

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

ST. PETERSBURG 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. Tonjua Williams served as President of St. Petersburg College and the following individuals served as Members of the Board of Trustees:

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Thomas Kidwell, Vice Chair from 3-27-21
Bridgette Bello through 3-26-21, Vice Chair
Jason Butts, from 3-27-21
Deveron M. Gibbons
Nathan M. Stonecipher

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The team leader was Vanessa C. Fernandez, CPA, and the audit was supervised by Rachel P. Sellers, 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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ST. PETERSBURG 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 | 16 |
| Statement of Revenues, Expenses, and Changes in Net Position | 19 |
| Statement of Cash Flows | 20 |
| Notes to Financial Statements | 22 |
| OTHER REQUIRED SUPPLEMENTARY INFORMATION | |
| Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios | 50 |
| Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan | 52 |
| Schedule of College Contributions – Florida Retirement System Pension Plan | 52 |
| Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan..... | 54 |
| Schedule of College Contributions – Health Insurance Subsidy Pension Plan..... | 54 |
| Notes to Required Supplementary Information | 56 |
| 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 | 57 |
| Compliance and Other Matters | 58 |
| Purpose of this Report | 58 |

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether St. Petersburg 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 St. Petersburg College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 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 aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of St. Petersburg College and of its aggregate discretely presented component units 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 February 1, 2022, on our consideration of the St. Petersburg College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts,

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 1, 2022

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 \$371.3 million at June 30, 2021. This balance reflects a \$5.3 million, or 1.5 percent, increase as compared to the 2019-20 fiscal year, resulting primarily from increases in cash and cash equivalents of \$10 million and increases in deferred outflows of resources for net pension and other postemployment benefit (OPEB) liabilities totaling \$8.3 million. The increases were offset by a decrease in net capital assets of \$8.9 million attributable to reduced capital appropriations as well as the sale of the district office building. Concurrently, due from other governmental agencies also decreased by \$3.6 million driven by the completion of the Student Success Center and drawdown of the remaining Public Education Capital Outlay (PECO) funds available.

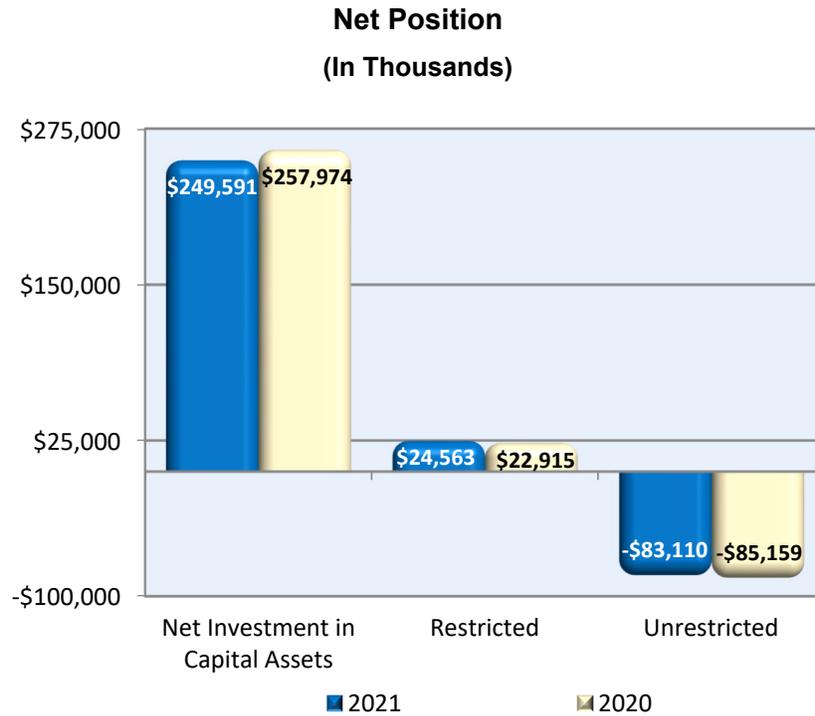
During the 2020-21 fiscal year, liabilities and deferred outflows of resources increased by \$10 million, or 5.9 percent, to an ending balance of \$180.2 million. The increase in liabilities was primarily in OPEB of \$10.9 million, net pension liabilities of \$9.4 million and accounts payable of \$2.2 million. The increase in liabilities was offset by a decrease to other long-term liabilities of \$6.3 million for the repayment of funds to the Foundation, a reduction in bonds payable of \$1.6 million due to principal payments, and a decrease to deferred inflows of \$2.5 million recorded for net pension and OPEB. Insurance claims payable of \$1.5 million previously accrued to meet self-insured safe harbor requirements was also eliminated with the College's conversion to the Florida College System Risk Management Consortium to provide health insurance for its employees.

As a result, the College's net position decreased by \$4.7 million during the 2020-21 fiscal year, reaching a year-end balance of \$191 million.

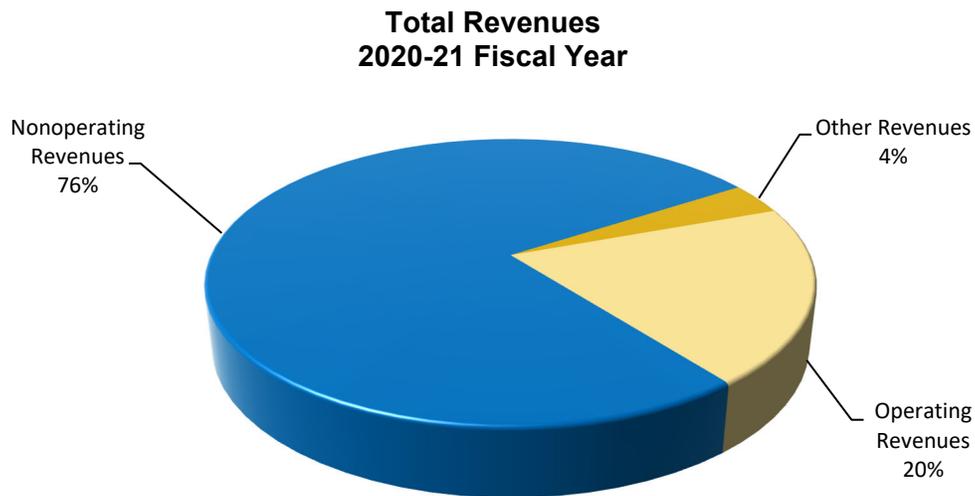
The College's operating revenues totaled \$42.5 million for the 2020-21 fiscal year, representing a decrease of \$4.9 million, or 10.3 percent, as compared to the 2019-20 fiscal year due mainly to the impact of the COVID-19 pandemic on student tuition and fees, auxiliary services, and facility rentals. Operating expenses totaled \$217.4 million for the 2020-21 fiscal year, representing an increase of 1.4 percent as compared to the 2019-20 fiscal year. The primary driver to the increase in spending was the migration activities due to the sale of the district office building and other delayed maintenance projects of \$6.8 million. This was offset by a decrease in personnel expenses of \$4.4 million as well as the overall reduction in other services and expenses, and scholarship waivers due to the shift to virtual workspaces and classrooms and lower enrollment, respectively.

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 reported a negative unrestricted net position of \$83.1 million for the 2020-21 fiscal year as a result of recording long-term liabilities that

will be financed and paid from future unrestricted appropriations. 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:



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 units. These component units include: St. Petersburg College Foundation, Inc. (Foundation); The Leepa-Rattner Museum of Art, Inc. (Museum); and the Institute for Strategic Policy Solutions, Inc. (Institute). Based on the application of the criteria for determining component units, the Foundation, the Museum, and the Institute are included within the College reporting entity as discretely presented component units.

Information regarding these component units, including summaries of the discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the College, excluding the discretely presented component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|-------------------|-------------------|
| Assets | | |
| Current Assets | \$ 51,799 | \$ 49,484 |
| Capital Assets, Net | 266,655 | 275,539 |
| Other Noncurrent Assets | 17,890 | 14,237 |
| Total Assets | <u>336,344</u> | <u>339,260</u> |
| Deferred Outflows of Resources | <u>34,943</u> | <u>26,685</u> |
| Liabilities | | |
| Current Liabilities | 18,604 | 13,895 |
| Noncurrent Liabilities | 145,420 | 137,592 |
| Total Liabilities | <u>164,024</u> | <u>151,487</u> |
| Deferred Inflows of Resources | <u>16,219</u> | <u>18,728</u> |
| Net Position | | |
| Net Investment in Capital Assets | 249,591 | 257,974 |
| Restricted | 24,563 | 22,915 |
| Unrestricted | (83,110) | (85,159) |
| Total Net Position | <u>\$ 191,044</u> | <u>\$ 195,730</u> |

The most significant changes in the College's net position is attributable to current and noncurrent liabilities, deferred outflows of resources, and deferred inflows of resources associated with the net pension and OPEB liabilities that are determined by actuarial calculations. Additional information about the College's net pension and OPEB liabilities, and the actuarial assumptions and details used, are presented in the notes to financial statements.

