

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

LAKE-SUMTER STATE COLLEGE

For the Fiscal Year Ended
June 30, 2021



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2020-21 fiscal year, Dr. Stanley M. Sidor served as President of Lake-Sumter State College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Peter F. Wahl, Chair	Sumter
Emily A. Lee, Vice Chair	Lake
Bryn Blaise	Sumter
Marcia M. Butler	Sumter
David Hidalgo from 2-5-21 ^a	Lake
Jennifer S. Hill through 5-21-21 ^b	Lake
Jennifer Hooten	Sumter
Bret D. Jones	Lake
Timothy Morris	Lake
Ivy Parks from 6-23-21 ^b	Lake

^a Trustee position vacant 7-1-20, through 2-4-21.

^b Trustee position vacant 5-22-21, through 6-22-21.

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 Nicholas J. DeCandia, CPA, and the audit was supervised by Jeffrey M. Brizendine, CPA.

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

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LAKE-SUMTER STATE COLLEGE
TABLE OF CONTENTS

	<u>Page No.</u>
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	1
Report on the Financial Statements	1
Other Reporting Required by <i>Government Auditing Standards</i>	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	14
Statement of Revenues, Expenses, and Changes in Net Position	17
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	43
Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	44
Schedule of College Contributions – Florida Retirement System Pension Plan	44
Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan.....	46
Schedule of College Contributions – Health Insurance Subsidy Pension Plan.....	46
Notes to Required Supplementary Information	48
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	49
Compliance and Other Matters	50
Purpose of this Report	50

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

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

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2021. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Lake-Sumter State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2021, 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 Lake-Sumter State College and of its discretely presented component unit as of June 30, 2021, 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 December 7, 2021, on our consideration of the Lake-Sumter State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts,

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
December 7, 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, 2021, 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, 2021, and June 30, 2020.

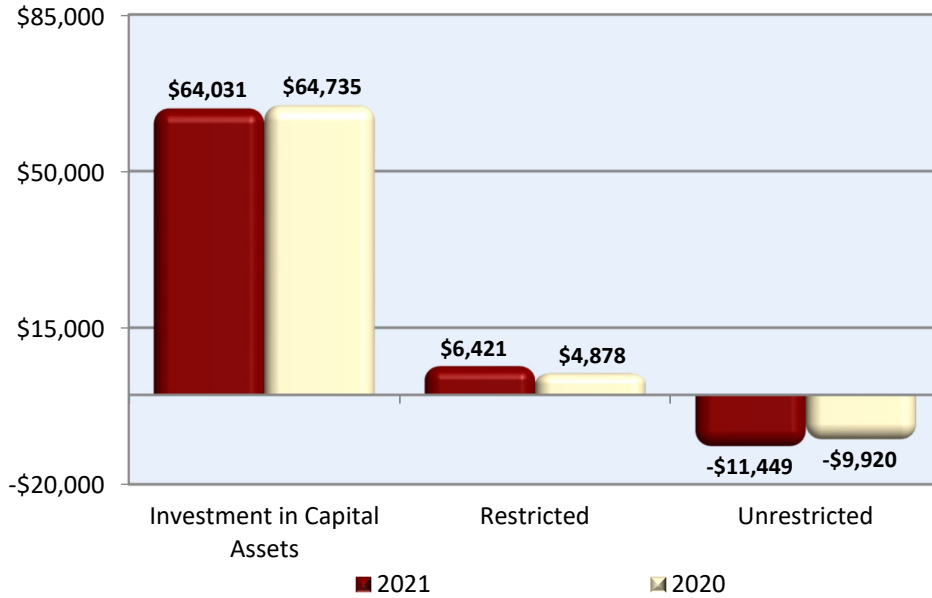
FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$80.3 million at June 30, 2021. This balance reflects a \$2.1 million, or 2.7 percent, increase as compared to the 2019-20 fiscal year, resulting from an increase in deferred outflows of resources related to pensions and an increase in cash and cash equivalents. While assets and deferred outflows of resources increased, liabilities and deferred inflows of resources also increased by \$2.8 million, or 15.3 percent, totaling \$21.3 million at June 30, 2021. This is mostly due to increases in pension liabilities and accounts payable at year-end. The College's net position decreased by \$0.7 million, resulting in a year-end balance of \$59 million.

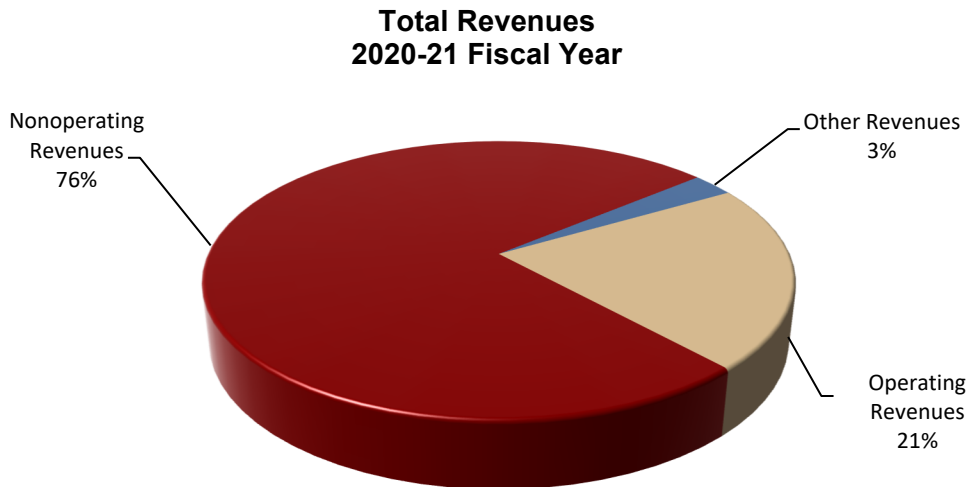
The College's operating revenues totaled \$8.9 million for the 2020-21 fiscal year, representing a 2.8 percent decrease compared to the 2019-20 fiscal year due mainly to a decline in enrollment. Operating expenses totaled \$41.9 million for the 2020-21 fiscal year, representing an increase of 9 percent as compared to the 2019-20 fiscal year due mainly to increases in contractual services and materials and supplies.

Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2021, and June 30, 2020, is shown in the following graph:

**Net Position
(In Thousands)**



The following chart provides a graphical presentation of College revenues by category for the 2020-21 fiscal year:



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to the 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:

- Lake-Sumter State College (Primary Institution) – Most of the programs and services generally associated with the College fall into this category, including instruction, public service, and support services.
- Lake-Sumter State College Foundation, Inc. (Component Unit) – A legally separate 501(c)(3) entity, this component unit is a direct-support organization that the College is financially accountable for, as the College reports its financial activities to the State of Florida.

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

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets	\$ 6,079	\$ 5,423
Capital Assets, Net	64,031	64,735
Other Noncurrent Assets	5,911	4,361
Total Assets	<u>76,021</u>	<u>74,519</u>
Deferred Outflows of Resources	<u>4,289</u>	<u>3,647</u>
Liabilities		
Current Liabilities	2,624	2,013
Noncurrent Liabilities	17,681	14,812
Total Liabilities	<u>20,305</u>	<u>16,825</u>
Deferred Inflows of Resources	<u>1,002</u>	<u>1,648</u>
Net Position		
Investment in Capital Assets	64,031	64,735
Restricted	6,421	4,878
Unrestricted	(11,449)	(9,920)
Total Net Position	<u>\$ 59,003</u>	<u>\$ 59,693</u>

The increase in net position is attributable to the increase of noncurrent liabilities and change in deferred outflows.

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 2020-21 and 2019-20 fiscal years:

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

	2020-21	2019-20
Operating Revenues	\$ 8,850	\$ 9,101
Less, Operating Expenses	41,858	38,400
Operating Loss	(33,008)	(29,299)
Nonoperating Revenues	31,196	24,665
Loss Before Other Revenues	(1,812)	(4,634)
Other Revenues	1,122	973
Net Decrease In Net Position	(690)	(3,661)
Net Position, Beginning of Year	59,693	63,354
Net Position, End of Year	<u>\$ 59,003</u>	<u>\$ 59,693</u>

Operating Revenues

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

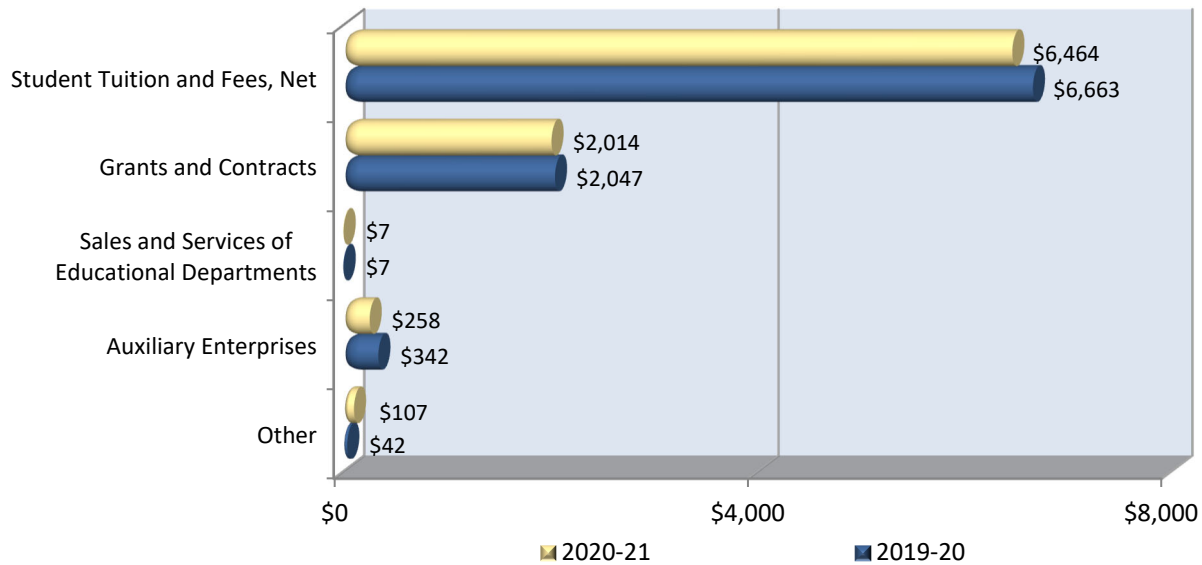
The following summarizes the operating revenues by source that were used to fund operating activities for the 2020-21 and 2019-20 fiscal years:

Operating Revenues For the Fiscal Years

	2020-21	2019-20
Student Tuition and Fees, Net	\$ 6,464	\$ 6,663
Grants and Contracts	2,014	2,047
Sales and Services of Educational Departments	7	7
Auxiliary Enterprises	258	342
Other	107	42
Total Operating Revenues	<u>\$ 8,850</u>	<u>\$ 9,101</u>

The following chart presents the College's operating revenues for the 2020-21 and 2019-20 fiscal years:

Operating Revenues
(In Thousands)



College operating revenue remained mostly unchanged from the prior fiscal year with only a slight decrease in student tuition and fees, due to a decrease in enrollment.

