

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

VALENCIA 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. Sanford C. Shugart served as President of Valencia College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Tracey Stockwell, Chair from 9-11-19, Vice Chair through 9-10-19	Orange
Daisy Lopez-Cid, Vice Chair from 9-11-19	Osceola
Dr. Bruce A. Carlson, Chair through 9-10-19	Osceola
John F. Davis from 8-16-19	Orange
Maria C. Grulich	Osceola
Guillermo Hansen	Osceola
Rosene Johnson through 8-15-19	Orange
Raymer F. Maguire III through 8-28-19	Orange
Lewis M. Oliver III through 8-15-19	Orange
Michael A. Sasso from 8-29-19	^a
Beth Smith	Orange
Mai Swanson from 8-29-19, through 5-18-20 ^b	Orange

^a Confidential pursuant to Section 119.071(4), Florida Statutes.

^b Trustee position vacant 8-16-19, through 8-28-19. Trustee resigned 5-18-20, and Trustee position remained vacant through 6-30-20.

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 Kristopher Kessel, and the audit was supervised by Brenda C. Racis, CPA.

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

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

FLAuditor.gov

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

State of Florida Auditor General

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

**VALENCIA COLLEGE
TABLE OF CONTENTS**

	<u>Page No.</u>
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	1
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	14
Statement of Revenues, Expenses, and Changes in Net Position	16
Statement of Cash Flows	18
Notes to Financial Statements	20
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios	46
Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	48
Schedule of College Contributions – Florida Retirement System Pension Plan	48
Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan.....	50
Schedule of College Contributions – Health Insurance Subsidy Pension Plan.....	50
Notes to Required Supplementary Information	52
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	
Internal Control Over Financial Reporting	53
Compliance and Other Matters	54
Purpose of this Report	54

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2020. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

AUDIT METHODOLOGY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Valencia College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Valencia College and of its discretely presented component unit as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2021, on our consideration of the Valencia 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 Valencia 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.

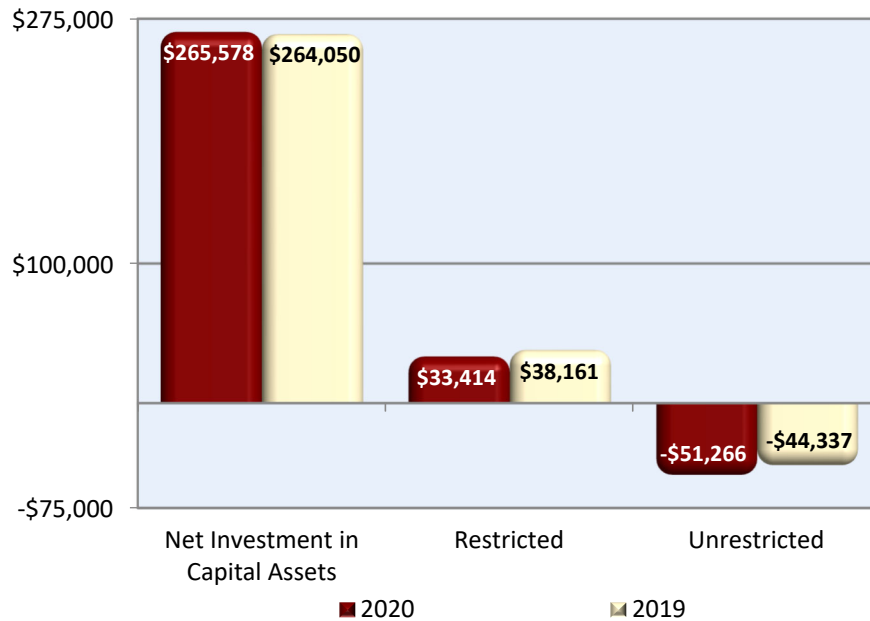
FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$419 million at June 30, 2020. This balance reflects a \$8.4 million, or 2.1 percent, increase as compared to the 2018-19 fiscal year, resulting from a capital lease for educational and academic support space at the Downtown Campus. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources increased by \$18.6 million, or 12.2 percent, totaling \$171.2 million at June 30, 2020, resulting from an increase in capital leases payable for the Downtown Campus. In addition, liabilities increased due to growth in net pension liability defined pension plans because of the decrease in the expected long-term rate of return on plan investments and the active member mortality assumption was updated. As a result, the College's net position decreased by \$10.1 million, resulting in a year-end balance of \$247.7 million.

The College's operating revenues totaled \$74.4 million for the 2019-20 fiscal year, representing a 8.6 percent decrease compared to the 2018-19 fiscal year due mainly to an increase in scholarship allowances resulting in a greater portion of tuition paid by Federal and State student financial aid instead of the student, or a third party on behalf of the student. Operating expenses totaled \$320.5 million for the 2019-20 fiscal year, representing an increase of 5.5 percent as compared to the 2018-19 fiscal year due mainly to an increase in the net pension expense for participating College employees in the State administered defined benefit pension plan.

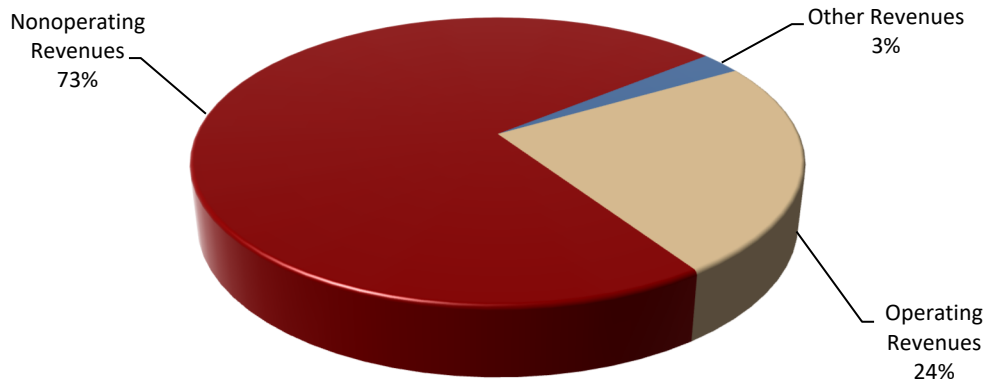
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2020, and June 30, 2019, is shown in the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

**Net Position
(In Thousands)**



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

**Total Revenues
2019-20 Fiscal Year**



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 35, the College’s financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the College and its component unit, the Valencia College Foundation, Inc. (Foundation). Based on the application of the criteria for determining component units,

the Foundation is included within the College reporting entity as a discretely presented component unit. This MD&A focuses on the College, excluding the discretely presented component unit.