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**

(In Thousands)

| | <u>2020-21</u> | <u>2019-20</u> |
|-------------------------------------|-------------------|-------------------|
| Operating Revenues | \$ 42,458 | \$ 47,358 |
| Less, Operating Expenses | <u>217,357</u> | <u>214,443</u> |
| Operating Loss | (174,899) | (167,085) |
| Net Nonoperating Revenues | <u>162,617</u> | <u>150,209</u> |
| Loss Before Other Revenues | (12,282) | (16,876) |
| Other Revenues | <u>7,596</u> | <u>8,760</u> |
| Net Decrease In Net Position | <u>(4,686)</u> | <u>(8,116)</u> |
| Net Position, Beginning of Year | <u>195,730</u> | <u>203,846</u> |
| Net Position, End of Year | <u>\$ 191,044</u> | <u>\$ 195,730</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:

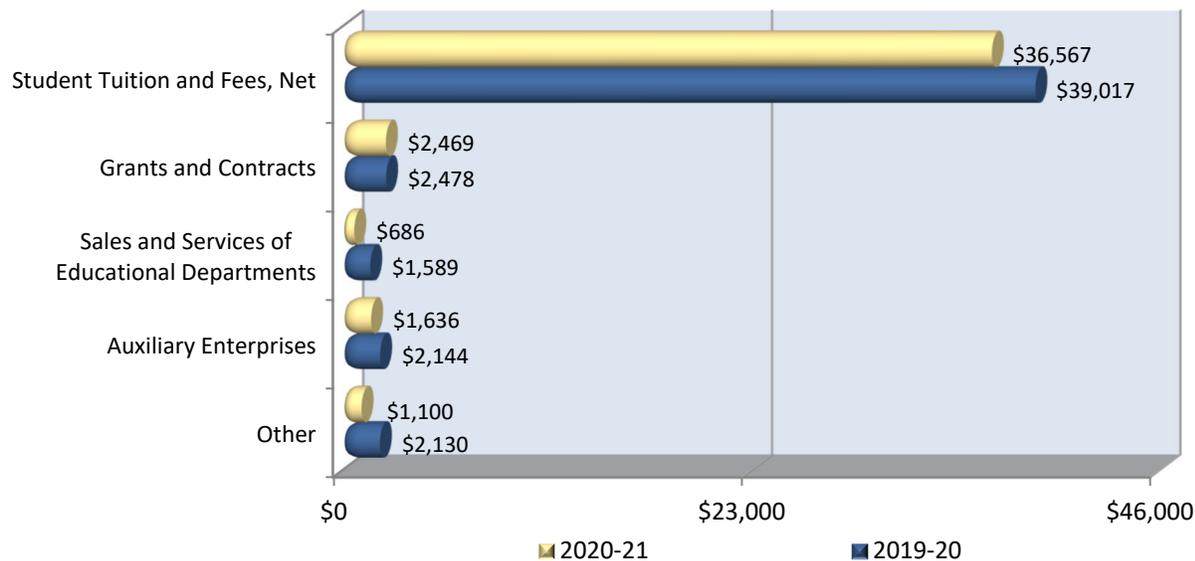
**Operating Revenues
For the Fiscal Years**

(In Thousands)

| | <u>2020-21</u> | <u>2019-20</u> |
|---|------------------|------------------|
| Student Tuition and Fees, Net | \$ 36,567 | \$ 39,017 |
| Grants and Contracts | 2,469 | 2,478 |
| Sales and Services of Educational Departments | 686 | 1,589 |
| Auxiliary Enterprises | 1,636 | 2,144 |
| Other | <u>1,100</u> | <u>2,130</u> |
| Total Operating Revenues | <u>\$ 42,458</u> | <u>\$ 47,358</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 decreased by \$4.9 million, or 10.3 percent. This can be attributed to the COVID-19 pandemic as the primary driver causing overall decreases in net student tuition and fees of \$2.5 million, other revenues of \$1 million, facility rental revenues of \$0.9 million, and auxiliary enterprises of \$0.5 million.

Operating Expenses

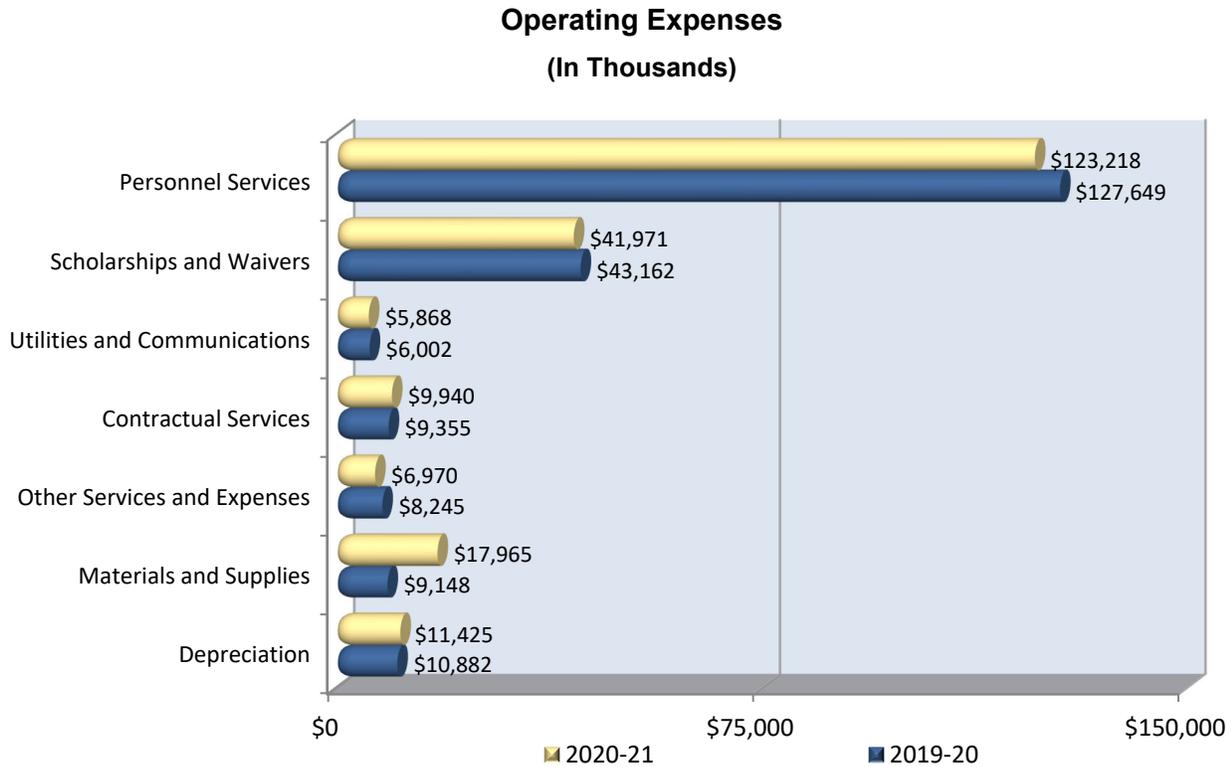
Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen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

Operating Expenses For the Fiscal Years (In Thousands)

| | <u>2020-21</u> | <u>2019-20</u> |
|---------------------------------|--------------------------|-------------------------|
| Personnel Services | \$ 123,218 | \$127,649 |
| Scholarships and Waivers | 41,971 | 43,162 |
| Utilities and Communications | 5,868 | 6,002 |
| Contractual Services | 9,940 | 9,355 |
| Other Services and Expenses | 6,970 | 8,245 |
| Materials and Supplies | 17,965 | 9,148 |
| Depreciation | 11,425 | 10,882 |
| Total Operating Expenses | <u>\$ 217,357</u> | <u>\$214,443</u> |

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



College operating expenses were higher by \$2.9 million over the 2019-20 fiscal year primarily due to an increase in spending of materials and supplies of \$8.8 million of which \$6.8 million is attributable to the migration activities due to the sale of the district office building and other delayed maintenance projects, and \$1.8 million was spent on technology related expenses (transition to virtual classrooms and workspaces) due to the pandemic. In addition, contractual services were up \$0.6 million. These increases were offset by a decrease in personnel expenses of \$4.4 million, other services and expenses of \$1.3 million, and scholarship waivers of \$1.2 million due to lower enrollment.