Operating Expenses

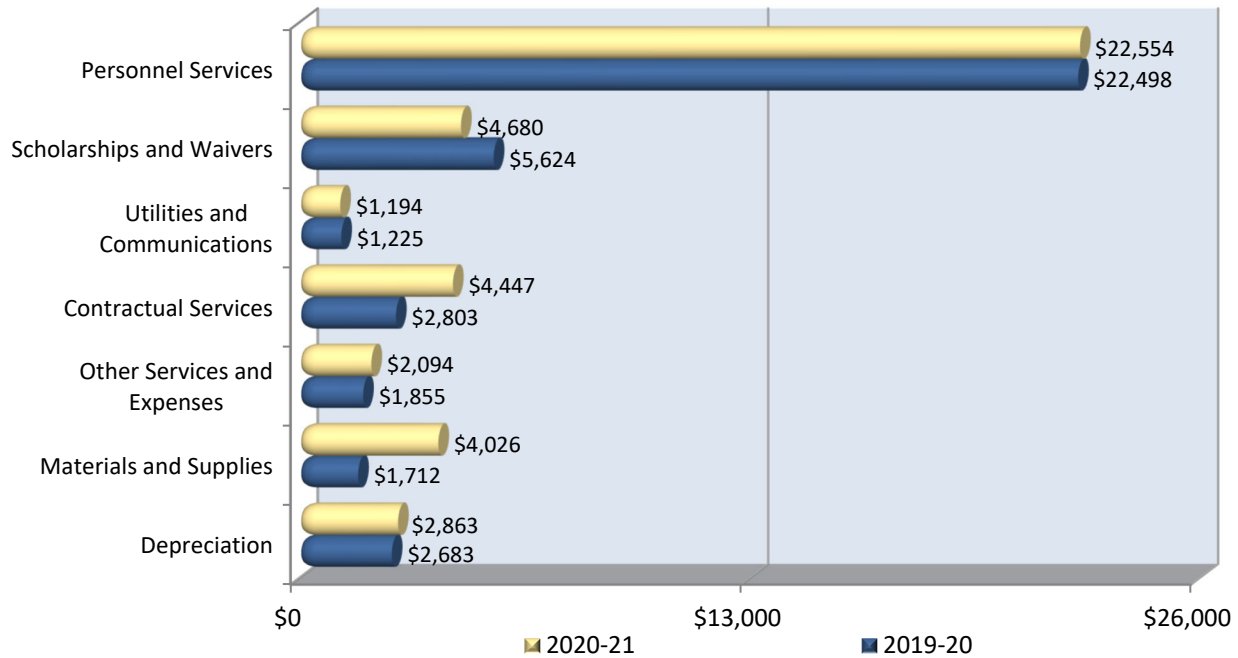
Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen 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 2020-21 and 2019-20 fiscal years:

	2020-21	2019-20
Personnel Services	\$ 22,554	\$ 22,498
Scholarships and Waivers	4,680	5,624
Utilities and Communications	1,194	1,225
Contractual Services	4,447	2,803
Other Services and Expenses	2,094	1,855
Materials and Supplies	4,026	1,712
Depreciation	2,863	2,683
Total Operating Expenses	\$ 41,858	\$ 38,400

The following chart presents the College’s operating expenses for the 2020-21 and 2019-20 fiscal years:

Operating Expenses
(In Thousands)



College operating expense changes were the result of increases in contractual services and materials and supplies related to Federal Higher Education Emergency Relief Fund (HEERF) spending. A decrease in scholarships and waivers is mostly due to a decrease in Federal Pell Grant awards.

Nonoperating Revenues

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. The following summarizes the College's nonoperating revenues for the 2020-21 and 2019-20 fiscal years:

**Nonoperating Revenues
For the Fiscal Years**

(In Thousands)

	<u>2020-21</u>	<u>2019-20</u>
State Noncapital Appropriations	\$ 15,454	\$ 14,891
Federal and State Student Financial Aid	7,743	7,999
Gifts and Grants	7,932	1,638
Investment Income	67	137
Nonoperating Revenues	<u>\$ 31,196</u>	<u>\$ 24,665</u>

Nonoperating revenues increased as a result of HEERF funding.

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 2020-21 and 2019-20 fiscal years:

	<u>2020-21</u>	<u>2019-20</u>
State Capital Appropriations	\$ 107	\$ 131
Capital Grants, Contracts, Gifts, and Fees	1,015	842
Total	<u>\$ 1,122</u>	<u>\$ 973</u>

Other revenues showed an increase in capital grants, contracts, gifts, and fees mostly due to increased support from the Lake-Sumter State College Foundation.

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 2020-21 and 2019-20 fiscal years:

	<u>2020-21</u>	<u>2019-20</u>
Cash Provided (Used) by:		
Operating Activities	\$ (27,723)	\$ (24,480)
Noncapital Financing Activities	31,285	24,337
Capital and Related Financing Activities	(943)	(1,035)
Investing Activities	75	130
Net Increase (Decrease) in Cash and Cash Equivalents	2,694	(1,048)
Cash and Cash Equivalents, Beginning of Year	7,815	8,863
Cash and Cash Equivalents, End of Year	<u>\$ 10,509</u>	<u>\$ 7,815</u>

Major sources of funds came from State noncapital appropriations (\$15.5 million), Federal and State student financial aid (\$7.9 million), net student tuition and fees (\$6.3 million), and noncapital gifts and grants (\$7.9 million). Major uses of funds were for payments to employees and for employee benefits

(\$20.9 million), disbursements to students for the scholarships (\$4.7 million), and to suppliers (\$10 million).

An increase in cash and cash equivalents was the result of an increase in gifts and grants received.

