State colleges. Chapter 112, Florida Statutes, established the HIS Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

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

The College's FRS and HIS pension expense totaled \$7,215,686 for the fiscal year ended June 30, 2020.

### **FRS Pension Plan**

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

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

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:

<b><u>Class, Initial Enrollment, and Retirement Age/Years of Service</u></b>	<b><u>% Value</u></b>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
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
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
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
<b>Senior Management Service Class</b>	<b>2.00</b>

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 \$2,462,067 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 \$29,924,100 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 0.086891143 percent, which was a decrease of 0.005988609 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of \$6,677,947. 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	\$ 1,774,884	\$ 18,571
Change of assumptions	7,685,797	-
Net difference between projected and actual earnings on FRS Plan investments	-	1,655,557
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	77,526	2,886,225
College FRS contributions subsequent to the measurement date	2,462,067	-
<b>Total</b>	<b>\$ 12,000,274</b>	<b>\$ 4,560,353</b>



The deferred outflows of resources totaling \$2,462,067, 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	\$ 1,994,842
2022	100,940
2023	1,514,519
2024	1,182,717
2025	160,692
Thereafter	<u>24,144</u>
<b>Total</b>	<b><u>\$ 4,977,854</u></b>

*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%
<b>Total</b>	<u>100%</u>			
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	\$51,728,804	\$29,924,100	\$11,713,484

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

### **HIS Pension Plan**

**Plan Description.** The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

**Benefits Provided.** For the fiscal year ended June 30, 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 \$664,269 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 \$13,333,016 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 0.119161828 percent, which was a decrease of 0.005457298 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of \$537,739. 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	\$ 161,944	\$ 16,326
Change of assumptions	1,543,834	1,089,732
Net difference between projected and actual earnings on HIS Plan investments	8,604	-
Changes in proportion and differences between College HIS contributions and proportionate share of contributions	-	1,818,273
College HIS contributions subsequent to the measurement date	664,269	-
<b>Total</b>	<b>\$ 2,378,651</b>	<b>\$ 2,924,331</b>

The deferred outflows of resources totaling \$664,269, 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	\$ (225,618)
2022	(243,270)
2023	(224,965)
2024	(338,563)
2025	(162,205)
Thereafter	(15,328)
<b>Total</b>	<u><u>\$ (1,209,949)</u></u>

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

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.50 percent

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

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

*Discount Rate.* The discount rate used to measure the total pension liability was 3.50 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2019 valuation was updated from 3.87 percent to 3.50 percent

*Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 3.50 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
College's proportionate share of the net pension liability	\$15,220,321	\$13,333,016	\$11,761,104

*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 \$226,223 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 \$1,034,593 for the fiscal year ended June 30, 2020.

**State College System Optional Retirement Program.** Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible college instructors and administrators. The Program is designed to aid colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes 5.15 percent of the participant's salary to the participant's account and 3.56 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 8.71 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The College's contributions to the Program totaled \$232,265 and employee contributions totaled \$135,300 for the 2019-20 fiscal year.

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

The Local Annuity Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. The College contributes 12.34 percent of the employee's salary to the Local Annuity Program. Employees may make contributions toward the Local Annuity Program by way of salary reduction or by deduction of a

percentage of the employee's gross compensation not to exceed the percentage contributed by the employer.

The College's contributions to the Local Annuity Program totaled \$128,092 for the 2019-20 fiscal year.

## 12. Construction Commitments

The College's major 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>
Lenholt Remodel			
Architect	\$ 216,918	\$ 202,403	\$ 14,515
Contractor	2,250,489	712,731	1,537,758
Palm Coast Building 1 Remodel			
Architect	367,195	-	367,195
<b>Total</b>	<u>\$ 2,834,602</u>	<u>\$ 915,134</u>	<u>\$ 1,919,468</u>

## 13. Joint Participation Agreement

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

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

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

## 14. Risk Management Programs

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

from commercial companies provided coverage of up to \$100 million 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.