Nonoperating Revenues and Expenses

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

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

(In Thousands)

| | 2020-21 | 2019-20 |
|---|-------------------|-------------------|
| State Noncapital Appropriations | \$ 73,703 | \$ 73,047 |
| Federal and State Student Financial Aid | 60,269 | 62,578 |
| Gifts and Grants | 27,455 | 14,633 |
| Investment Income | 151 | 725 |
| Other Nonoperating Revenues (Expenses) | (124) | 114 |
| Gain on Disposal of Capital Assets | 1,984 | 1 |
| Interest on Capital Asset-Related Debt | (821) | (889) |
| Net Nonoperating Revenues | \$ 162,617 | \$ 150,209 |

When compared to the prior fiscal year, College net nonoperating revenues increased by \$12.4 million, or 8.3 percent. The change in revenue was primarily due to the increase in Federal Coronavirus Aid, Relief, and Economic Security Act Higher Education Emergency Relief Funds (HEERF) grant funds received of \$14.6 million to mitigate incremental expenses incurred by the students and the institution directly because of the COVID-19 pandemic. The College also recognized a gain on the sale of the district office building and land of \$2 million in May 2021. The increases in nonoperating revenues were offset by lower Federal and State student financial aid revenues of \$2.3 million and reduced investment income of \$0.6 million due to lower interest rate returns.

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:

**Other Revenues
For the Fiscal Years**

(In Thousands)

| | 2020-21 | 2019-20 |
|--|-----------------|-----------------|
| State Capital Appropriations | \$ 637 | \$ 771 |
| Capital Grants, Contracts, Gifts, and Fees | 6,959 | 7,989 |
| Total | \$ 7,596 | \$ 8,760 |

Changes in other revenues were the result of decreases in capital grants, contracts, gifts and fees of \$1 million and State capital appropriations of \$0.1 million.

The Statement of Cash Flows

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and

related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes the College's cash flows for the 2020-21 and 2019-20 fiscal years:

**Condensed Statement of Cash Flows
For the Fiscal Years
(In Thousands)**

| | 2020-21 | 2019-20 |
|--|------------------|------------------|
| Cash Provided (Used) by: | | |
| Operating Activities | \$(154,842) | \$(143,579) |
| Noncapital Financing Activities | 155,188 | 150,200 |
| Capital and Related Financing Activities | 9,622 | 3,931 |
| Investing Activities | 24 | 767 |
| Net Increase in Cash and Cash Equivalents | 9,992 | 11,319 |
| Cash and Cash Equivalents, Beginning of Year | 48,859 | 37,540 |
| Cash and Cash Equivalents, End of Year | \$ 58,851 | \$ 48,859 |

Major sources of cash inflows came from Federal Direct Student Loan program receipts (\$37.3 million), State noncapital appropriations (\$73.7 million), Federal and State student financial aid (\$60.4 million), net student tuition and fees (\$37 million), noncapital gifts and grants (\$27.5 million), State capital appropriations (\$5.5 million), and capital gifts and grants (\$6.9 million). Major uses of cash were disbursements to students for Federal Direct Student Loans (\$37.3 million), payments to employees and for employee benefits (\$115.8 million), payments for scholarships (\$41.8 million), payments to suppliers (\$32.6 million), principal paid on capital debt (\$2.5 million), and other nonoperating disbursements (\$6.3 million).

The College's overall cash and cash equivalents increased in the 2020-21 fiscal year by \$10 million, or 20.5 percent, from the 2019-20 fiscal year. Changes in cash and cash equivalents are the result of the following factors:

- The increase in operating activities net cash used of \$11.3 million was primarily due to the increase in payments to suppliers of \$5.8 million primarily attributable to the remodeling of the new downtown campus as the new home to the district office, the decrease of net student tuition and fees of \$2.1 million, and lower Workforce and Palladium revenues of \$0.9 million.
- The increase in noncapital financing activities net cash inflows of \$5 million was the result of a \$12.8 million increase of gifts and grants, largely due to student and institutional HEERF grant aid of \$14.6 million, offset by the repayment to the Foundation of \$6.3 million and reduction in student financial aid of \$2.2 million.
- The increase in cash provided related to capital and related financing activities of \$5.7 million was primarily generated by the proceeds on the sale of the district office building of \$2 million and a \$10.9 million decrease in capital purchases offset by a \$5.8 million decrease in receipt of PECO appropriations related to the completion of the Student Success Center.
- The decrease in cash provided by investing activities of \$0.7 million was primarily due to a decrease in investment income.

| |
|--|
| CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION |
|--|

Capital Assets

At June 30, 2021, the College had \$448.7 million in capital assets, less accumulated depreciation of \$182 million, for net capital assets of \$266.7 million. Depreciation charges for the current fiscal year totaled \$11.4 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 | \$ 24,206 | \$ 25,607 |
| Construction in Progress | 3,128 | 22,116 |
| Buildings | 233,019 | 223,269 |
| Other Structures and Improvements | 1,488 | 552 |
| Furniture, Machinery, and Equipment | 2,560 | 1,709 |
| Assets Under Capital Leases | 2,254 | 2,286 |
| Capital Assets, Net | \$266,655 | \$275,539 |

In May of 2021, the College sold the district office building and land for \$6.8 million, realized a \$2 million gain, and consolidated office space at various campuses. In addition, the Student Success Center was completed and capitalized at a book value of \$22.4 million. Additional information about the College's capital assets is presented in the notes to financial statements.

Capital Expenses and Commitments

Major capital expenses through June 30, 2021, were incurred for the St. Petersburg Downtown Buildout (\$2.6 million), and the St. Petersburg Gibbs Cooling Tower (\$0.5 million). The College's construction commitments at June 30, 2021, are as follows:

| | Amount (In Thousands) |
|--------------------------|--------------------------|
| Total Committed | \$ 4,717 |
| Completed to Date | (3,128) |
| Balance Committed | \$ 1,589 |

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

Debt Administration

As of June 30, 2021, the College had \$17.1 million in outstanding capital improvement debt payable, capital leases payable, and installment purchase payable representing a decrease of \$0.5 million, or 2.9 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

| | <u>2021</u> | <u>2020</u> |
|-----------------------------------|------------------|------------------|
| SBE Capital Outlay Bonds | \$ 1,003 | \$ 1,093 |
| Florida Department of Education | | |
| Capital Improvement Revenue Bonds | 12,390 | 13,875 |
| Installment Purchases | 1,411 | - |
| Capital Leases | 2,260 | 2,597 |
| Total | <u>\$ 17,064</u> | <u>\$ 17,565</u> |

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2021-22 fiscal year.

On-going efforts to develop new revenue sources and contain costs continue to serve the College well in its commitment to the growth of education programs, improved student access, and overall excellence in service to its students and the community. The conservative budgetary stance taken by the College provides a framework for a focused response in support of our educational mission.

The College Board of Trustees did not recommend a tuition increase consistent with the Governor's request for the 2021-22 fiscal year.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Mike Meigs, Associate Vice President for Financial and Business Services, St. Petersburg College, PO Box 13489, St. Petersburg, FL 33733.

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BASIC FINANCIAL STATEMENTS

ST. PETERSBURG COLLEGE A Component Unit of the State of Florida Statement of Net Position

June 30, 2021

| | College | Component Units |
|---|--------------------|--------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 34,099,920 | \$ 2,428,822 |
| Restricted Cash and Cash Equivalents | 11,842,874 | - |
| Investments | - | 55,606,719 |
| Restricted Investments | 23,672 | - |
| Accounts Receivable, Net | 1,505,299 | 800,027 |
| Due from Other Governmental Agencies | 3,313,111 | - |
| Due from Component Unit/College | 167,614 | 6,735,686 |
| Inventories | 84,798 | 6,991 |
| Prepaid Expenses | 40,988 | - |
| Deposits Receivable | 720,820 | - |
| Total Current Assets | 51,799,096 | 65,578,245 |
| Noncurrent Assets: | | |
| Restricted Cash and Cash Equivalents | 12,908,162 | - |
| Investments | 2,064,335 | 32,111,406 |
| Restricted Investments | 2,918,257 | - |
| Depreciable Capital Assets, Net | 239,321,171 | - |
| Nondepreciable Capital Assets | 27,333,526 | - |
| Other Assets | - | 45,149 |
| Total Noncurrent Assets | 284,545,451 | 32,156,555 |
| TOTAL ASSETS | 336,344,547 | 97,734,800 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Other Postemployment Benefits | 7,783,889 | - |
| Pensions | 27,158,790 | - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 34,942,679 | - |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | 4,580,409 | 28,427 |
| Salary and Payroll Taxes Payable | 1,233,458 | - |
| Retainage Payable | 424,177 | - |
| Unearned Revenue | 578,339 | 11,323 |
| Deposits Held for Others | 1,205,392 | - |
| Long-Term Liabilities - Current Portion: | | |
| Bonds Payable | 1,649,000 | - |
| Installment Purchase Payable | 53,200 | - |
| Capital Leases Payable | 895,016 | - |
| Compensated Absences Payable | 1,182,155 | - |
| Other Postemployment Benefits Payable | 219,475 | - |
| Net Pension Liability | 6,583,427 | - |
| Total Current Liabilities | 18,604,048 | 39,750 |