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets	\$ 62,175	\$ 57,414
Capital Assets, Net	282,011	272,939
Other Noncurrent Assets	30,507	35,195
	<u>374,693</u>	<u>365,548</u>
Total Assets		
Deferred Outflows of Resources	<u>44,265</u>	<u>44,988</u>
Liabilities		
Current Liabilities	25,631	27,745
Noncurrent Liabilities	138,016	115,526
	<u>163,647</u>	<u>143,271</u>
Total Liabilities		
Deferred Inflows of Resources	<u>7,585</u>	<u>9,391</u>
Net Position		
Net Investment in Capital Assets	265,578	264,050
Restricted	33,414	38,161
Unrestricted	(51,266)	(44,337)
	<u>\$ 247,726</u>	<u>\$ 257,874</u>
Total Net Position		

Total assets increased primarily due to an \$8.1 million capital building lease for educational and academic support space at the Downtown Campus. Noncurrent liabilities increased primarily due to the growth in net pension liability of \$11.6 million and the addition of \$7.8 million for the noncurrent portion of the Downtown Campus capital building lease payable.

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)

	2019-20	2018-19
Operating Revenues	\$ 74,449	\$ 81,455
Less, Operating Expenses	320,527	303,731
Operating Loss	(246,078)	(222,276)
Net Nonoperating Revenues	228,032	205,987
Loss Before Other Revenues	(18,046)	(16,289)
Other Revenues	7,898	8,662
Net Decrease In Net Position	(10,148)	(7,627)
Net Position, Beginning of Year	257,874	265,522
Adjustment to Beginning Net Position (1)	-	(21)
Net Position, Beginning of Year, as Restated	257,874	265,501
Net Position, End of Year	\$ 247,726	\$ 257,874

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

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

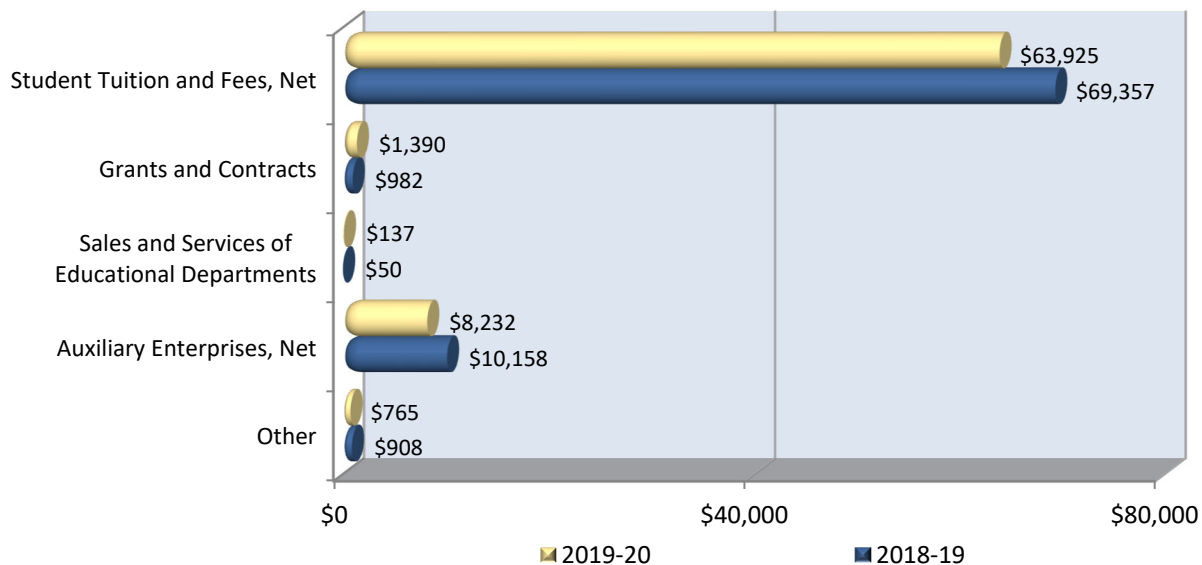
(In Thousands)

	2019-20	2018-19
Student Tuition and Fees, Net	\$ 63,925	\$ 69,357
Grants and Contracts	1,390	982
Sales and Services of Educational Departments	137	50
Auxiliary Enterprises, Net	8,232	10,158
Other	765	908
Total Operating Revenues	\$ 74,449	\$ 81,455

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

Operating Revenues

(In Thousands)



Total operating revenue decreased by \$7 million due to an increase in tuition scholarship allowance of \$10.7 million, which was partially offset by distance learning fee revenue of \$3.4 million, assessed on fully online courses for the first time in the 2019-20 fiscal year.

