

# STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2022-152  
March 2022

## SANTA FE 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. Paul Broadie II served as President of Santa Fe College and the following individuals served as Members of the Board of Trustees:

|  | <u>County</u> |
|--|---------------|
| G.W. "Blake" Fletcher, Chair                   | Alachua       |
| Michael M. Goldwire, Vice Chair                | Bradford      |
| Robert C. Hudson through 11-17-20 <sup>a</sup> | Alachua       |
| Caridad E. Lee                                 | Alachua       |
| G. Thomas Mallini through 1-19-21 <sup>b</sup> | Alachua       |
| Jeffrey L. Oody                                | Bradford      |
| Lisa M. Prevatt                                | Bradford      |
| Robert L. Woody                                | Alachua       |

<sup>a</sup> Trustee position vacant through 6-30-21.

<sup>b</sup> Trustee position vacant through 6-30-21.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The team leader was Michelle Williams, and the audit was supervised by Denita K. Tyre, CPA.

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

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**SANTA FE COLLEGE**  
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## SUMMARY

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### SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Santa Fe 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 Santa Fe 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

# AUDITOR GENERAL STATE OF FLORIDA

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Tallahassee, Florida 32399-1450



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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of Santa Fe College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Santa Fe College and of its discretely presented component unit as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2022, on our consideration of the Santa Fe 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 Santa Fe College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 15, 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 and the Florida College System Risk Management Consortium (Consortium) for the fiscal years ended June 30, 2021, and June 30, 2020, and the College's component unit, the Santa Fe College Foundation, Inc., for the fiscal years ended December 31, 2020, and December 31, 2019. To better distinguish the activities of the College and Consortium within the primary government, the financial information relating to the Consortium is separately identified.

### **FINANCIAL HIGHLIGHTS**

The College's assets totaled \$169.3 million at June 30, 2021. This balance reflects a \$595 thousand, or 0.4 percent, increase as compared to the 2019-20 fiscal year, resulting primarily from a decrease in accounts receivable (\$251 thousand); a decrease in the amount due from other governmental agencies (\$4.7 million); an increase in capital assets (\$16.9 million); a decrease in cash and cash equivalents (\$11.6 million); and an increase in investments (\$40 thousand). Deferred outflows of resources at June 30, 2021, totaled \$17.5 million, an increase of \$1.2 million, or a 7.6 percent increase over the prior fiscal year. While assets increased, liabilities also increased by \$9.7 million, or 13.6 percent, totaling \$80.4 million at June 30, 2021, primarily from increased net pension liabilities (\$6.3 million); increased compensated absences payable (\$527 thousand); decreased other postemployment benefits payable (\$22 thousand); and decreased bonds payable (\$730 thousand). Deferred inflows of resources at June 30, 2021, totaled \$3.2 million, a decrease of \$800 thousand, or a 20 percent decrease over the prior fiscal year. As a result, the College's net position decreased by \$7 million, resulting in a year-end balance of \$103.2 million.

The College's operating revenues totaled \$31.1 million for the 2020-21 fiscal year, representing a 5.3 percent decrease compared to the 2019-20 fiscal year due mainly to a decrease in net student tuition and fees (\$1 million), a decrease in sales and services of educational departments (\$234 thousand), and a decrease in auxiliary enterprises (\$300 thousand). Operating expenses totaled \$121.7 million for the 2020-21 fiscal year, representing an increase of 0.8 percent as compared to the 2019-20 fiscal year due mainly to an increase in personnel services (\$903 thousand), and contractual services (\$6.4 million), and offset with a decrease in scholarship and waivers (\$1.4 million), materials and supplies (\$4.3 million), depreciation expense (\$57 thousand), other services and expenses (\$416 thousand), and utilities and communications (\$99 thousand).

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

**Net Position**  
(In Thousands)



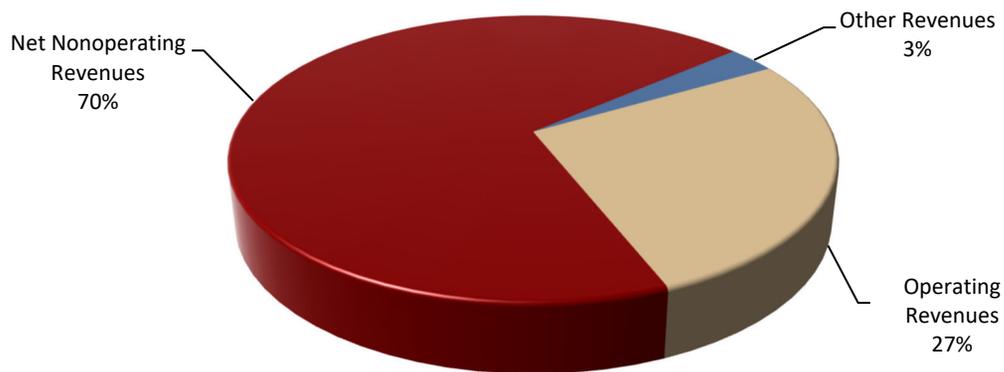
The College’s net investment in capital assets represents capital assets, net of accumulated depreciation and outstanding debt principal attributable to the acquisition, construction, or improvement of those assets. The \$17.6 million, or 23.6 percent, increase in net investment in capital assets compared to the prior fiscal year was primarily due to the construction of the Blount Center Expansion Project during the 2020-21 fiscal year.