| | <u>College</u> | <u>Component Units</u> |
|--|-----------------------|----------------------------|
| LIABILITIES (Continued) | | |
| Noncurrent Liabilities: | | |
| Bonds Payable | 11,744,000 | - |
| Installment Purchase Payable | 1,357,678 | - |
| Capital Leases Payable | 1,364,928 | - |
| Compensated Absences Payable | 10,639,397 | - |
| Other Postemployment Benefits Payable | 43,361,331 | - |
| Net Pension Liability | 76,953,130 | - |
| Total Noncurrent Liabilities | 145,420,464 | - |
| TOTAL LIABILITIES | 164,024,512 | 39,750 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Other Postemployment Benefits | 6,676,298 | - |
| Pensions | 9,542,472 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 16,218,770 | - |
| NET POSITION | | |
| Net Investment in Capital Assets | 249,590,875 | - |
| Restricted: | | |
| Nonexpendable: | | |
| Endowment | - | 32,111,406 |
| Expendable: | | |
| Grants and Loans | 8,100,167 | 60,274,746 |
| Scholarships | 433,718 | - |
| Capital Projects | 16,005,657 | - |
| Debt Service | 23,672 | - |
| Unrestricted | (83,110,145) | 5,308,898 |
| TOTAL NET POSITION | \$ 191,043,944 | \$ 97,695,050 |

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

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ST. PETERSBURG 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

| | College | Component Units |
|---|-----------------------|----------------------------|
| REVENUES | | |
| Operating Revenues: | | |
| Student Tuition and Fees, Net of Scholarship Allowances of \$26,159,108 | \$ 36,566,768 | \$ - |
| Federal Grants and Contracts | 453,946 | - |
| State and Local Grants and Contracts | 1,478,398 | - |
| Nongovernmental Grants and Contracts | 535,974 | - |
| Sales and Services of Educational Departments | 686,296 | - |
| Auxiliary Enterprises | 1,635,754 | - |
| Other Operating Revenues | 1,100,288 | 5,717,229 |
| Total Operating Revenues | 42,457,424 | 5,717,229 |
| EXPENSES | | |
| Operating Expenses: | | |
| Personnel Services | 123,217,596 | - |
| Scholarships and Waivers | 41,971,454 | 4,157,136 |
| Utilities and Communications | 5,868,180 | - |
| Contractual Services | 9,939,677 | 2,367,876 |
| Other Services and Expenses | 6,970,314 | - |
| Materials and Supplies | 17,964,753 | 25,952 |
| Depreciation | 11,425,004 | - |
| Total Operating Expenses | 217,356,978 | 6,550,964 |
| Operating Loss | (174,899,554) | (833,735) |
| NONOPERATING REVENUES (EXPENSES) | | |
| State Noncapital Appropriations | 73,703,011 | - |
| Federal and State Student Financial Aid | 60,269,406 | - |
| Gifts and Grants | 27,454,659 | 88,211 |
| Investment Income | 151,614 | 177,307 |
| Net Gain (Loss) on Investments | (124,433) | 28,881,540 |
| Gain on Disposal of Capital Assets | 1,984,195 | - |
| Interest on Capital Asset-Related Debt | (821,383) | - |
| Net Nonoperating Revenues | 162,617,069 | 29,147,058 |
| Income (Loss) Before Other Revenues | (12,282,485) | 28,313,323 |
| State Capital Appropriations | 637,600 | - |
| Capital Grants, Contracts, Gifts, and Fees | 6,958,687 | - |
| Additions to Endowments | - | 621,435 |
| Total Other Revenues | 7,596,287 | 621,435 |
| Increase (Decrease) in Net Position | (4,686,198) | 28,934,758 |
| Net Position, Beginning of Year | 195,730,142 | 69,794,022 |
| Adjustments to Beginning Net Position | - | (1,033,730) |
| Net Position, Beginning of Year, as Restated | 195,730,142 | 68,760,292 |
| Net Position, End of Year | \$ 191,043,944 | \$ 97,695,050 |

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

ST. PETERSBURG 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 | \$ 37,029,973 |
| Grants and Contracts | 1,981,786 |
| Payments to Suppliers | (32,619,637) |
| Payments for Utilities and Communications | (5,868,180) |
| Payments to Employees | (85,009,644) |
| Payments for Employee Benefits | (30,815,765) |
| Payments for Scholarships | (41,809,886) |
| Auxiliary Enterprises | 1,658,951 |
| Sales and Services of Educational Departments | 686,296 |
| Other Payments | (75,730) |
| | (154,841,836) |
| Net Cash Used by Operating Activities | |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| State Noncapital Appropriations | 73,703,011 |
| Federal and State Student Financial Aid | 60,369,437 |
| Federal Direct Loan Program Receipts | 37,290,647 |
| Federal Direct Loan Program Disbursements | (37,290,647) |
| Gifts and Grants Received for Other Than Capital or Endowment Purposes | 27,454,659 |
| Other Nonoperating Disbursements | (6,338,905) |
| | 155,188,202 |
| Net Cash Provided by Noncapital Financing Activities | |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| State Capital Appropriations | 5,475,068 |
| Capital Grants and Gifts | 6,908,687 |
| Proceeds from Sale of Capital Assets | 1,984,195 |
| Purchases of Capital Assets | (1,384,060) |
| Principal Paid on Capital Debt and Leases | (2,540,714) |
| Interest Paid on Capital Debt and Leases | (821,383) |
| | 9,621,793 |
| Net Cash Provided by Capital and Related Financing Activities | |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Proceeds from Sales and Maturities of Investments | 4,851,044 |
| Purchases of Investments | (4,984,747) |
| Investment Income | 157,505 |
| | 23,802 |
| Net Cash Provided by Investing Activities | |
| Net Increase in Cash and Cash Equivalents | |
| Cash and Cash Equivalents, Beginning of Year | 9,991,961 |
| | 48,858,995 |
| Cash and Cash Equivalents, End of Year | \$ 58,850,956 |

| | <u>College</u> |
|---|-------------------------|
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES | |
| Operating Loss | \$ (174,899,554) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities: | |
| Depreciation Expense | 11,425,004 |
| Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources: | |
| Accounts Receivables, Net | 481,117 |
| Due from Other Governmental Agencies | (677,262) |
| Due from Component Unit | 27,200 |
| Inventories | (12,654) |
| Prepaid Expenses | (8,268) |
| Deposits Receivable | (720,820) |
| Accounts Payable | 2,285,936 |
| Salary and Payroll Taxes Payable | (1,075,288) |
| Unearned Revenue | 320,477 |
| Estimated Insurance Claims Payments | (1,482,807) |
| Deposits Held for Others | (455,198) |
| Compensated Absences Payable | 350,775 |
| Other Postemployment Benefits Payable | 10,931,617 |
| Net Pension Liability | 9,434,565 |
| Deferred Outflows of Resources Related to Other Postemployment Benefits | (6,757,920) |
| Deferred Inflows of Resources Related to Other Postemployment Benefits | (1,002,715) |
| Deferred Outflows of Resources Related to Pensions | (1,499,881) |
| Deferred Inflows of Resources Related to Pensions | (1,506,160) |
| NET CASH USED BY OPERATING ACTIVITIES | <u>\$ (154,841,836)</u> |

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND
CAPITAL FINANCING ACTIVITIES**

| | |
|--|--------------|
| Unrealized losses on investments were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows. | \$ (124,433) |
| 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. | \$ 50,000 |
| The College has an installment purchase agreement for a chiller plant. The long-term debt was recorded on the statement of net position as an addition to installment purchase payable and reduction to capital leases payable, but are not cash transactions for the statement of cash flows. | \$ 1,444,545 |
| The College entered into capital lease purchases for the acquisition of network equipment, copier and printing equipment and vehicles. The new debt and capital assets related to the capital lease purchases were recorded as an increase to long-term debt and capital assets on the statement of net position, but are not cash transactions for the statement of cash flows. | \$ 2,044,601 |

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The governing body of St. Petersburg 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 five 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 Pinellas County.