## 15. Functional Distribution of Operating Expenses

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 41,504,966
Public Services	2,246,163
Academic Support	7,597,170
Student Services	13,350,648
Institutional Support	15,676,655
Operation and Maintenance of Plant	14,295,682
Scholarships and Waivers	17,624,708
Depreciation	9,251,632
Auxiliary Enterprises	609,416
<b>Total Operating Expenses</b>	<b>\$ 122,157,040</b>

## 16. Discretely Presented Component Units

The College has two discretely presented component units as discussed in Note 1. These component units represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:



## Condensed Statement of Net Position

	Direct-Support Organizations		Total
	Daytona State College Foundation, Inc. (1)	Daytona State College Housing Corporation (2)	
<b>Assets:</b>			
Current Assets	\$ 7,534,079	\$ 158,254	\$ 7,692,333
Capital Assets, Net	-	596,157	596,157
Other Noncurrent Assets	26,553,323	2,152,169	28,705,492
<b>Total Assets</b>	<b>34,087,402</b>	<b>2,906,580</b>	<b>36,993,982</b>
<b>Liabilities:</b>			
Current Liabilities	79,245	-	79,245
<b>Total Liabilities</b>	<b>79,245</b>	<b>-</b>	<b>79,245</b>
<b>Net Position:</b>			
Investment in Capital Assets	-	596,157	596,157
Restricted Nonexpendable	15,490,463	-	15,490,463
Restricted Expendable	17,311,257	2,310,423	19,621,680
Unrestricted	1,206,437	-	1,206,437
<b>Total Net Position</b>	<b>\$ 34,008,157</b>	<b>\$ 2,906,580</b>	<b>\$ 36,914,737</b>

(1) Amounts are for the fiscal year ended December 31, 2019.

(2) Amounts are for the fiscal year ended June 30, 2020.

## Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Direct-Support Organizations		Total
	Daytona State College Foundation, Inc. (1)	Daytona State College Housing Corporation (2)	
Operating Revenues	\$ 2,944,926	\$ 2,923,827	\$ 5,868,753
Operating Expenses	2,590,774	17,247	2,608,021
<b>Operating Income</b>	<b>354,152</b>	<b>2,906,580</b>	<b>3,260,732</b>
Net Nonoperating Revenues			
Nonoperating Revenues	5,708,924	-	5,708,924
<b>Net Nonoperating Revenues</b>	<b>5,708,924</b>	<b>-</b>	<b>5,708,924</b>
<b>Increase in Net Position</b>	<b>6,063,076</b>	<b>2,906,580</b>	<b>8,969,656</b>
Net Position, Beginning of Year	27,945,081	-	27,945,081
<b>Net Position, End of Year</b>	<b>\$ 34,008,157</b>	<b>\$ 2,906,580</b>	<b>\$ 36,914,737</b>

(1) Amounts are for the fiscal year ended December 31, 2019.

(2) Amounts are for the fiscal year ended June 30, 2020.

## 17. Related Party Transactions

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

The two parties also entered into a lease agreement, whereby the College leased to the Foundation the condominiums for one year, renewable annually for a total of 20 years. The purpose of the lease was to provide the Foundation with fiscal governance of its investment in the real property in the parameters of the Real Property Investment Agreement. The Foundation reported the condominiums on their financial statements as restricted investments on its statement of net position. The College did not report the condominiums as assets.

On October 15, 2019, the College sold all owned condominium units for approximately \$1.6 million. The Foundation reported a loss on the sale of investment on real property on its financial statements in the amount of approximately \$630,000 as restricted net realized and unrealized gains/losses on investments. On October 16, 2019, the College entered into a lease agreement with the buyer of the condominiums that terminates on May 31, 2021. As part of the lease, the College and Foundation executed a "Lease Property Agreement" in which the parties agreed that the Foundation shall at all times retain a 100 percent interest in the lease. Through the Foundation, the College pays a monthly amount of \$29,900 for the 31 units leased. After the termination of this lease agreement on May 31, 2021, and with ninety days prior written notice, the College may continue to lease any or all of the units on a month-to-month basis at the then prevailing market rental rate for the applicable units.