CAPITAL ASSETS

Capital Assets

At June 30, 2021, the College had \$106.1 million in capital assets, less accumulated depreciation of \$42.1 million, for net capital assets of \$64 million. Depreciation charges for the current fiscal year totaled \$2.9 million. The following table summarizes the College’s capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30		
(In Thousands)		
	2021	2020
Land	\$ 6,515	\$ 6,515
Construction in Progress	236	231
Buildings	54,167	55,687
Other Structures and Improvements	1,585	1,486
Furniture, Machinery, and Equipment	1,528	816
Capital Assets, Net	\$ 64,031	\$ 64,735

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

For the 2021-22 fiscal year, the College received a \$564 thousand, or 3.8 percent, increase in overall State funding for operations. The College’s economic condition is closely tied to that of the State of Florida and given the uncertain economic conditions linked to the Coronavirus pandemic, significant increases are not anticipated. Other than State appropriations, the College receives the majority of its other operating funds from student tuition and fees. While the 2021-22 fiscal year budget was based upon a flat enrollment level as compared to the prior fiscal year, the continuing effects of the Coronavirus pandemic are expected to have a lingering effect on enrollment levels. The College has adequate reserves coupled with budgetary reduction plans to help cover pandemic-related economic issues. Additionally, the College was awarded HEERF funding which will continue to assist students in the form of emergency grant aid and also assist in enhancing online learning initiatives, cover certain technology needs, and address safety issues resulting from the pandemic so that instruction can continue safely in-person or online. The Board of Trustees did not increase base tuition or fees for the upcoming academic year.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Dr. Heather Bigard, Provost and Executive Vice President, Chief Financial and Operation Officer, Lake-Sumter State College, 9501 US Hwy 441, Leesburg, Florida 34788.

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BASIC FINANCIAL STATEMENTS

LAKE-SUMTER STATE COLLEGE A Component Unit of the State of Florida Statement of Net Position

June 30, 2021

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 3,803,566	\$ 1,851,704
Restricted Cash and Cash Equivalents	796,479	-
Investments	-	15,641,740
Accounts Receivable, Net	898,829	15,042
Due from Other Governmental Agencies	315,258	-
Due from Component Unit	83,205	-
Prepaid Expenses	181,488	15,500
Total Current Assets	<u>6,078,825</u>	<u>17,523,986</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	5,908,624	-
Restricted Investments	-	6,751,022
Depreciable Capital Assets, Net	57,280,656	-
Nondepreciable Capital Assets	6,750,755	-
Other Assets	2,396	-
Irrevocable Split-Interest Agreements	-	1,280,921
Total Noncurrent Assets	<u>69,942,431</u>	<u>8,031,943</u>
TOTAL ASSETS	<u>76,021,256</u>	<u>25,555,929</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	40,723	-
Pensions	4,248,720	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,289,443</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	856,410	190,588
Salary and Payroll Taxes Payable	1,053,192	-
Due to Other Governmental Agencies	173,982	-
Unearned Revenue	54,733	-
Deposits Held for Others	134,693	-
Long-Term Liabilities - Current Portion:		
Compensated Absences Payable	279,877	-
Other Postemployment Benefits Payable	2,120	-
Net Pension Liability	68,870	-
Total Current Liabilities	<u>2,623,877</u>	<u>190,588</u>

	<u>College</u>	<u>Component Unit</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Compensated Absences Payable	1,603,401	-
Other Postemployment Benefits Payable	539,657	-
Net Pension Liability	15,538,493	-
Total Noncurrent Liabilities	<u>17,681,551</u>	<u>-</u>
TOTAL LIABILITIES	<u>20,305,428</u>	<u>190,588</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	183,927	-
Pensions	818,189	-
Irrevocable Split-Interest Agreements	-	1,280,921
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,002,116</u>	<u>1,280,921</u>
NET POSITION		
Investment in Capital Assets	64,031,411	-
Restricted:		
Nonexpendable:		
Endowment	-	6,751,022
Expendable:		
Endowment	-	5,529,917
Grants and Loans	475,916	-
Scholarships	36,746	5,790,900
Capital Projects	5,908,623	2,214,404
Other	-	2,113,003
Unrestricted	<u>(11,449,541)</u>	<u>1,685,174</u>
TOTAL NET POSITION	<u>\$ 59,003,155</u>	<u>\$ 24,084,420</u>

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

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LAKE-SUMTER STATE COLLEGE
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2021

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$2,425,504	\$ 6,464,114	\$ -
Federal Grants and Contracts	96,439	-
State and Local Grants and Contracts	1,835,605	-
Nongovernmental Grants and Contracts	82,256	-
Sales and Services of Educational Departments	6,813	-
Auxiliary Enterprises	257,871	-
Other Operating Revenues	106,720	1,622,383
Total Operating Revenues	<u>8,849,818</u>	<u>1,622,383</u>
EXPENSES		
Operating Expenses:		
Personnel Services	22,554,657	364,707
Scholarships and Waivers	4,679,857	760,127
Utilities and Communications	1,193,726	-
Contractual Services	4,447,027	43,265
Other Services and Expenses	2,094,179	355,624
Materials and Supplies	4,026,284	44,042
Depreciation	2,862,631	-
Total Operating Expenses	<u>41,858,361</u>	<u>1,567,765</u>
Operating Income (Loss)	<u>(33,008,543)</u>	<u>54,618</u>
NONOPERATING REVENUES		
State Noncapital Appropriations	15,454,255	-
Federal and State Student Financial Aid	7,742,823	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	7,932,261	-
Net Gain on Investments	-	283,389
Investment Income	67,376	2,607,980
Net Nonoperating Revenues	<u>31,196,715</u>	<u>2,891,369</u>
Income (Loss) Before Other Revenues	<u>(1,811,828)</u>	<u>2,945,987</u>
State Capital Appropriations	107,083	-
Capital Grants, Contracts, Gifts, and Fees	1,015,104	-
Additions to Endowments	-	71,328
Total Other Revenues	<u>1,122,187</u>	<u>71,328</u>
Increase (Decrease) in Net Position	<u>(689,641)</u>	<u>3,017,315</u>
Net Position, Beginning of Year	<u>59,692,796</u>	<u>21,067,105</u>
Net Position, End of Year	<u>\$ 59,003,155</u>	<u>\$ 24,084,420</u>

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

LAKE-SUMTER STATE COLLEGE
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2021