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

- St. Petersburg College Foundation, Inc. (Foundation): This legally separate organization is a community advocate for St. Petersburg College and encourages charitable donations to provide financial support for the College and its students. As a public charity, the Foundation accepts donations to enhance the College's many and varied teaching and public service programs, as well as to support capital projects and other related College improvements, and is governed by a separate board.
- The Leepa-Rattner Museum of Art, Inc. (Museum): This legally separate organization benefits the College through the promotion of educational excellence by collecting, preserving and displaying works of art that reflect or support the aesthetic concerns of Abraham Rattner, Esther Gentle, Allen Leepa, and other artists. The Museum also provides a facility for teaching, exhibiting, and promoting all aspects of the art spectra for the benefit of the College and the public, and is governed by a separate board.
- Institute for Strategic Policy Solutions, Inc. (Institute): This legally separate organization benefits the College through the promotion of educational and civic engagement through its operations and activities by providing students, faculty, and the community at large, a forum and center for learning and scholarly public discourse and is governed by a separate board.

The College's component units, as described above, are also direct-support organizations, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, are financially accountable to the College. The component units are managed independently, outside the College's budgeting process, and their powers generally are vested in a governing board pursuant to various State statutes. The component units receive, hold, invest, and administer property and make expenditures to or for the benefit of the College.

The College's component units are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The audited financial statements of these organizations are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the audited financial statements of the organizations for the fiscal year ended March 31, 2021. Additional condensed financial statements for the College's component units are included in a subsequent note.

The Museum was dissolved as a Florida nonprofit corporation exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and decertified as a direct-support organization of the College. Dissolution was filed with the State of Florida on June 28, 2021, with an effective date of June 30, 2021. The Museum began operating as a department of the College on July 1, 2021.

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. GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

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

The College's component units use the economic resources measurement focus and 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 (net of unrealized gains or losses on investments). Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

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

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash placed with the State Treasury Special Purpose Investment Account (SPIA) and the State Board of Administration (SBA) Florida PRIME 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 and SBA Florida PRIME investment pools to be cash equivalents.

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

At June 30, 2021, the College reported as cash equivalents at fair value \$2,667,087 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 \$25,931,769 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.

Capital Assets. College capital assets consist of land, construction in progress, buildings, other structures and improvements, furniture, machinery, and equipment, and assets under capital leases. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and

other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 10 to 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
- Assets Under Capital Leases – 2 to 5 years

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

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

2. Deficit Net Position in Individual Funds

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

| <u>Fund</u> | <u>Net Position</u> |
|------------------------------|-------------------------------|
| Current Funds - Unrestricted | \$ (86,025,491) |
| Auxiliary Funds | <u>2,915,346</u> |
| Total | <u>\$ (83,110,145)</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.

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

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

The College's investments at June 30, 2021, are reported as follows:

| Investments by fair value level | Amount | Fair Value Measurements Using | | |
|--|---------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| SBA Debt Service Accounts | \$ 23,672 | \$ 23,672 | \$ - | \$ - |
| Certificate of Deposit/Bank Deposit Program | 4,982,592 | 4,982,592 | - | - |
| Total investments by fair value level | \$ 5,006,264 | \$ 5,006,264 | \$ - | \$ - |

State Board of Administration Debt Service Accounts. The College reported investments totaling \$23,672 at June 30, 2021, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Annual Comprehensive Financial Report.

Certificates of Deposit and Bank Deposit Program. At June 30, 2021, the College had a financial institution purchase investment in individual certificates of deposit (CDs) with 20 different banks in the College's name totaling \$4,697,870 and none of those investments exceeded \$250,000 per bank. The CDs are insured by the Federal Deposit Insurance Corporation. The CDs carry originally maturity dates ranging from 18 months to 39 months with annual percentage interest rates ranging from 0.15 percent to 2.50 percent.

In addition, the College reported investments totaling \$284,722 at June 30, 2021, in the Bank Deposit Program with 1 bank. The Bank Deposit Program is an account investment used to hold cash balances

until the funds are reinvested in CDs. The Federal Deposit Insurance Corporation insures up to \$250,000 per bank.

Component Unit Investments. The College’s component unit, the Foundation categorizes fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets and level 2 inputs are significant other observable inputs measured based on quoted prices for similar securities in active markets. As of March 31, 2021, investments held by the Foundation is reported at fair value as follows:

| Investments by fair value level | Amount | Fair Value Measurements Using | |
|--|----------------------|--|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
| United States Government Obligations | \$ 704,475 | \$ 704,475 | \$ - |
| Federal Agency Obligations | 2,205,919 | - | 2,205,919 |
| Bonds and Notes | 10,866,016 | - | 10,866,016 |
| Stocks and Other Equity Securities | 69,824,384 | 69,824,384 | - |
| Mutual Funds | 3,837,135 | 3,837,135 | - |
| Real Estate Investment Trusts | 280,196 | 280,196 | - |
| Total investments by fair value level | \$ 87,718,125 | \$ 74,646,190 | \$ 13,071,935 |

The Foundation has a written investment policy to provide the basis for the management of a prudent investment program appropriate to the particular fund type.

Interest Rate and Credit Risk: Interest rate risk is the risk that changes when interest rates will adversely affect the fair market value of an investment. Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation. The Foundation’s investment policy limits investments in fixed income securities to maturities of no longer than 30 years. The Foundation has \$13,776,410 in obligations of United States Government, Federal agency obligations, and bonds and notes that include embedded options including of the option, at the discretion of the issuer, to call their obligation.

The Foundation’s investment policy provides that debt issues of investment grade “BBB” or better is preferred. However, investment managers may purchase lesser quality debt investments as long as the purchases represent no more than 25 percent of a manager’s fixed income portfolio.

The following are maturities and credit quality ratings for the Foundation investments at March 31, 2021:

| Investment Type | Investment Maturities (In Years) | | | | | Credit Quality Range (1) |
|--|----------------------------------|---------------------|---------------------|---------------------|---------------------|--------------------------|
| | Fair Value | Less Than 1 | 1-5 | 6-10 | More Than 10 | |
| United States | | | | | | |
| Government Obligations | \$ 704,475 | \$ 118,899 | \$ 246,990 | \$ 338,586 | \$ - | (2) |
| Federal Agency Obligations | 2,205,919 | 40,732 | 428,874 | 742,631 | 993,682 | AA+ |
| Bonds and Notes | 10,866,016 | 223,894 | 2,477,507 | 2,720,422 | 5,444,193 | AAA-NA |
| Fixed Income Mutual Funds (3) | 91,113 | - | - | 91,113 | - | AAA |
| Fixed Income Mutual Funds (3) | 152,086 | - | 152,086 | - | - | AAA-BBB |
| Fixed Income Mutual Funds (3) | 74,365 | - | - | - | 74,365 | AAA-NR |
| Fixed Income Mutual Funds | 2,156,998 | - | - | 2,156,998 | - | AAA-NA |
| Fixed Income Mutual Funds | 940,686 | - | - | - | 940,686 | BBB-BB |
| Real Estate Investment Trusts | 280,196 | 280,196 | - | - | - | Not Rated |
| Equity Mutual Funds | 421,887 | 421,887 | - | - | - | Not Rated |
| Equity Securities | 69,824,384 | 69,824,384 | - | - | - | Not Rated |
| Total Component Units Investments | \$87,718,125 | \$70,909,992 | \$ 3,305,457 | \$ 6,049,750 | \$ 7,452,926 | |

(1) Rated by Standard & Poor's.

(2) Disclosure of credit risk is not required for this investment type.

(3) Fixed income mutual funds with a weighted average maturity of less than 5 years.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments. The Foundation's investment policy does not address custodial risk. Foundation investments in debt securities are uninsured, not registered in the name of the Foundation, and held by financial institutions and, as such, are exposed to custodial credit risk.

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 provides that investments in fixed income securities of a single issue must not exceed 5 percent of fair value total investment assets with each money manager. United States Government and Federal agency obligations are not subject to this limitation. For equities, no single major industry may represent more than 15 percent of the market value of the total amount each investment firm has to invest at the time of purchase, and in no case shall an individual security be purchased that exceeds 5 percent of the portfolio total without approval from the investment committee. The policy also provides that the target asset allocation for the investment portfolio be 70 percent in equities and 30 percent in fixed income.

4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, uncollected commissions for food or rent from vendors under food, vending, and bookstore operations, accrued interest, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a \$1,035,606 allowance for doubtful accounts.

5. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$64,834 of Public Education Capital Outlay allocations due from the State for construction of College facilities, \$2,309,255 of grant contract reimbursements due from third parties, and \$669,126 due from the Florida Prepaid College Board for payment of tuition and fees for students under contract enrolled in summer term.