Operating Expenses

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

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

**Operating Expenses
For the Fiscal Years**

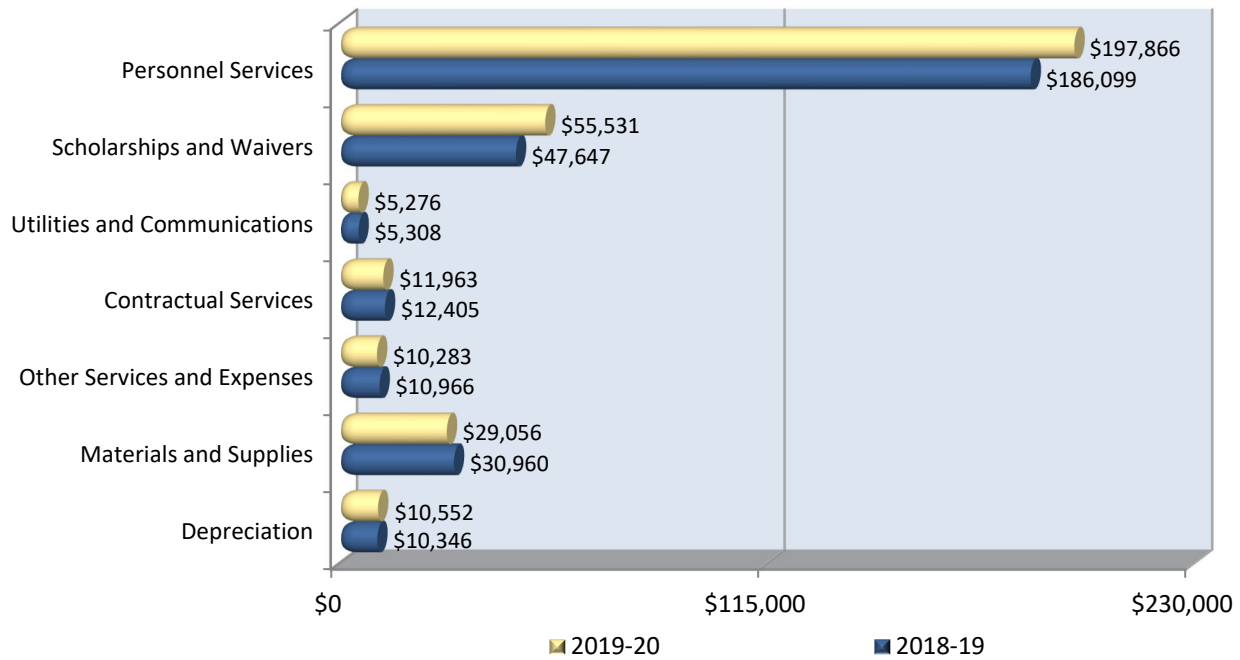
(In Thousands)

	2019-20	2018-19
Personnel Services	\$ 197,866	\$ 186,099
Scholarships and Waivers	55,531	47,647
Utilities and Communications	5,276	5,308
Contractual Services	11,963	12,405
Other Services and Expenses	10,283	10,966
Materials and Supplies	29,056	30,960
Depreciation	10,552	10,346
Total Operating Expenses	\$ 320,527	\$ 303,731

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

Operating Expenses

(In Thousands)



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

- Net pension expense for the State-administered defined benefit pension plans increased by \$7 million.
- All full-time and part-time faculty received a 2.3 percent salary increase.
- Additional part-time faculty were hired for courses taught at the Downtown Campus which opened in fall term 2019.
- Scholarship expenses increased primarily due to the issuance of \$12.8 million of disbursements for Emergency Aid Financial Aid Grants to Students under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

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:

	2019-20	2018-19
State Noncapital Appropriations	\$ 90,772	\$ 88,288
Federal and State Student Financial Aid	112,739	93,959
Gifts and Grants	23,241	21,797
Investment Income	1,513	2,261
Other Nonoperating Revenues	325	232
Interest on Capital Asset-Related Debt	(558)	(550)
Net Nonoperating Revenues	\$ 228,032	\$ 205,987

Net nonoperating revenues increased by \$22 million or 10.7 percent primarily due to increases in Federal student financial aid revenues and in gifts and grants revenue related to \$15.5 million received for Emergency Financial Aid Grants to Students (\$12.8 million) and Institutional Portion of the Higher Education Emergency Relief Fund (\$2.7 million) under the CARES Act.

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:

	2019-20	2018-19
State Capital Appropriations	\$ 1,183	\$ 2,796
Capital Grants, Contracts, Gifts, and Fees	6,715	5,866
Total	\$ 7,898	\$ 8,662

Other revenues decreased by \$0.8 million, or 8.8 percent, because the College did not receive any Public Education Capital Outlay allocations in the 2019-20 fiscal year.

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	\$ (225,634)	\$ (208,042)
Noncapital Financing Activities	226,738	204,030
Capital and Related Financing Activities	(6,523)	(13,697)
Investing Activities	948	12,055
Net Decrease in Cash and Cash Equivalents	(4,471)	(5,654)
Cash and Cash Equivalents, Beginning of Year	66,247	71,901
Cash and Cash Equivalents, End of Year	\$ 61,776	\$ 66,247

Major sources of funds came from Federal and State student financial aid (\$112.7 million), State noncapital appropriations (\$90.8 million), net student tuition and fees (\$62.8 million), and Federal Direct Student Loan program receipts (\$41.6 million). Major uses of funds were for payments to employees and for employee benefits (\$183.5 million), scholarships (\$55.5 million), providers of goods and services (\$54.3 million), and disbursements to students for Federal Direct Student Loans (\$41.6 million).

Changes in cash and cash equivalents were the result of the following factors:

- Cash used by operating activities increased by \$17.6 million due to an increase in payment to students for scholarships and growth in student tuition and fee receivables.
- Cash provided by noncapital financing activities increased by \$22.7 primarily due to an increase in Federal grant receipts under the CARES Act.
- Cash used by capital and related financing activities decreased by \$7.2 million because there were no new building construction projects in the 2019-20 fiscal year.

**CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS,
AND DEBT ADMINISTRATION**

Capital Assets

At June 30, 2020, the College had \$430.7 million in capital assets, less accumulated depreciation of \$148.7 million, for net capital assets of \$282 million. Depreciation charges for the current fiscal year totaled \$10.6 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	<u>2020</u>	<u>2019</u>
Land	\$ 32,988	\$ 32,988
Construction in Progress	16,074	18,056
Buildings	200,829	207,914
Other Structures and Improvements	1,166	374
Furniture, Machinery, and Equipment	4,665	5,003
Leasehold Improvements	12,358	2,605
Assets Under Capital Leases	13,931	5,999
Capital Assets, Net	<u>\$ 282,011</u>	<u>\$272,939</u>

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2020, were incurred on the following projects: Osceola Campus Careers in Technology Building construction and Downtown Campus Building leasehold improvements. The College's construction commitments at June 30, 2020, are as follows:

	<u>Amount</u> <u>(In Thousands)</u>
Total Committed	\$ 16,920
Completed to Date	<u>(16,074)</u>
Balance Committed	<u>\$ 846</u>

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

Debt Administration

As of June 30, 2020, the College had \$16.4 million in outstanding State Board Education (SBE) capital outlay bonds and capital leases payable, representing an increase of \$7.5 million, or 84.9 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	\$ 1,595	\$ 2,093
Capital Leases	14,838	6,795
Total	<u>\$ 16,433</u>	<u>\$ 8,888</u>

The SBE issues capital outlay bonds on behalf of the College. During the 2019-20 fiscal year, the SBE issued \$20.5 million of the SBE Capital Outlay Bonds, Series 2020A. Proceeds from the College's portion of the bonds, \$1.6 million, were used to refund the outstanding principal of SBE Capital Outlay

Bonds, Series 2010A. Debt repayments during the 2019-20 fiscal year totaled \$0.6 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

The College's economic condition is closely tied to that of the State of Florida. Because of negative economic growth linked to the coronavirus pandemic and increased demand for State resources, the Governor has authorized a 6 percent holdback of general appropriations to allow for a review and potential reduction of non-essential state services and programs in the 2020-21 fiscal year. The College's current financial and capital plans indicate there are adequate financial resources to maintain its present level of services in the short-term. The College expects to revise its budgets and expenditures as needed based upon assessment of student tuition and state resources available to fund operations.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Business Operations and Finance, Valencia College, Post Office Box 3028, Orlando, Florida 32802.