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 6,335,842
Grants and Contracts	2,320,790
Payments to Suppliers	(10,043,923)
Payments for Utilities and Communications	(1,193,726)
Payments to Employees	(15,201,760)
Payments for Employee Benefits	(5,670,034)
Payments for Scholarships	(4,673,424)
Auxiliary Enterprises	257,496
Sales and Services of Educational Departments	6,814
Other Receipts	139,050
	(27,722,875)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	15,454,255
Federal and State Student Financial Aid	7,898,786
Federal Direct Loan Program Receipts	1,968,470
Federal Direct Loan Program Disbursements	(1,968,470)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	7,932,261
	31,285,302
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	107,947
Capital Grants and Gifts	950,104
Purchases of Capital Assets	(2,000,893)
	(942,842)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	74,337
	74,337
Net Increase in Cash and Cash Equivalents	2,693,922
Cash and Cash Equivalents, Beginning of Year	7,814,747
Cash and Cash Equivalents, End of Year	\$ 10,508,669

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (33,008,543)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,862,631
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(114,605)
Due from Other Governmental Agencies	306,307
Due from Component Unit	(29,580)
Prepaid Expenses	162,145
Accounts Payable	349,397
Salaries and Payroll Taxes Payable	86,314
Unearned Revenue	34,480
Due to Other Governmental Agencies	40,011
Deposits Held for Others	(7,679)
Compensated Absences Payable	205,368
Other Postemployment Benefits Payable (OPEB)	71,612
Net Pension Liability	2,607,600
Deferred Outflows of Resources Related to OPEB	(23,563)
Deferred Inflows of Resources Related to OPEB	(24,456)
Deferred Outflows of Resources Related to Pensions	(618,493)
Deferred Inflows of Resources Related to Pensions	(621,821)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (27,722,875)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITIES	
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 65,000

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 Lake-Sumter State College, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education (SBE) rules. However, the Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and SBE rules. The College serves Lake and Sumter 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 Annual Comprehensive Financial Report by discrete presentation.

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the Executive Vice President for Business Services, Lake-Sumter State College, 9501 US Hwy 441, Leesburg, Florida 34788. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 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 whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College applied the “Alternate Method” as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash

payments to students, excluding payments for services, using a ratio of total aid to aid not considered third-party aid.

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

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

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

At June 30, 2021, the College reported as cash equivalents at fair value \$3,891,964 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 3.). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.6 years and fair value factor of 0.984 at June 30, 2021. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balance. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Annual Comprehensive Financial Report.

At June 30, 2021, the College reported as cash equivalents \$51,121 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

50 days as of June 30, 2021. 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, 2021, 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.

At June 30, 2021, the College reported as cash equivalents \$2,148,123 in the FLCLASS Investment Pool. The FLCLASS Investment Pool was created via an interlocal agreement by and among state public agencies as described in Section 163.01, Florida Statutes. FLCLASS provides Florida governmental entities with a convenient method for investing in high-quality, short to medium-term securities carefully selected to optimize interest earnings while maximizing safety and liquidity. FLCLASS strives to minimize risk by managing portfolios in a manner that emphasizes the preservation of principal and only invests in securities that are permitted pursuant to the laws of the State of Florida, Florida's Investment of Local Government Surplus Funds Act, Chapter 218.415, Florida Statutes, and the FLCLASS Investment Policies.

The FLCLASS Investment Pool is permitted to invest in the following: Obligations of the United States Government and its Agencies and Instrumentalities, Floating-Rate and Variable-Rate Obligations, Repurchase Agreements, Corporate Notes and Bonds, Obligations of Banks, Asset Backed Securities, Insurance Contracts, Collateralized Certificates of Deposit, Foreign Securities, Mortgage-Backed Securities, Securities Issued by Other Money Market Funds, and Section 218.415(16) Florida Statutes investments. Most of the investments are in Commercial Paper, Asset-Backed Commercial Paper, Repurchase Agreements, Collateralized Bank Deposits, Treasury Bills, Money Market Funds, and Certificates of Deposit. The FLCLASS received a credit rating of AAAM by Standard & Poor's Global Ratings, offering same-day liquidity, a \$1.00 Stable NAV, and WAM of equal to or less than 60 days. Withdrawal from FLCLASS requests will be honored on a same-day basis. Although the FLCLASS has no limitations on participant withdrawals and each participant has the ability to withdraw 100 percent of

its account balance on any business day, the FLCLASS Administrator (with consent of the investment pool's board) reserves the right to suspend or postpone a participant's right to withdrawals during a period of crisis in the United States financial markets. The investments in the FLCLASS Investment Pool (consisting primarily of Level 2 inputs, as discussed in Note 3.) are reported at fair value rather than amortized cost.

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

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

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

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

2. Deficit Net Position in Individual Funds

The College reported an unrestricted net position which included a deficit in the current funds - unrestricted, as shown below.

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (13,075,370)
Auxiliary Funds	<u>1,625,829</u>
Total	<u>\$ (11,449,541)</u>

As shown in the following schedule, 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 that are expected to be paid over time and financed by future appropriations.

	<u>Amount</u>
Total Unrestricted Net Position Before Recognition of Certain Long-Term Liabilities, Deferred Outflows and Deferred Inflows of Resources	<u>\$ 3,295,550</u>
Amount Expected to be Paid in Future Years:	
Net Pension Liability and Related Deferred Outflows and Deferred Inflows of Resources	12,176,832
Compensated Absences Payable	1,883,278
Net Other Postemployment Benefits and Related Deferred Outflows and Deferred Inflows of Resources	<u>684,981</u>
Total Amount Expected to be Paid in Future Years	<u>14,745,091</u>
Total Unrestricted Net Position	<u><u>\$ (11,449,541)</u></u>

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. The College did not report any investments at June 30, 2021.

Component Unit Investments – Foundation.