6. Due From Component Unit/College

The \$167,614 reported as due from component unit consists of amounts owed to the College by the Foundation for programs and scholarships. The \$6,338,905 reported as a noncurrent amount due to component unit in the prior fiscal year, was repaid to the Foundation in June 2021. The College's financial statements are reported for the fiscal year ended June 30, 2021. The College's component units' financial statements are reported for the fiscal year ended March 31, 2021. Accordingly, the amount reported by the College as due from component unit on the statement of net position does not agree with the amount 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 | \$ 25,606,841 | \$ - | \$ 1,401,300 | \$ 24,205,541 |
| Construction in Progress | 22,116,010 | 3,374,689 | 22,362,714 | 3,127,985 |
| Total Nondepreciable Capital Assets | \$ 47,722,851 | \$ 3,374,689 | \$ 23,764,014 | \$ 27,333,526 |
| Depreciable Capital Assets: | | | | |
| Buildings | \$ 361,678,765 | \$ 22,362,714 | \$ 4,835,047 | \$ 379,206,432 |
| Other Structures and Improvements | 12,903,762 | 1,511,514 | - | 14,415,276 |
| Furniture, Machinery, and Equipment | 15,663,573 | 9,023,880 | 1,284,869 | 23,402,584 |
| Assets Under Capital Leases | 11,354,814 | 2,044,601 | 9,105,791 | 4,293,624 |
| Total Depreciable Capital Assets | 401,600,914 | 34,942,709 | 15,225,707 | 421,317,916 |
| Less, Accumulated Depreciation: | | | | |
| Buildings | 138,409,830 | 9,590,392 | 1,813,142 | 146,187,080 |
| Other Structures and Improvements | 12,351,970 | 575,749 | - | 12,927,719 |
| Furniture, Machinery, and Equipment | 13,954,154 | 8,173,482 | 1,284,869 | 20,842,767 |
| Assets Under Capital Leases | 9,068,982 | 1,013,123 | 8,042,926 | 2,039,179 |
| Total Accumulated Depreciation | 173,784,936 | 19,352,746 | 11,140,937 | 181,996,745 |
| Total Depreciable Capital Assets, Net | \$ 227,815,978 | \$ 15,589,963 | \$ 4,084,770 | \$ 239,321,171 |

8. Unearned Revenue

Unearned revenue at June 30, 2021, includes restricted grants and contracts revenue, auxiliary enterprises revenue, and student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2021, the College reported the following amounts as unearned revenue:

| <u>Description</u> | <u>Amount</u> |
|-------------------------------|-------------------|
| Grants and Contracts | \$ 298,731 |
| Auxiliary Revenue | 39,453 |
| Student Tuition and Fees | 240,155 |
| Total Unearned Revenue | \$ 578,339 |

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> |
|---------------------------------------|--------------------------|----------------------|----------------------|-----------------------|------------------------|
| Bonds Payable | \$ 14,968,000 | \$ - | \$ 1,575,000 | \$ 13,393,000 | \$ 1,649,000 |
| Installment Purchase Payable | - | 1,444,545 | 33,667 | 1,410,878 | 53,200 |
| Capital Leases Payable | 2,596,741 | 2,044,601 | 2,381,398 | 2,259,944 | 895,016 |
| Compensated Absences Payable | 11,470,778 | 1,836,598 | 1,485,824 | 11,821,552 | 1,182,155 |
| Other Postemployment Benefits Payable | 32,649,189 | 19,098,317 | 8,166,700 | 43,580,806 | 219,475 |
| Net Pension Liability | 74,101,992 | 44,613,050 | 35,178,485 | 83,536,557 | 6,583,427 |
| Total Long-Term Liabilities | \$ 135,786,700 | \$ 69,037,111 | \$ 48,821,074 | \$ 156,002,737 | \$ 10,582,273 |

Bonds Payable. Various bonds were issued to finance capital outlay projects of the College. The following is a description of the bonded debt issues:

- **SBE Capital Outlay Bonds.** The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.
- **Capital Improvement Revenue Bonds, Series 2006A, 2010A and 2018A.** These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Section 1009.23(11), Florida Statutes, by the Series 2006A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2006A bonds. The Series 2006A bonds constitute the first series of bonds to be issued pursuant to a Master Authorizing Resolution. The Governing Board authorized the sale of Series 2010A Bonds by the Third Supplemental Resolution adopted on May 11, 2010, which also amended the Master Authorizing Resolution. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all colleges participating in any series of bonds then outstanding. The Series 2010A and 2018A bonds will share the lien on the revenues pledged by the colleges participating in such additional bonds. The Series 2010A and 2018A bonds finance the new construction and renovation and remodeling of educational facilities.

The College had the following bonds payable at June 30, 2021:

| <u>Bond Type</u> | <u>Amount Outstanding</u> | <u>Interest Rates (Percent)</u> | <u>Annual Maturity To</u> |
|---|-------------------------------|---|-----------------------------------|
| SBE Capital Outlay Bonds: | | | |
| Series 2020A | \$ 1,003,000 | 2.00-5.00 | 2030 |
| Florida Department of Education Capital Improvement Revenue Bonds: | | | |
| Series 2010A | 5,110,000 | 4.00-4.375 | 2030 |
| Series 2018A | <u>7,280,000</u> | 5.00 | 2027 |
| Total | <u>\$ 13,393,000</u> | | |

Annual requirements to amortize all bonded debt outstanding as of June 30, 2021, are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds</u> | | |
|---------------------------------------|---|---------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2022 | \$ 1,649,000 | \$ 622,007 | \$ 2,271,007 |
| 2023 | 1,721,000 | 544,408 | 2,265,408 |
| 2024 | 1,799,000 | 466,237 | 2,265,237 |
| 2025 | 1,889,000 | 381,488 | 2,270,488 |
| 2026 | 1,975,000 | 292,487 | 2,267,487 |
| 2027-2030 | <u>4,360,000</u> | <u>405,669</u> | <u>4,765,669</u> |
| Total | <u>\$ 13,393,000</u> | <u>\$ 2,712,296</u> | <u>\$ 16,105,296</u> |

Installment Purchase Payable. The College has an installment purchase agreement for the purchase of a chiller plant reported at \$1,511,514. The stated interest rate is 3.4 percent. At expiration of the lease term, and payment in full of all installment payments and \$1, the College will own the equipment free and clear. The installment purchase contains a provision that, in an event of default, the College will cease the use of the equipment and peaceably remove and deliver the equipment, at the College's expense, to a location specified by the lessor. In addition, there is a prepayment premium of the remaining balance equal to 2 percent. Future minimum payments remaining under the installment purchase agreement and the present value of the minimum payments as of June 30, 2021, are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Amount</u> |
|--|---------------------|
| 2022 | \$ 100,376 |
| 2023 | 103,387 |
| 2024 | 106,489 |
| 2025 | 109,684 |
| 2026 | 112,974 |
| 2027-2031 | 617,790 |
| 2032-2036 | <u>677,382</u> |
| Total Minimum Payments | 1,828,082 |
| Less, Amount Representing Interest | <u>(417,204)</u> |
| Present Value of Minimum Payments | <u>\$ 1,410,878</u> |

Capital Leases Payable. Network server equipment in the amount of \$3,318,195, copier and printing equipment in the amount of \$675,711, audio-visual equipment in the amount of \$193,048, and vehicles in the amount of \$106,669 are recorded as capital leases. The stated interest rates range from 3.37 percent to 14.11 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2021, are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Amount</u> |
|--|---------------------|
| 2022 | \$ 974,985 |
| 2023 | 651,634 |
| 2024 | 545,819 |
| 2025 | 197,650 |
| 2026 | <u>88,094</u> |
| Total Minimum Payments | 2,458,182 |
| Less, Amount Representing Interest | <u>(198,238)</u> |
| Present Value of Minimum Payments | <u>\$ 2,259,944</u> |

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 \$11,821,552. The current portion of the compensated absences liability, \$1,182,155, is the amount expected to be paid in the coming fiscal year. The current portion of the compensated absences was determined by calculating 10 percent of the compensated absences liability as of June 30, 2021.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain other postemployment benefits administered by the College/Consortium and life insurance benefits through purchased commercial insurance.