BASIC FINANCIAL STATEMENTS

VALENCIA COLLEGE A Component Unit of the State of Florida Statement of Net Position

June 30, 2020

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 40,288,448	\$ 2,018,500
Restricted Cash and Cash Equivalents	1,867,238	-
Investments	4,175,868	-
Accounts Receivable, Net	5,987,021	1,842,492
Due from Other Governmental Agencies	5,045,643	-
Due from Component Unit/College	603,426	73,314
Inventories	1,916,654	-
Prepaid Expenses	2,290,124	-
Deposits	170	-
Other Assets	-	5,381,366
Total Current Assets	62,174,592	9,315,672
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	19,620,201	-
Investments	10,849,090	-
Restricted Investments	37,659	69,517,388
Depreciable Capital Assets, Net	232,950,161	5,247,823
Nondepreciable Capital Assets	49,061,271	3,084,064
Total Noncurrent Assets	312,518,382	77,849,275
TOTAL ASSETS	374,692,974	87,164,947
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	2,938,969	-
Pensions	41,325,968	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	44,264,937	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,639,249	122,073
Salary and Payroll Taxes Payable	5,697,903	-
Retainage Payable	670,306	-
Due to Other Governmental Agencies	1,431,513	-
Due to Component Unit/College	12,163	360,803
Unearned Revenue	483,493	114,115
Estimated Insurance Claims Payable	12,329,579	-
Deposits Held for Others	520,156	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	132,000	-
Capital Leases Payable	395,261	-
Special Termination Benefits Payable	32,987	-
Compensated Absences Payable	1,313,759	-
Other Postemployment Benefits Payable	358,974	-
Net Pension Liability	613,564	-
Total Current Liabilities	25,630,907	596,991

	<u>College</u>	<u>Component Unit</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	1,463,000	-
Capital Leases Payable	14,442,947	-
Special Termination Benefits Payable	341,849	-
Compensated Absences Payable	8,961,673	-
Other Postemployment Benefits Payable	6,574,129	-
Net Pension Liability	106,232,050	-
Total Noncurrent Liabilities	<u>138,015,648</u>	<u>-</u>
TOTAL LIABILITIES	<u>163,646,555</u>	<u>596,991</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	301,122	-
Pensions	7,284,124	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,585,246</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	265,578,224	8,331,887
Restricted:		
Nonexpendable:		
Endowment	-	34,889,113
Expendable:		
Grants and Loans	11,755,481	35,875,169
Scholarships	1,998,542	-
Capital Projects	19,622,481	-
Debt Service	37,659	-
Unrestricted	<u>(51,266,277)</u>	<u>7,471,787</u>
TOTAL NET POSITION	<u>\$ 247,726,110</u>	<u>\$ 86,567,956</u>

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

VALENCIA 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

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$57,456,630	\$ 63,924,966	\$ -
Federal Grants and Contracts	1,389,687	-
State and Local Grants and Contracts	-	259,767
Nongovernmental Grants and Contracts	-	2,374,155
Sales and Services of Educational Departments	137,349	-
Auxiliary Enterprises, Net of Scholarship		
Allowances of \$6,353,008	8,232,492	-
Other Operating Revenues	764,754	782,070
Total Operating Revenues	74,449,248	3,415,992
EXPENSES		
Operating Expenses:		
Personnel Services	197,866,273	1,353,022
Scholarships and Waivers	55,530,842	7,413,321
Utilities and Communications	5,275,996	-
Contractual Services	11,962,511	403,375
Other Services and Expenses	10,283,034	1,795,873
Materials and Supplies	29,055,862	24,901
Depreciation	10,552,199	159,597
Total Operating Expenses	320,526,717	11,150,089
Operating Loss	(246,077,469)	(7,734,097)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	90,771,268	-
Federal and State Student Financial Aid	112,738,544	-
Gifts and Grants	23,240,282	-
Investment Income	1,303,302	2,863,223
Net Gain (Loss) on Investment	210,371	(7,360,527)
Other Nonoperating Revenues	327,478	-
Loss on Disposal of Capital Assets	(1,500)	-
Interest on Capital Asset-Related Debt	(558,484)	-
Net Nonoperating Revenues (Expenses)	228,031,261	(4,497,304)
Loss Before Other Revenues	(18,046,208)	(12,231,401)
State Capital Appropriations	1,183,200	-
Capital Grants, Contracts, Gifts, and Fees	6,714,833	-
Total Other Revenues	7,898,033	-
Decrease in Net Position	(10,148,175)	(12,231,401)
Net Position, Beginning of Year	257,874,285	98,799,357
Net Position, End of Year	\$ 247,726,110	\$ 86,567,956

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

THIS PAGE INTENTIONALLY LEFT BLANK

VALENCIA COLLEGE
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2020

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 62,756,814
Grants and Contracts	(625,669)
Payments to Suppliers	(54,301,382)
Payments for Utilities and Communications	(5,275,996)
Payments to Employees	(147,798,290)
Payments for Employee Benefits	(35,743,163)
Payments for Scholarships	(55,530,842)
Auxiliary Enterprises, Net	8,805,811
Sales and Services of Educational Departments	137,349
Other Receipts	1,941,449
	(225,633,919)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	90,771,268
Federal and State Student Financial Aid	112,738,566
Federal Direct Student Loan Program Receipts	41,594,236
Federal Direct Student Loan Program Disbursements	(41,605,633)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	23,240,282
	226,738,719
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,414,284
Capital Grants and Gifts	6,703,605
Proceeds from Sale of Capital Assets	327,478
Purchases of Capital Assets	(13,562,063)
Principal Paid on Capital Debt and Leases	(847,975)
Interest Paid on Capital Debt and Leases	(558,484)
	(6,523,155)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	6,560
Investment Income	940,970
	947,530
Net Cash Provided by Investing Activities	947,530
Net Decrease in Cash and Cash Equivalents	(4,470,825)
Cash and Cash Equivalents, Beginning of Year	66,246,712
Cash and Cash Equivalents, End of Year	\$ 61,775,887