As of December 31, 2020, the Foundation had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities In Years</u>		
		<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
Investment in Debt Obligations:				
United States Government Obligations	\$ 1,141,701	\$ 750,757	\$ 390,944	\$ -
Mortgage-backed Securities	9,146	-	-	9,146
Corporate Bonds	6,406,379	3,632,342	2,774,037	-
Total Investments in Debt Obligations	\$ 7,557,226	\$ 4,383,099	\$ 3,164,981	\$ 9,146
Other Investments:				
Equities	14,835,536			
Total Component Unit Investments	\$ 22,392,762			

The Foundation categorizes the fair measurements of its investments based on the hierarchy established by Generally Accepted Accounting Principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Foundation does not have any investments measured using Level 2 or 3 inputs.

Investments held by the Foundation at December 31, 2020, are all Level 1 inputs reported at fair value, are as follows:

<u>Investments by fair value level</u>	<u>Amount</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Debt Securities:				
Government Obligations	\$ 1,141,701	\$ 1,141,701	\$ -	\$ -
Mortgage-backed Securities	9,146	9,146	-	-
Corporate Bonds	6,406,379	6,406,379	-	-
Total Debt Securities	7,557,226	7,557,226	-	-
Other Investments:				
Equity	14,835,536	14,835,536	-	-
Total Investments	\$ 22,392,762	\$ 22,392,762	\$ -	\$ -

The Foundation mitigates risk by utilizing investment managers to build a portfolio within prudent risk ranges.

The following risks apply to the Foundation's investment debt securities:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not limit investment maturities except with respect to cash equivalents, which must have a maximum average maturity of less than 1 year. The

Foundation manages its exposure to fair value losses from increasing interest rates through the segmented time distribution method.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy limits its fixed income investments to an overall weighted average credit rating of "A" or better by Moody's or Standard & Poor's. No more than 15 percent of the fixed income portion of the portfolio shall be rated below investment grade (below Baa/BBB). All commercial paper investments must have a minimum rating of A1/P1 by Standard & Poor's and Moody's, respectively. Obligations of the United States Government and obligations explicitly guaranteed by the United States Government are not considered to have credit risk. At December 31, 2020, the Foundation's investments in bonds and notes had credit quality ratings by nationally-recognized rating agencies ranging from Baa1 to Aaa by Moody's and from BBB- to AAA by Standard & Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of a counterparty to a transaction, the Foundation will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Lending of the Foundation's portfolio of securities is expressly prohibited by the Foundation's investment policy. While the brokerage and trust accounts are in the name of the Foundation, the securities are actually held in the trust department or agent's name.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investment in a single issuer. The Foundation's investment policy limits investments in any one company to no more than 7 percent of the equity portion of its portfolio and no more than 10 percent of the fixed income portion of its portfolio, and the equity portion of the portfolio must maintain a minimum of 20 positions, with no position of any one issuer exceeding 8 percent of the manager's total portfolio. Securities issued by the United States Government or its agencies are not subject to these limitations. The policy also provides that no more than 5 percent of the portfolio may be invested in commercial paper of any one issuer, and no more than \$3,000,000 in bank certificates of deposit of any single issuer, unless the investments are fully collateralized by United States Treasury or agency securities. The policy further limits investments in any one economic sector to no more than 10 percent of the equity portion of the portfolio may be in American Depository Receipts, and no more than 60 percent of the fixed income portion of the portfolio may be invested in either corporate or mortgage-backed securities.

4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a \$118,279 allowance for doubtful accounts.

5. Due From Other Governmental Agencies

The amount due from other governmental agencies of \$315,258 consists primarily of grant aid due from the Florida Bright Futures Scholarship Program, the Coronavirus Aid, Relief, and Economic Security Act, the Governor's Emergency Education Relief Grant Program, and the University of Central Florida's shared facility costs.

6. Due From Component Unit

The \$83,205 reported as due from component unit consists of amounts owed to the College by the Foundation pursuant to an agreement to support the Foundation's operations. The College's financial statements are reported for the fiscal year ended June 30, 2021. The College's component unit financial statements are reported for the fiscal year ended December 31, 2020. Accordingly, amounts reported by the College as due from component unit on the statement of net position do not agree with amounts reported by the component unit as due to the College.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021, 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	\$ 6,514,755	\$ -	\$ -	\$ 6,514,755
Construction in Progress	230,941	806,286	801,227	236,000
Total Nondepreciable Capital Assets	\$ 6,745,696	\$ 806,286	\$ 801,227	\$ 6,750,755
Depreciable Capital Assets:				
Buildings	\$ 86,756,983	\$ 477,400	\$ 800	\$ 87,233,583
Other Structures and Improvements	6,575,630	323,826	-	6,899,456
Furniture, Machinery, and Equipment	5,167,297	1,352,759	1,308,973	5,211,083
Total Depreciable Capital Assets	98,499,910	2,153,985	1,309,773	99,344,122
Less, Accumulated Depreciation:				
Buildings	31,069,596	1,997,336	800	33,066,132
Other Structures and Improvements	5,089,371	225,502	-	5,314,873
Furniture, Machinery, and Equipment	4,351,641	639,793	1,308,973	3,682,461
Total Accumulated Depreciation	40,510,608	2,862,631	1,309,773	42,063,466
Total Depreciable Capital Assets, Net	\$ 57,989,302	\$ (708,646)	\$ -	\$ 57,280,656

8. Unearned Revenue

Unearned revenue at June 30, 2021, of \$54,733 consists of an unused portion of funds received on a quarterly basis for the Pathways to Career Opportunities Grant.

9. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2021, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated Absences Payable	\$ 1,677,910	\$ 290,691	\$ 85,323	\$ 1,883,278	\$ 279,877
Other Postemployment Benefits Payable	470,165	190,573	118,961	541,777	2,120
Net Pension Liability	12,999,763	8,125,902	5,518,302	15,607,363	68,870
Total Long-Term Liabilities	\$ 15,147,838	\$ 8,607,166	\$ 5,722,586	\$ 18,032,418	\$ 350,867

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, 2021, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$1,883,278. The current portion of the compensated absences liability, \$279,877, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

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

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 Florida College System Risk Management Consortium that provides OPEB for all employees who satisfy the College's retirement eligibility provisions. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's health and hospitalization plan for medical, 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, 2020, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	12
Inactive Employees Entitled to But Not Yet Receiving Benefits	4
Active Employees	237
Total	<u>253</u>

Total OPEB Liability

The College's total OPEB liability of \$541,777 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40 percent
Real Wage growth	0.85 percent
Wage Inflation	3.25 percent
Salary Increases, including wage inflation	
Regular Employees	3.40 percent to 7.80 percent
Senior Management	4.10 percent to 8.20 percent
Discount rate	3.50 percent at prior measurement date 2.21 percent at current measurement date
Healthcare cost trend rates	
Pre-Medicare	7.00 percent for 2019, decreasing to an ultimate rate of 4.60 percent by 2026
Medicare	5.00 percent for 2019, decreasing to an ultimate rate of 4.60 percent by 2021

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

Mortality rates were based on the PUB-2010 mortality tables, with adjustments for FRS experience and generational mortality improvements using Scale MP-2018.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the period July 1 2013, through June 30, 2018, 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, 2020, 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 6/30/20	<u>\$ 470,165</u>
Changes for the year:	
Service Cost	26,956
Interest	17,101
Changes in Assumptions or Other Inputs	44,715
Benefit Payments	<u>(17,160)</u>
Net Changes	<u>71,612</u>
Balance at 6/30/21	<u><u>\$ 541,777</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50 percent in 2019 to 2.21 percent in 2020.

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 (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB liability	\$644,563	\$541,777	\$459,634

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	\$437,274	\$541,777	\$678,706

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

For the fiscal year ended June 30, 2021, the College recognized OPEB expense of \$23,593. At June 30, 2021, 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	\$ -	\$ 22,541
Changes of assumptions or other inputs	38,603	161,386
Transactions subsequent to the measurement date	2,120	-
Total	\$ 40,723	\$ 183,927

Of the total amount reported as deferred outflows of resources related to OPEB, \$2,120 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, 2022. 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>
2022	\$ (20,464)
2023	(20,464)
2024	(20,464)
2025	(20,464)
2026	(20,464)
Thereafter	(43,004)
Total	\$ (145,324)

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, 2021, the College's proportionate share of the net pension liabilities totaled \$15,607,363. Note 10. includes a complete discussion of defined benefit pension plans.

10. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

Essentially all regular employees of the College are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. An annual comprehensive 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 \$2,720,898 for the fiscal year ended June 30, 2021.

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 2020-21 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	10.00
FRS, Senior Management Service	3.00	27.29
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	16.98
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 \$238,759 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the College reported a liability of \$11,312,112 for its proportionate share of the net pension liability. The net pension liability was measured as of

June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The College's proportionate share of the net pension liability was based on the College's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the College's proportionate share was 0.026099410 percent, which was an increase of 0.000138001 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the College recognized pension expense of \$2,360,082. 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	\$ 432,928	\$ -
Change of assumptions	2,047,808	-
Net difference between projected and actual earnings on FRS Plan investments	673,520	-
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	70,630	272,887
College FRS contributions subsequent to the measurement date	238,759	-
Total	\$ 3,463,645	\$ 272,887

The deferred outflows of resources totaling \$238,759, 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, 2022. 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>
2022	\$ 608,336
2023	947,446
2024	805,326
2025	481,427
2026	109,464
Total	\$ 2,951,999

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 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.

The actuarial assumptions used in the July 1, 2020, 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	1.0%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
Total	<u>100.0%</u>			
Assumed inflation - Mean			2.4%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.80 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 2020 valuation was updated from 6.90 percent to 6.80 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 6.80 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 (5.80 percent) or 1 percentage point higher (7.80 percent) than the current rate:

	<u>1% Decrease (5.80%)</u>	<u>Current Discount Rate (6.80%)</u>	<u>1% Increase (7.80%)</u>
College's proportionate share of the net pension liability	\$18,063,154	\$11,312,112	\$5,628,167

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 Annual Comprehensive Financial Report.

Payables to the Pension Plan. At June 30, 2021, the College reported a payable of \$272,887 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2021.

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. 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, 2021, 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, 2021, 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 \$44,967 for the fiscal year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2021, the College reported a net pension liability of \$4,295,251 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The College's proportionate share of the net pension liability was based on the College's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the College's proportionate share was 0.035178608 percent, which was a decrease of 0.001098226 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the College recognized pension expense of \$360,816. 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>
Difference between expected and actual experience	\$ 175,702	\$ 3,313
Change of assumptions	461,862	249,752
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	102,544	292,237
College contributions subsequent to the measurement date	44,967	-
Total	\$ 785,075	\$ 545,302

The deferred outflows of resources totaling \$44,967, 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, 2022. 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>
2022	\$ 53,914
2023	39,992
2024	10,928
2025	25,375
2026	34,553
Thereafter	30,044
Total	\$ 194,806

Actuarial Assumptions. The total pension liability at July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.21 percent

Mortality rates were based on the Generational 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.

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 2.21 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 2020 valuation was updated from 3.50 percent to 2.21 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 2.21 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 (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	<u>1% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
College’s proportionate share of the net pension liability	\$4,965,138	\$4,295,251	\$3,745,678

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 Annual Comprehensive Financial Report.

Payables to the Pension Plan. At June 30, 2021, the College reported a payable of \$68,870 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2021.

11. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State’s Annual Comprehensive 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 2020-21 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, 2021, 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 \$507,273 for the fiscal year ended June 30, 2021.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes 5.15 percent of the participant's salary to the participant's account, 3.44 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 8.59 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 \$101,362 and employee contributions totaled \$37,132 for the 2020-21 fiscal year.