General Information about the OPEB Plan

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

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

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

| | |
|--|--------------|
| Inactive Employees or Beneficiaries Currently Receiving Benefits | 49 |
| DROP members | 45 |
| Active Employees | 1,162 |
| Total | <u>1,256</u> |

Total OPEB Liability

The College’s total OPEB liability of \$43,580,806 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, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|---|
| Inflation | 2.40 percent |
| Real Wage Growth | 0.85 percent |
| Wage Inflation | 3.25 percent |
| Salary increases, including wage inflation | |
| Regular Employees | 3.40-7.80 percent |
| Senior Management | 4.10-8.20 percent |
| Discount rate-Municipal Bond Index Rate | |
| Prior Measurement Date | 3.50 percent |
| Measurement Date | 2.21 percent |
| Healthcare cost trend rates | |
| Pre-Medicare | 7.00 percent for 2019, decreasing to an ultimate rate of 4.60 percent by 2026 |
| Medicare | 5.00 percent for 2019, decreasing to an ultimate rate of 4.60 percent by 2021 |

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

Mortality rates were based on the 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, and withdrawal 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>\$ 32,649,189</u> |
| Changes for the year: | |
| Service Cost | 2,308,660 |
| Interest | 1,219,275 |
| Changes of Benefit Terms | 76,396 |
| Changes in Assumptions or Other Inputs | 7,572,244 |
| Benefit Payments | <u>(244,958)</u> |
| Net Changes | <u>10,931,617</u> |
| Balance at 6/30/21 | <u><u>\$ 43,580,806</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 | \$33,298,080 | \$43,580,806 | \$57,860,161 |

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 | \$33,627,936 | \$43,580,806 | \$57,298,710 |

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 \$3,465,550. 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 | \$ 748,639 | \$ - |
| Change of assumptions or other inputs | 6,815,775 | 6,676,298 |
| Transactions subsequent to the measurement date | 219,475 | - |
| Total | <u>\$ 7,783,889</u> | <u>\$ 6,676,298</u> |

Of the total amount reported as deferred outflows of resources related to OPEB, \$219,475 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 | \$ (138,782) |
| 2023 | (138,782) |
| 2024 | (138,782) |
| 2025 | (138,782) |
| 2026 | (138,782) |
| Thereafter | 1,582,026 |
| Total | <u>\$ 888,116</u> |

Net Pension Liability. As a participating employer in the 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 \$83,536,557. 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 \$12,989,050 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 \$5,505,514 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 \$60,218,585 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 0.138939864 percent, which was a decrease of 0.010468145 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the College recognized pension expense of \$11,602,413. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$ 2,304,688 | \$ - |
| Change of assumptions | 10,901,478 | - |
| Net difference between projected and actual earnings on FRS Plan investments | 3,585,472 | - |
| Changes in proportion and differences between College FRS contributions and proportionate share of contributions | 30,948 | 4,851,445 |
| College FRS contributions subsequent to the measurement date | 5,505,514 | - |
| Total | \$ 22,328,100 | \$ 4,851,445 |

The deferred outflows of resources totaling \$5,505,514, 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 | \$ 2,186,439 |
| 2023 | 4,198,140 |
| 2024 | 3,559,537 |
| 2025 | 1,920,230 |
| 2026 | 106,795 |
| Total | \$ 11,971,141 |

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 | 100.0% | | | |
| 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:

| | 1% Decrease (5.80%) | Current Discount Rate (6.80%) | 1% Increase (7.80%) |
|---|------------------------------------|--|------------------------------------|
| College’s proportionate share of the net pension liability | \$96,158,960 | \$60,218,585 | \$30,201,027 |

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 \$48,421 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 \$1,077,913 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 \$23,317,972 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 0.190976918 percent, which was a decrease of 0.011435776 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the College recognized pension expense of \$1,386,637. 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 | \$ 953,846 | \$ 17,988 |
| Change of assumptions | 2,507,347 | 1,355,849 |
| Net difference between projected and actual earnings on HIS Plan investments | 18,617 | - |
| Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions | 272,967 | 3,317,190 |
| College contributions subsequent to the measurement date | 1,077,913 | - |
| Total | <u>\$ 4,830,690</u> | <u>\$ 4,691,027</u> |

The deferred outflows of resources totaling \$1,077,913, 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 | \$ 23,367 |
| 2023 | (166,535) |
| 2024 | (567,895) |
| 2025 | (314,565) |
| 2026 | (1,918) |
| Thereafter | 89,296 |
| Total | <u>\$ (938,250)</u> |

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 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:

| | 1% Decrease (1.21%) | Current Discount Rate (2.21%) | 1% Increase (3.21%) |
|--|------------------------------------|--|------------------------------------|
| College's proportionate share of the net pension liability | \$26,954,533 | \$23,317,972 | \$20,341,455 |

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 \$9,638 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 \$1,939,747 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 and 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 \$414,666 and employee contributions totaled \$244,400 for the 2020-21 fiscal year.

Senior Management Service Optional Annuity Program. Section 121.055, Florida Statutes, created the Senior Management Service Optional Annuity Program (Annuity Program) as an optional retirement program for College employees who are members of the FRS Senior Management Service Class.

The Annuity Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. College employees in eligible positions make an irrevocable election to participate in the Annuity Program in lieu of the Senior Management Service Class of FRS and purchase retirement and death benefits through contracts with participating provider companies. The College contributes 6.27 percent of the participant's salary to the participant's account and 19.18 percent to cover the unfunded actuarial liability of the FRS pension plan for a total of 25.45 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by salary reduction, an additional amount not to exceed the percentage contributed by the College. These contributions are invested in the companies selected by the employee to create a fund for the purchase of annuities at retirement.

The College's contributions to the Annuity Program totaled \$16,304 and employee contributions totaled \$7,801 for the 2020-21 fiscal year.

12. Construction Commitments

The College's construction commitments at June 30, 2021, were as follows:

| <u>Project Description</u> | <u>Total Commitment</u> | <u>Completed to Date</u> | <u>Balance Committed</u> |
|----------------------------|-----------------------------|------------------------------|------------------------------|
| Downtown Buildout | \$ 2,635,822 | \$ 2,629,114 | \$ 6,708 |
| Gibbs Cooling Tower | 834,340 | 491,871 | 342,469 |
| Smaller Projects (1) | 1,246,827 | 7,000 | 1,239,827 |
| Total | \$ 4,716,989 | \$ 3,127,985 | \$ 1,589,004 |

(1) Individual projects with total commitment of less than \$1 million each at June 30, 2021.

13. Operating Lease Commitments

The College leased computer equipment, copiers, and audio-visual equipment under operating leases, with various expiration dates through 2025. These leased assets and the related commitments are not reported on the College's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Amount</u> |
|--|---------------------|
| 2022 | \$ 862,507 |
| 2023 | 594,027 |
| 2024 | 477,706 |
| 2025 | 257,647 |
| Total Minimum Payments Required | \$ 2,191,887 |

14. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to \$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, and other liability coverage. Health and hospitalization coverage was added beginning January 1, 2021. Prior to January 1, 2021, the Board was self-insured for its group health and hospitalization for employees, retirees, former employees, and their dependents. The College's liability was limited by the

excess insurance of \$350,000 per insured person. The plan was provided by an insurance company licensed by the Florida Office of Insurance Regulation.

Life insurance, dental and eye coverage for employees is provided through purchased commercial insurance. The College contributes employee premiums as a fringe benefit. Employee dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents by prepaid premiums.

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

15. Functional Distribution of Operating Expenses

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

| <u>Functional Classification</u> | <u>Amount</u> |
|------------------------------------|-----------------------|
| Instruction | \$ 72,829,697 |
| Public Services | 83,206 |
| Academic Support | 26,897,483 |
| Student Services | 23,670,208 |
| Institutional Support | 22,035,043 |
| Operation and Maintenance of Plant | 18,357,556 |
| Scholarships and Waivers | 41,971,454 |
| Depreciation | 11,425,004 |
| Auxiliary Enterprises | 87,327 |
| Total Operating Expenses | \$ 217,356,978 |

16. Discretely Presented Component Units

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

Condensed Statement of Net Position

| | Direct-Support Organizations | | | Total |
|---------------------------|--|--|---|----------------------|
| | St. Petersburg College Foundation, Inc. 3/31/2021 | The Leepa-Rattner Museum of Art, Inc. 3/31/2021 | Institute for Strategic Policy Solutions, Inc. 3/31/2021 | |
| Assets: | | | | |
| Current Assets | \$ 64,681,978 | \$ 474,188 | \$ 422,079 | \$ 65,578,245 |
| Other Noncurrent Assets | 32,139,055 | 17,500 | - | 32,156,555 |
| Total Assets | 96,821,033 | 491,688 | 422,079 | 97,734,800 |
| Liabilities: | | | | |
| Current Liabilities | 27,000 | 11,705 | 1,045 | 39,750 |
| Total Liabilities | 27,000 | 11,705 | 1,045 | 39,750 |
| Net Position: | | | | |
| Restricted Nonexpendable | 32,111,406 | - | - | 32,111,406 |
| Restricted Expendable | 60,190,748 | 83,998 | - | 60,274,746 |
| Unrestricted | 4,491,879 | 395,985 | 421,034 | 5,308,898 |
| Total Net Position | \$ 96,794,033 | \$ 479,983 | \$ 421,034 | \$ 97,695,050 |