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (246,077,469)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	10,552,199
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(744,400)
Due from Other Governmental Agencies	(2,299,585)
Due from Component Unit	502,979
Inventories	(800,583)
Prepaid Expenses	(858,021)
Other Assets	3,012
Accounts Payable	(1,506,595)
Salaries and Payroll Taxes Payable	2,111,665
Due to Other Government Agencies	1,156,451
Unearned Revenue	96,042
Estimated Insurance Claims Payable	(1,687,354)
Deposits Held for Others	17,231
Special Termination Benefits Payable	37,203
Compensated Absences Payable	659,943
Other Postemployment Benefits Payable	2,937,749
Net Pension Liability	11,347,801
Deferred Outflows of Resources Related to Other Postemployment Benefits	(2,699,260)
Deferred Inflows of Resources Related to Other Postemployment Benefits	(37,823)
Deferred Outflows of Resources Related to Pensions	3,422,571
Deferred Inflows of Resources Related to Pensions	(1,767,675)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (225,633,919)</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES

Unrealized gains on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows. \$ 210,371

The College entered into capital lease purchases totaling \$8,357,399 and \$35,368, for the acquisition of a building and vehicles, respectively. The new debt and capital assets related to the capital lease purchases were recorded as an increase to long term debt and capital assets on the statement of net position, but are not cash transactions for the statement of cash flows. \$ 8,392,767

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The governing body of Valencia 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 Orange and Osceola Counties.

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the Vice President for Business Operations and Finance, Valencia College, Post Office Box 3028, Orlando, Florida 32802. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2020.

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
 - Statement of Net Position
 - Statement of Revenues, Expenses, and Changes in Net Position
 - Statement of Cash Flows
 - Notes to Financial Statements
- Other Required Supplementary Information

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

The College's component unit uses the economic resources measurement focus and the accrual basis of accounting, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College calculated its scholarships allowance by identifying amounts within its student accounts receivable system paid by

student aid for tuition and books. The amounts are deducted from student tuition and fees and auxiliary enterprises, respectively.

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 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 SBA Florida PRIME investment pool to be cash equivalents.

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

At June 30, 2020, the College reported as cash equivalents \$43,901,884 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.

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

Capital Assets. College capital assets consist of land, construction in progress, buildings, other structures and improvements, furniture, machinery, and equipment, leasehold improvements, and assets under capital leases. 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 \$50,000 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
- Leasehold Improvements – 10 to 40 years
- Assets Under Capital Lease – 3 to 40 years

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

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

2. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (62,436,150)
Auxiliary Funds	11,169,873
Total	\$ (51,266,277)

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.

All of the College's recurring fair value measurements as of June 30, 2020, are valued using quoted market prices (Level 1 inputs).

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

Investments by fair value level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
SBA Debt Service Accounts	\$ 37,659	\$ 37,659	\$ -	\$ -
Mutual Funds				
Fixed Income	15,024,958	15,024,958	-	-
Total investments by fair value level	\$ 15,062,617	\$ 15,062,617	\$ -	\$ -

State Board of Administration Debt Service Accounts. The College reported investments totaling \$37,659 at June 30, 2020, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College’s investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value (Level 1 inputs). 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.

Other Investments.

The College’s other investment totaling \$15,024,958 at June 30, 2020, consists of fixed income mutual funds reported at their fair value. The following risks apply to these investments:

Interest Rate Risk: Inherent rate risk is the risk that changes in interest rates will adversely affect the fair market value of each investment. The College’s investment policy limits interest rate risk by attempting to match investments maturities to known cash needs and anticipated cash flow requirement.

<u>Investment Maturities</u>	<u>Percent of Portfolio</u>
Less than 1 Year	28%
1 to 3 Years	72%
Total	100%

As a means of managing its exposure to fair-value losses arising from increasing interest rates, the College has established a target duration of its fixed-income portfolio of 1 to 3 years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College’s investment policy provides for credit risk. The risk varies depending on the type of investment. The College’s investment in mutual funds at June 30, 2020 were not rated.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College’s investment policy pursuant to Section 218.415(18), Florida Statutes, requires securities, with the exception of certificates of deposit, be held with a third-party custodian; and all securities purchased by, and all collateral obtained by College, should be properly

designated as an asset of the College. The securities must be held in an account separate and apart from the assets of the financial institution. A third-party custodian is defined as any bank depository chartered by the Federal Government, State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trust and is doing business in the State of Florida. Certificates of deposit will be placed in the provider's safekeeping department for the term of the deposit.

At June 30, 2020, the College's mutual fund investments were held by a third-party custodian as required by the College's investment policy.

Concentration of Credit Risk: Concentration of Credit risk is the risk of loss attributable to the magnitude of the College's investments to a single issuer. The College's investment policy has established asset allocation and issuer limits which are designed to reduce concentration of credit risk of the College's investment portfolio. United States Treasury securities and obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not have purchase limitations. As of June 30, 2020, there were no concentrations of credit risk.

Component Unit Investments.