## **OTHER REQUIRED SUPPLEMENTARY INFORMATION**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total OPEB Liability</b>			
Service cost	\$ 14,271	\$ 14,044	\$ 13,952
Interest	9,480	9,498	8,431
Difference between expected and actual experience	424,912	-	-
Changes of assumptions or other inputs	(211,690)	2,175	3,204
Benefit Payments	<u>(43,301)</u>	<u>(51,758)</u>	<u>(26,276)</u>
<b>Net change in total OPEB liability</b>	193,672	(26,041)	(689)
Total OPEB Liability - beginning, as Restated	<u>266,404</u>	<u>292,445</u>	<u>293,134</u>
<b>Total OPEB Liability - ending</b>	<u>\$ 460,076</u>	<u>\$ 266,404</u>	<u>\$ 292,445</u>
Covered-Employee Payroll	\$ 39,057,492	\$ 47,691,228	\$ 42,266,180
<b>Total OPEB Liability as a percentage of covered-employee payroll</b>	<b>1.18%</b>	<b>0.56%</b>	<b>0.69%</b>

**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	0.086891143%	0.092879752%	0.097474826%	0.102985790%
College's proportionate share of the FRS net pension liability	\$ 29,924,100	\$ 27,975,863	\$ 28,832,399	\$ 26,003,993
College's covered payroll (2)	\$ 44,522,211	\$ 46,180,205	\$ 47,378,975	\$ 48,237,861
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	67.21%	60.58%	60.85%	53.91%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.61%	84.26%	83.89%	84.88%

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

(2) Covered payroll includes defined benefit plan actives, investment plan members, State college system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

**Schedule of College Contributions – Florida Retirement System Pension Plan**

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
Contractually required FRS contribution	\$ 2,462,067	\$ 2,718,207	\$ 2,680,544	\$ 2,554,620
FRS contributions in relation to the contractually required contribution	<u>(2,462,067)</u>	<u>(2,718,207)</u>	<u>(2,680,544)</u>	<u>(2,554,620)</u>
FRS contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
College's covered payroll (2)	\$ 44,361,540	\$ 44,522,211	\$ 46,180,205	\$ 47,378,975
FRS contributions as a percentage of covered payroll	5.55%	6.11%	5.80%	5.39%

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

(2) Covered payroll includes defined benefit plan actives, investment plan members, State college system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.113629190%	0.122606733%	0.113149274%
\$ 14,676,734	\$ 7,480,814	\$ 19,478,026
\$ 49,461,726	\$ 52,046,719	\$ 52,177,541
29.67%	14.37%	37.33%
92.00%	96.09%	88.54%

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 2,511,473	\$ 2,770,376	\$ 2,685,608
<u>(2,511,473)</u>	<u>(2,770,376)</u>	<u>(2,685,608)</u>
\$ _____ -	\$ _____ -	\$ _____ -
\$ 48,237,861	\$ 49,461,726	\$ 52,046,680
5.21%	5.60%	5.16%

**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	0.119161828%	0.124619126%	0.130472045%	0.136392329%
College's proportionate share of the HIS net pension liability	\$ 13,333,016	\$ 13,189,828	\$ 13,950,674	\$ 15,895,961
College's covered payroll (2)	\$ 39,843,251	\$ 40,718,278	\$ 41,622,453	\$ 42,112,067
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.46%	32.39%	33.52%	37.75%
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	\$ 664,269	\$ 661,398	\$ 675,923	\$ 690,933
HIS contributions in relation to the contractually required HIS contribution	<u>(664,269)</u>	<u>(661,398)</u>	<u>(675,923)</u>	<u>(690,933)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 40,016,198	\$ 39,843,251	\$ 40,718,278	\$ 41,622,453
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%

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

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

<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.141810273%	0.152163695%	0.155689929%
\$ 14,462,417	\$ 14,227,677	\$ 13,554,855
\$ 43,051,270	\$ 45,252,275	\$ 45,267,404
33.59%	31.44%	29.94%
0.50%	0.99%	1.78%

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 699,098	\$ 542,087	\$ 521,262
<u>(699,098)</u>	<u>(542,087)</u>	<u>(521,262)</u>
\$ -	\$ -	\$ -
\$ 42,112,067	\$ 43,051,270	\$ 45,252,275
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.* Since the prior measurement date, the Municipal Bond Index Rate decreased from 3.87 percent to 3.50 percent, and the active member mortality assumption was updated.

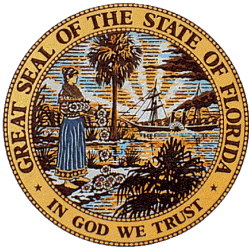
**2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan**

*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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Daytona State College, a component unit of the State of Florida, and its aggregate discretely presented component units 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 26, 2021, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

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

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

that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 26, 2021