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

| | Direct-Support Organizations | | | Total |
|--|--|--|---|----------------------|
| | St. Petersburg College Foundation, Inc. 3/31/2021 | The Leepa-Rattner Museum of Art, Inc. 3/31/2021 | Institute for Strategic Policy Solutions, Inc. 3/31/2021 | |
| Operating Revenues | \$ 4,740,585 | \$ 504,221 | \$ 472,423 | \$ 5,717,229 |
| Operating Expenses | (5,594,947) | (644,340) | (311,677) | (6,550,964) |
| Operating Income (Loss) | (854,362) | (140,119) | 160,746 | (833,735) |
| Net Nonoperating Revenues | 29,058,472 | 88,586 | - | 29,147,058 |
| Other Revenues | 621,435 | - | - | 621,435 |
| Increase (Decrease) in Net Position | 28,825,545 | (51,533) | 160,746 | 28,934,758 |
| Net Position, Beginning of Year | 69,002,218 | 531,516 | 260,288 | 69,794,022 |
| Adjustment to Beginning Net Position | (1,033,730) | - | - | (1,033,730) |
| Net Position, Beginning of Year | 67,968,488 | 531,516 | 260,288 | 68,760,292 |
| Net Position, End of Year | \$ 96,794,033 | \$ 479,983 | \$ 421,034 | \$ 97,695,050 |

17. Related Party Transactions

The Foundation holds funds for the Institute for Strategic Policy Solutions, Inc. (Institute). The Institute is a legally separate 501(c)(3) support group organized to advance academic excellence, community engagement, economic vitality and public understanding through high-quality, solutions-directed public policy programs. The Foundation reflects this balance in the financial statements as part of the Investments. During the year ended March 31, 2018, the Foundation transferred to the College \$6,338,905 from funds held by the Foundation for the Institute from the Institute's investment earnings.

As discussed in Note 6., this transfer was non-interest bearing and was classified as Due to Component Unit – Noncurrent in the preceding years. The College repaid the transferred amount in June 2021.

18. Subsequent Events

On July 22, 2021, the Florida Department of Education (FDOE) refunded the \$5.1 million FDOE Capital Improvement Revenue bond, Series 2010A. The refunding will result in a savings of \$1.6 million that will be recognized in the 2021-22 fiscal year.

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 (1)</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| Total OPEB Liability | | | | |
| Service cost | \$ 2,308,660 | \$ 2,662,445 | \$ 2,803,338 | \$ 3,172,404 |
| Interest | 1,219,275 | 1,225,088 | 1,063,422 | 902,828 |
| Changes of benefit terms | 76,396 | - | - | - |
| Difference between expected and actual experience | - | 685,268 | 308,683 | - |
| Changes of assumptions or other inputs | 7,572,244 | (3,507,308) | (2,149,578) | (4,029,653) |
| Benefit Payments | <u>(244,958)</u> | <u>(143,267)</u> | <u>(337,649)</u> | <u>(2,210)</u> |
| Net change in total OPEB liability | 10,931,617 | 922,226 | 1,688,216 | 43,369 |
| Total OPEB Liability - beginning | <u>32,649,189</u> | <u>31,726,963</u> | <u>30,038,747</u> | <u>29,995,378</u> |
| Total OPEB Liability - ending | <u>\$43,580,806</u> | <u>\$32,649,189</u> | <u>\$31,726,963</u> | <u>\$30,038,747</u> |
| Covered-Employee Payroll (2) | \$63,528,538 | \$63,528,538 | \$70,877,184 | \$67,676,956 |
| Total OPEB Liability as a percentage of covered-employee payroll | 68.60% | 51.39% | 44.76% | 44.39% |

- (1) The initial year is displayed with the adoption of GASB Statement No. 75 in accordance with paragraph 244.
- (2) Covered-employee 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.

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**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 | 0.138939864% | 0.149408009% | 0.158067659% | 0.166468397% |
| College's proportionate share of the FRS net pension liability | \$ 60,218,585 | \$ 51,454,038 | \$ 47,610,798 | \$ 49,240,234 |
| College's covered payroll (2) | \$ 84,519,177 | \$ 83,548,024 | \$ 89,843,140 | \$ 96,548,044 |
| College's proportionate share of the FRS net pension liability as a percentage of its covered payroll | 71.25% | 61.59% | 52.99% | 51.00% |
| 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 | \$ 5,505,514 | \$ 4,632,729 | \$ 4,495,419 | \$ 4,446,167 |
| FRS contributions in relation to the contractually required contribution | <u>(5,505,514)</u> | <u>(4,632,729)</u> | <u>(4,495,419)</u> | <u>(4,446,167)</u> |
| FRS contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| College's covered payroll (2) | \$ 81,487,947 | \$ 84,519,177 | \$ 83,548,024 | \$ 89,843,140 |
| FRS contributions as a percentage of covered payroll | 6.76% | 5.48% | 5.38% | 4.95% |

- (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> |
|-----------------|-----------------|-----------------|-----------------|
| 0.172938656% | 0.181549298% | 0.177383333% | 0.158148060% |
| \$ 43,667,146 | \$ 23,449,527 | \$ 10,822,992 | \$ 27,224,320 |
| \$ 86,803,263 | \$ 83,468,575 | \$ 81,597,410 | \$ 79,520,264 |
| 50.31% | 28.09% | 13.26% | 34.24% |
| 84.88% | 92.00% | 96.09% | 88.54% |

| <u>2017 (1)</u> | <u>2016 (1)</u> | <u>2015 (1)</u> | <u>2014 (1)</u> |
|--------------------|--------------------|--------------------|--------------------|
| \$ 4,334,018 | \$ 4,235,961 | \$ 4,426,326 | \$ 3,885,448 |
| <u>(4,334,018)</u> | <u>(4,235,961)</u> | <u>(4,426,326)</u> | <u>(3,885,448)</u> |
| \$ - | \$ - | \$ - | \$ - |
| \$ 96,548,044 | \$ 86,803,263 | \$ 83,468,575 | \$ 81,597,410 |
| 4.49% | 4.88% | 5.30% | 4.76% |

**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 | 0.190976918% | 0.202412694% | 0.213501983% | 0.229867134% |
| College's proportionate share of the HIS net pension liability | \$ 23,317,972 | \$ 22,647,954 | \$ 22,597,290 | \$ 24,578,454 |
| College's covered payroll (2) | \$ 75,511,932 | \$ 77,388,653 | \$ 80,477,173 | \$ 84,916,891 |
| College's proportionate share of the HIS net pension liability as a percentage of its covered payroll | 30.88% | 29.27% | 28.08% | 28.94% |
| 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 | \$ 1,077,913 | \$ 1,108,443 | \$ 1,086,117 | \$ 1,145,953 |
| HIS contributions in relation to the contractually required HIS contribution | <u>(1,077,913)</u> | <u>(1,108,443)</u> | <u>(1,086,117)</u> | <u>(1,145,953)</u> |
| HIS contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| College's covered payroll (2) | \$ 73,081,230 | \$ 75,511,932 | \$ 77,388,653 | \$ 80,477,173 |
| HIS contributions as a percentage of covered payroll | 1.47% | 1.47% | 1.40% | 1.42% |

(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> |
|-----------------|-----------------|-----------------|-----------------|
| 0.240551631% | 0.232980193% | 0.229721475% | 0.226924036% |
| \$ 28,035,296 | \$ 23,760,315 | \$ 21,479,518 | \$ 19,756,721 |
| \$ 86,803,263 | \$ 83,468,575 | \$ 81,597,410 | \$ 79,520,264 |
| 32.30% | 28.47% | 26.23% | 24.84% |
| 0.97% | 0.50% | 0.99% | 1.78% |

| <u>2017 (1)</u> | <u>2016 (1)</u> | <u>2015 (1)</u> | <u>2014 (1)</u> |
|--------------------|--------------------|------------------|------------------|
| \$ 1,216,203 | \$ 1,232,924 | \$ 890,595 | \$ 786,949 |
| <u>(1,216,203)</u> | <u>(1,232,924)</u> | <u>(890,595)</u> | <u>(786,949)</u> |
| \$ - | \$ - | \$ - | \$ - |
| \$ 84,916,891 | \$ 86,803,263 | \$ 83,468,575 | \$ 81,597,410 |
| 1.43% | 1.42% | 1.07% | 0.96% |

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

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

Changes of Assumptions. The Municipal Bond Index Rate used to determine the total OPEB liability decreased from 3.50 percent to 2.21 percent, and discount rate, mortality rates, retirement rates, termination rates, and salary increases were updated.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 6.90 percent to 6.80 percent.

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, and the active member mortality assumption was updated.



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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 St. Petersburg College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 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 February 1, 2022, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 1, 2022