The Foundation categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The fair value of investments consists of the following:

	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Fixed income mutual funds	\$ 20,028,851	\$ 20,028,851	\$ -	\$ -
Equity mutual funds	21,168,801	21,168,801	-	-
International mutual funds	19,024,101	19,024,101	-	-
Total investments by fair value level	60,221,753	\$ 60,221,753	\$ -	\$ -
Investments measured at the net asset value (NAV)				
SEI Energy Debt Fund, LP	2,227,875			
SEI Structured Credit Fund, LP	2,560,542			
SEI Structured Core Property, LP	4,507,218			
Total investments measured at NAV	9,295,635			
Total investments measured at fair value	\$ 69,517,388			

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

<u>Investments measured at the NAV</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
SEI Energy Debt Fund, LP	\$ 2,227,875	\$ -	3-year lock up on each subscription (50% available after lock up then 25% available for each of the next 2 semi-annual periods)	Semi-annual with 95 days notice, 10% holdback on total redemptions.
SEI Structured Credit Fund, LP	2,560,542	-	2-year lock up on each subscription	Made via tender offer. Tender offer is at discretion of advisor. 65 days notice, 10% holdback on total redemptions.
SEI Structured Core Property, LP	4,507,218	-	No lock up period. Subject to gate that can be imposed if withdrawal amounts are greater than 25% of NAV.	Requires a 95-day notice, subject to certain holdback restrictions.
Total investments measured at the NAV	<u>\$ 9,295,635</u>	<u>\$ -</u>		

4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a \$1,974,508 allowance for doubtful accounts.

5. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$2,341,398 due from the United States Department of Education for reimbursement of expenditures from the Institutional Portion of the Higher Education Emergency Relief Fund (HEERF) grants and \$1,013,588 due from Florida Prepaid College Board for payment of tuition and fees for students under contract enrolled in summer term.

6. Due From and To Component Unit/College

The \$603,426 amount due from component unit consists of amounts owed to the College by the Foundation for grant expenditure reimbursements and scholarship costs. The \$12,163 reported as due to component unit consists of amounts owed by the College to the Foundation for theater production ticket sales. The College's financial statements are reported for the fiscal year ended June 30, 2020. The College's component unit financial statements are reported for the fiscal year ended March 31, 2020. 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.

7. Capital Assets

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 32,987,698	\$ -	\$ -	\$ 32,987,698
Construction in Progress	18,055,724	8,976,296	10,958,447	16,073,573
Total Nondepreciable Capital Assets	\$ 51,043,422	\$ 8,976,296	\$ 10,958,447	\$ 49,061,271
Depreciable Capital Assets:				
Buildings	\$ 324,491,920	\$ -	\$ -	\$ 324,491,920
Other Structures and Improvements	20,704,947	965,310	19,938,912	1,731,345
Furniture, Machinery, and Equipment	25,175,361	2,029,652	315,853	26,889,160
Leasehold Improvements	2,973,769	10,219,329	-	13,193,098
Asset Under Capital Lease	6,905,607	8,392,767	-	15,298,374
Total Depreciable Capital Assets	380,251,604	21,607,058	20,254,765	381,603,897
Less, Accumulated Depreciation:				
Buildings	116,578,477	7,084,973	-	123,663,450
Other Structures and Improvements	20,330,883	173,134	19,938,912	565,105
Furniture, Machinery, and Equipment	20,172,465	2,367,005	315,853	22,223,617
Leasehold Improvements	368,294	466,438	-	834,732
Asset Under Capital Lease	906,183	460,649	-	1,366,832
Total Accumulated Depreciation	158,356,302	10,552,199	20,254,765	148,653,736
Total Depreciable Capital Assets, Net	\$ 221,895,302	\$ 11,054,859	\$ -	\$ 232,950,161

8. 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	\$ 2,093,000	\$ 1,595,000	\$ 2,093,000	\$ 1,595,000	\$ 132,000
Capital Leases Payable	6,795,416	8,392,767	349,975	14,838,208	395,261
Special Termination Benefits Payable	337,632	67,915	30,711	374,836	32,987
Compensated Absences Payable	9,615,489	1,582,319	922,376	10,275,432	1,313,759
Other Postemployment					
Benefits Payable	3,995,354	3,332,326	394,577	6,933,103	358,974
Net Pension Liability	95,497,813	63,691,092	52,343,291	106,845,614	613,564
Total Long-Term Liabilities	\$ 118,334,704	\$ 78,661,419	\$ 56,133,930	\$ 140,862,193	\$ 2,846,545

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 Rates (Percent)</u>	<u>Annual Maturity To</u>
SBE Capital Bonds: Series 2020A	\$ 1,595,000	2.0 - 5.0	2030

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	\$ 132,000	\$ 72,787	\$ 204,787
2022	136,000	68,920	204,920
2023	141,000	62,120	203,120
2024	145,000	59,300	204,300
2025	152,000	52,050	204,050
2026-2030	889,000	137,750	1,026,750
Total	\$ 1,595,000	\$ 452,927	\$ 2,047,927

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, \$1,595,000, was used to refund \$1,895,000 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 \$300,000 and obtained an economic gain of \$226,978.

Capital Leases Payable. The College entered into a capital lease agreement in the amount of \$6,615,433 at a stated interest rate of 6.77 percent to acquire an administrative office building. The lease agreement commenced on April 1, 2014, and expires 60 years from this date. The lease agreement contains a purchase option that may be exercised during the period commencing January 1, 2020, and expiring the earlier of May 31, 2073, or the sale of property to a third party. As of June 30, 2020, the College has not exercised its option to purchase the building.

The College entered into a capital lease agreement in the amount of \$131,029 at imputed interest rates of 11.82 to 12.03 percent to acquire nine vehicles for College use. The lease agreement commenced on February 20, 2019, and expires 5 years from this date. The College entered into another capital lease agreement in the amount of \$35,367 at an imputed interest rate of 13.43 percent to acquire an additional two vehicles for College use. The lease agreement commenced on July 1, 2019, and expires 5 years from this date. Both lease agreements contain a buy-out option that may be exercised at the end of their respective lease agreement term.

The College entered into a capital lease agreement in the amount of \$159,146 at a stated interest rate of 0 percent to acquire two data servers. The lease agreement commenced on March 14, 2019, and expires 3 years for this date. The lease agreement contains a bargain purchase option at a cost of \$1 for each server at the end of the lease term.

The College entered into a capital lease agreement in the amount of \$8,357,399 at an imputed interest rate of 4 percent to acquire classroom and academic support space. The lease agreement commenced on August 1, 2019, and expires 40 years from this date.

Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2020, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 870,454
2022	817,405
2023	817,405
2024	802,844
2025	807,901
2026-2030	4,104,180
2031-2035	4,310,430
2036-2040	4,516,680
2041-2045	4,722,930
2046-2050	4,929,180
2051-2055	5,135,430
2056-2060	4,803,139
2061-2065	2,282,305
2066-2070	2,282,305
2071-2074	1,825,844
Total Minimum Payments	43,028,432
Less, Amount Representing Interest	<u>28,190,224</u>
Present Value of Minimum Payments	<u><u>\$ 14,838,208</u></u>

Special Termination Benefits Payable. Executive management employees are provided 7 days of administrative incentive leave credit each year. Such credit is prorated for each month worked to a maximum of 35 days. Payment of such credited service is made at the time of termination from full-time executive management for any reason other than cause. Accrued benefits for 18 participants at June 30, 2020, totaled \$374,836.