12. Operating Lease Commitments

The College leased copiers and a postage meter under operating leases, which expire in the 2023-24 fiscal year. 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>
2022	\$ 52,162
2023	47,657
2024	34,496
Total Minimum Payments Required	\$ 134,315

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 \$110 million to February 28, 2021, and up to \$100 million from March 1, 2021, for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

14. Litigation

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

15. Functional Distribution of Operating Expenses

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

classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 9,367,310
Public Services	37,181
Academic Support	6,245,246
Student Services	4,093,558
Institutional Support	10,314,239
Operation and Maintenance of Plant	4,240,372
Scholarships and Waivers	4,679,857
Depreciation	2,862,631
Auxiliary Enterprises	17,967
Total Operating Expenses	\$ 41,858,361

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service cost	\$ 26,956	\$ 42,507	\$ 43,404	\$ 46,260
Interest	17,101	23,814	22,068	19,265
Difference between expected and actual experience	-	(28,197)	-	-
Changes of assumptions or other inputs	44,715	(158,337)	(19,849)	(35,904)
Benefit Payments	(17,160)	(49,469)	(50,872)	(48,731)
Net change in total OPEB liability	71,612	(169,682)	(5,249)	(19,110)
Total OPEB Liability - beginning	470,165	639,847	645,096	664,206
Total OPEB Liability - ending	<u>\$ 541,777</u>	<u>\$ 470,165</u>	<u>\$ 639,847</u>	<u>\$ 645,096</u>
Covered-Employee Payroll	\$ 11,663,213	\$ 11,663,213	\$ 11,424,377	\$ 11,424,377
Total OPEB Liability as a percentage of covered-employee payroll	4.65%	4.03%	5.60%	5.65%

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

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
College's proportion of the FRS net pension liability	0.026099410%	0.025961409%	0.026828381%	0.027943189%
College's proportionate share of the FRS net pension liability	\$ 11,312,112	\$ 8,940,748	\$ 8,080,847	\$ 8,265,408
College's covered payroll (2)	\$ 13,562,069	\$ 13,470,141	\$ 13,769,760	\$ 13,683,155
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	83.41%	66.37%	58.69%	60.41%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	78.85%	82.61%	84.26%	83.89%

- (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>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
Contractually required FRS contribution	\$ 238,759	\$ 876,718	\$ 801,063	\$ 842,550
FRS contributions in relation to the contractually required contribution	<u>(238,759)</u>	<u>(876,718)</u>	<u>(801,063)</u>	<u>(842,550)</u>
FRS contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
College's covered payroll (2)	\$ 14,161,177	\$ 13,562,069	\$ 13,470,141	\$ 13,769,760
FRS contributions as a percentage of covered payroll	1.69%	6.46%	5.95%	6.12%

- (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>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.027285022%	0.028816871%	0.028388597%	0.0230143%
\$ 6,889,489	\$ 3,722,085	\$ 1,732,122	\$ 3,961,785
\$ 13,894,753	\$ 12,865,517	\$ 12,444,911	\$ 11,664,616
49.58%	28.93%	13.92%	33.96%
84.88%	92.00%	96.09%	88.54%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 875,574	\$ 617,033	\$ 702,580	\$ 621,831
<u>(875,574)</u>	<u>(617,033)</u>	<u>(702,580)</u>	<u>(621,831)</u>
\$ -	\$ -	\$ -	\$ -
\$ 13,683,155	\$ 13,894,753	\$ 12,865,517	\$ 12,444,911
6.40%	4.44%	5.46%	5.00%

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

	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>
College's proportion of the HIS net pension liability	0.035178608%	0.036276834%	0.037511131%	0.037911615%
College's proportionate share of the HIS net pension liability	\$ 4,295,251	\$ 4,059,015	\$ 3,970,220	\$ 4,053,685
College's covered payroll (2)	\$ 12,225,592	\$ 12,136,584	\$ 12,354,694	\$ 12,157,788
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.13%	33.44%	32.14%	33.34%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	3.00%	2.63%	2.15%	1.64%

(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>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
Contractually required HIS contribution	\$ 44,967	\$ 334,921	\$ 142,430	\$ 228,340
HIS contributions in relation to the contractually required HIS contribution	<u>(44,967)</u>	<u>(334,921)</u>	<u>(142,430)</u>	<u>(228,340)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 12,923,462	\$ 12,225,592	\$ 12,136,584	\$ 12,354,694
HIS contributions as a percentage of covered payroll	0.35%	2.74%	1.17%	1.85%

(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>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.039627564%	0.036911297%	0.035779918%	0.034050966%
\$ 4,618,428	\$ 3,764,372	\$ 3,345,510	\$ 2,964,584
\$ 12,237,683	\$ 11,215,377	\$ 10,636,070	\$ 9,892,723
37.74%	33.56%	31.45%	29.97%
0.97%	0.50%	0.99%	1.78%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 195,414	\$ 193,414	\$ 141,098	\$ 122,570
<u>(195,414)</u>	<u>(193,414)</u>	<u>(141,098)</u>	<u>(122,570)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 12,157,788	\$ 12,237,683	\$ 11,215,377	\$ 10,636,070
1.61%	1.58%	1.26%	1.15%

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

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

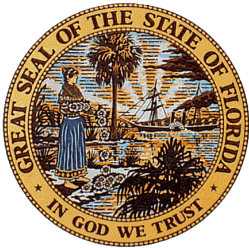
Changes of Assumptions. There was a change in the total OPEB liability arising from the change in the discount rate from 3.50 percent at the prior Measurement Date to 2.21 percent at the current Measurement Date.

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 6.90 percent to 6.80 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 3.50 percent to 2.21 percent.



Sherrill F. Norman, CPA
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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lake-Sumter State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 7, 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
December 7, 2021