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2020, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$10,275,432. The current portion of the compensated absences liability, \$1,313,759, is the amount expected to be paid in the coming fiscal year and represents a historical determined average of the current portion in prior years.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain other

postemployment benefits administered by the College and life, dental and vision insurance benefits through purchased commercial insurance.

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

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. 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	108
Inactive Employees Entitled to But Not Yet Receiving Benefits	32
Active Employees	1,852
Total	<u>1,992</u>

Total OPEB Liability

The College’s total OPEB liability of \$6,933,103 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

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

Inflation	2.60 percent
Real wage growth	0.65 percent
Wage inflation	3.25 percent
Salary increases, including wage inflation	
Regular employees	4.00 – 7.80 percent
Senior management	4.70 – 7.10 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.87 percent
Measurement Date	3.50 percent
Healthcare cost trend rates	
Pre-Medicare	7.00 percent for 2019, decreasing to an ultimate rate of 4.60 percent by 2026
Medicare	5.00 percent for 2019, decreasing to an ultimate rate of 4.60 percent by 2021

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

Mortality rates were based on the 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

	Amount
Balance at 6/30/19	\$ 3,995,354
Changes for the year:	
Service Cost	338,193
Interest	147,058
Differences Between Expected and Actual Experience	2,809,188
Changes in Assumptions or Other Inputs	37,887
Benefit Payments	(394,577)
Net Changes	2,937,749
Balance at 6/30/20	\$ 6,933,103

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.

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	\$8,045,292	\$6,933,103	\$6,033,311

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	\$5,737,279	\$6,933,103	\$8,521,261

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 \$714,508. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,545,662	\$ -
Change of assumptions or other inputs	34,333	301,122
Transactions subsequent to the measurement date	358,974	-
Total	<u>\$ 2,938,969</u>	<u>\$ 301,122</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$358,974 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 229,257
2022	229,257
2023	229,257
2024	229,257
2025	229,257
Thereafter	1,132,588
Total	<u>\$ 2,278,873</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 \$106,845,614. Note 9. includes a complete discussion of defined benefit pension plans.

9. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

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

The College's FRS and HIS pension expense totaled \$22,139,629 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:

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

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit

by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2019-20 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.47
FRS, Senior Management Service	3.00	25.41
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.60
FRS, Reemployed Retiree	(2)	(2)

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

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

The College's contributions to the Plan totaled \$7,043,679 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 \$70,683,688 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 0.205245487 percent, which was an increase of 0.000030861 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of \$18,292,392. 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	\$ 4,192,452	\$ 43,866
Change of assumptions	18,154,612	-
Net difference between projected and actual earnings on FRS Plan investments	-	3,910,591
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	1,744,537	329,807
College FRS contributions subsequent to the measurement date	7,043,679	-
Total	\$ 31,135,280	\$ 4,284,264

The deferred outflows of resources totaling \$7,043,679, 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	\$ 7,465,798
2022	2,801,651
2023	4,908,910
2024	3,533,886
2025	912,855
Thereafter	<u>184,237</u>
Total	<u><u>\$ 19,807,337</u></u>

Actuarial Assumptions. The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.90 percent, net of pension plan investment expense, including inflation

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

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

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.3%	3.3%	1.2%
Fixed Income	18%	4.1%	4.1%	3.5%
Global Equity	54%	8.0%	6.8%	16.5%
Real Estate (Property)	10%	6.7%	6.1%	11.7%
Private Equity	11%	11.2%	8.4%	25.8%
Strategic Investments	6%	5.9%	5.7%	6.7%
Total	<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	\$122,188,559	\$70,683,688	\$27,668,409

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

Payables to the Pension Plan. At June 30, 2020, the College reported a payable of \$1,062,125 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2020.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2020, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled \$1,782,625 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 \$36,161,926 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 0.323191784 percent, which was an increase of 0.004921311 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of \$3,847,237. 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	\$ 439,227	\$ 44,279
Change of assumptions	4,187,209	-
Net difference between projected and actual earnings on HIS Plan investments	23,335	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	3,758,292	2,955,581
College contributions subsequent to the measurement date	1,782,625	-
Total	\$ 10,190,688	\$ 2,999,860

The deferred outflows of resources totaling \$1,782,625, 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	\$ 1,732,017
2022	1,484,350
2023	1,135,435
2024	483,226
2025	237,587
Thereafter	335,588
Total	\$ 5,408,203

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	\$41,280,693	\$36,161,926	\$31,898,574

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 \$13,457 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2020.

10. 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 \$3,188,671 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 \$417,500 and employee contributions totaled \$243,204 for the 2019-20 fiscal year.

11. Construction Commitments

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

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Osceola Campus Careers in Technology Building	\$ 16,140,796	\$ 15,612,259	\$ 528,537
Other Projects (1)	779,562	461,314	318,248
Total	<u><u>\$ 16,920,358</u></u>	<u><u>\$ 16,073,573</u></u>	<u><u>\$ 846,785</u></u>

(1) Individual projects with a current balance committed of less than \$1 million at June 30, 2020.

12. Operating Lease Commitments

The College leased two buildings under operating leases, which expire in 2022 and 2029, and equipment under an operating lease, which expires in 2021. These leased assets and the related commitments are not reported on the College's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2021	\$ 284,604
2022	213,330
2023	76,338
2024	46,848
2025	48,722
2026-2029	176,680
Total Minimum Payments Required	<u><u>\$ 846,522</u></u>

13. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to \$100 million to February 29, 2020, and up to \$110 million from March 1, 2020, for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

Life, dental, vision and long-term disability coverage are provided through purchased commercial insurance.

Self-Insured Program. The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College’s liability was limited by excess reinsurance to \$500,000 per insured person for the 2019-20 fiscal year. The plan is provided by an insurance company licensed by the Florida Office of Insurance Regulation. The College contributes employee premiums as a fringe benefit. Employee dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The liability includes an amount for claims that have been incurred, but not reported, and an amount for claims administration expense. Because the actual claims liability depends on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. The College reevaluates the claims liability periodically and the claims liability totaled \$12,329,579 as of June 30, 2020. Amounts held by the College in excess of the estimated insurance claims liability at June 30, 2020, totaled \$11,096,361 and are classified as insurance claim deposits. The College will use these amounts to pay claims incurred in future fiscal years.

The following schedule represents the changes in claims liability for the current and prior years for the College’s self-insured program:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Fiscal Year</u>
2018-19	\$ 15,201,483	\$ 15,293,534	\$(16,478,084)	\$ 14,016,933
2019-20	14,016,933	15,965,465	(17,652,819)	12,329,579

14. Functional Distribution of Operating Expenses

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 102,994,147
Academic Support	24,169,367
Student Services	39,439,853
Institutional Support	47,720,456
Operation and Maintenance of Plant	26,836,885
Scholarships and Waivers	55,530,842
Depreciation	10,552,199
Auxiliary Enterprises	13,282,968
Total Operating Expenses	\$ 320,526,717

15. Related Party Transactions

The College's component unit, the Valencia College Foundation, Inc. (Foundation), purchased a 57,680 square foot building in MetroWest, near the West Campus, which it leases to the College as discussed in Note 8. The rent amount to be paid by the College reflects a 6.77 percent return on the Foundation's total cost basis for the amount expended on the acquisition of and structural improvements to the building. The lease commencement date was April 1, 2014, and expires 60 years from this date. The annual lease payment of \$456,461 per year, payable semi-annually on January 1 and July 1 of each year. The lease agreement contains a purchase option that may be exercised during the period commencing January 1, 2020, and expiring on the earlier of May 31, 2073, or the sale of the property to a third party. The purchase price will be the Foundation's costs basis as of the date the College notifies the Foundation of its election to exercise the purchase option. As of June 30, 2020, the College has not exercised its option to purchase the building.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 338,193	\$ 346,435	\$ 371,504
Interest	147,058	133,929	111,768
Difference between expected and actual experience	2,809,188	-	-
Changes of assumptions or other inputs	37,887	(144,894)	(256,028)
Benefit Payments	(394,577)	(202,583)	(154,868)
Net change in total OPEB liability	2,937,749	132,887	72,376
Total OPEB Liability - beginning	3,995,354	3,862,467	3,790,091
Total OPEB Liability - ending	\$ 6,933,103	\$ 3,995,354	\$ 3,862,467
Covered-Employee Payroll	\$ 100,813,641	\$ 100,871,934	\$ 90,205,089
Total OPEB Liability as a percentage of covered-employee payroll	6.88%	3.96%	4.28%

THIS PAGE INTENTIONALLY LEFT BLANK

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

	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
College's proportion of the FRS net pension liability	0.205245487%	0.205214626%	0.203885664%	0.190050708%
College's proportionate share of the FRS net pension liability	\$ 70,683,688	\$ 61,811,709	\$ 60,308,011	\$ 47,987,953
College's covered payroll (2)	\$ 125,895,245	\$ 121,862,041	\$ 118,458,249	\$ 104,892,761
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	56.14%	50.72%	50.91%	45.75%
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	\$ 7,043,679	\$ 5,939,127	\$ 5,348,171	\$ 5,194,416
FRS contributions in relation to the contractually required contribution	<u>(7,043,679)</u>	<u>(5,939,127)</u>	<u>(5,348,171)</u>	<u>(5,194,416)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 127,618,733	\$ 125,895,245	\$ 121,862,041	\$ 118,458,249
FRS contributions as a percentage of covered payroll	5.52%	4.72%	4.39%	4.39%

(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>
0.196294399%	0.187742199%	0.167975911%
\$ 25,354,054	\$ 11,455,035	\$ 28,916,130
\$ 98,931,589	\$ 94,207,047	\$ 87,660,009
25.63%	12.16%	32.99%
92.00%	96.09%	88.54%

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 4,650,143	\$ 4,785,824	\$ 4,112,351
<u>(4,650,143)</u>	<u>(4,785,824)</u>	<u>(4,112,351)</u>
\$ _____ -	\$ _____ -	\$ _____ -
\$ 104,892,761	\$ 98,931,589	\$ 94,207,047
4.43%	4.84%	4.37%

**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	0.323191784%	0.318270473%	0.312498562%	0.281316270%
College's proportionate share of the HIS net pension liability	\$ 36,161,926	\$ 33,686,104	\$ 33,413,788	\$ 32,786,246
College's covered payroll (2)	\$ 117,749,244	\$ 113,571,692	\$ 109,716,705	\$ 96,187,981
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	30.71%	29.66%	30.45%	34.09%
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	\$ 1,782,625	\$ 1,908,989	\$ 1,707,432	\$ 1,565,744
HIS contributions in relation to the contractually required HIS contribution	<u>(1,782,625)</u>	<u>(1,908,989)</u>	<u>(1,707,432)</u>	<u>(1,565,744)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 119,511,940	\$ 117,749,244	\$ 113,571,692	\$ 109,716,705
HIS contributions as a percentage of covered payroll	1.49%	1.62%	1.50%	1.43%

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

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

<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.267041405%	0.255960092%	0.241878469%
\$ 27,234,023	\$ 23,932,893	\$ 21,058,701
\$ 90,177,274	\$ 85,319,642	\$ 78,946,546
30.20%	28.05%	26.67%
0.50%	0.99%	1.78%

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 1,441,293	\$ 1,020,798	\$ 876,833
<u>(1,441,293)</u>	<u>(1,020,798)</u>	<u>(876,833)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 96,187,981	\$ 90,177,274	\$ 85,319,642
1.50%	1.13%	1.03%

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. The June 30, 2020 total OPEB liability increased from the prior fiscal year as a result of the changes to assumptions as discussed below.

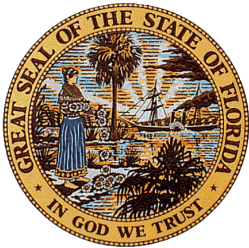
Changes of Assumptions. The discount rate was decreased from 3.87 percent to 3.50 percent based on a change in the Municipal Bond Index Rate, and the health care cost trends were revised.

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.

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

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



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Valencia College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 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 discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



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