Restricted net position is subject to externally imposed restriction governing their use. The decrease in restricted net position of \$20.2 million, or 38.9 percent, was primarily due to the decrease in restricted expendable capital funding for the construction of new facilities as well as the renovation and remodeling of existing structures. Variances from year to year for capital funding are expected based on the methods the State Legislature uses to allocate capital appropriations. Therefore, this portion of the restricted net position will continue to fluctuate each year.

Unrestricted net position is not subject to externally imposed restrictions. The College reports liabilities for accrued leave, postemployment healthcare and life insurance benefits, and the College’s proportionate share of the net pension liability for the Florida Retirement System (FRS) and Health Insurance Subsidy (HIS) pension plans, totaling \$62.3 million; however, State appropriations fund only the portion of accrued leave and postemployment benefits that are paid in the current fiscal year (see the notes to the financial statements for further details).

As more fully described in the Operating Expenses and the Revenues sections which follow, College revenues and other support exceeded expenses in the fiscal year ended June 30, 2021. The following chart provides a graphical presentation of College revenues by category for the 2020-21 fiscal year:

## Total Revenues 2020-21 Fiscal Year



Annual State appropriations are classified as nonoperating revenues according to generally accepted accounting principles, although State-appropriated funds are used to support the operations of the College. Net nonoperating revenues included State noncapital appropriations, Federal Pell Grant revenue, State scholarship revenue, revenues received from agreements between local school boards and the College for high school programs, and investment income all of which supported the operating expenses of the College. Operating revenues, comprising 27 percent of total revenues, consisted primarily of student tuition and fees, grants and contracts, sales and services of educational departments, and auxiliary enterprises. Other revenues, comprising of 3 percent of total revenues, consist of State capital appropriations and capital grants, contracts, gifts, and fees designated for capital projects.

The component unit revenues exceeded expenses during the 2020 calendar year, resulting in an increase in net position of \$41.8 million, compared to a \$9.2 million increase in the prior year. The net position increase during the 2020 calendar year was primarily due to additions to nongovernmental grants and contracts (\$40.5 million), and net investment income and gains (\$2.3 million).

### 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, provide information on the College as a whole, present a long-term view of the College's finances, and include the activities of the following entities:

#### *Primary Government*

- Santa Fe College (College) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Florida College System Risk Management Consortium (Consortium), a Statewide college system risk management program – Although legally separate, the College is the fiscal administrator for the program and is required to report certain financial activities to the State of Florida. The required financial information reported includes the assets of cash and cash equivalents and

investments, with a corresponding liability representing that the assets are held in custody by the College for the Consortium.

#### *Component Unit*

- Santa Fe College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida.

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

One of the most important questions asked about the College's finances is, "Is Santa Fe College, as a whole, better off or worse off as a result of the year's activities?" The statement of net position and the statement of revenues, expenses, and changes in net position report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as Santa Fe College's operating results.

These two statements report Santa Fe College's net position and changes in them. You can think of the College's net position (assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources) as one way to measure the College's current financial health, or financial position. Over time, increases or decreases in the College's net position are one indication of whether its financial health is improving or deteriorating. You need to consider many other nonfinancial factors, such as certain trends, student retention, condition of the buildings, and safety of the campus, to assess the College's overall financial health.

These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account when earned or incurred, regardless of when cash is received or paid.

A condensed statement of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College, Consortium, and its component unit for the respective fiscal years are shown in the following table:

## Condensed Statement of Net Position at June 30

(In Thousands)

|  | Primary Government |                   |                |               | Component Unit   |                  |
|--|--------------------|-------------------|----------------|---------------|------------------|------------------|
|  | College            |                   | Consortium (1) |               | 12-31-20         | 12-31-19         |
|  | 6-30-21            | 6-30-20           | 6-30-21        | 6-30-20       |                  |                  |
| <b>Assets</b>                              |                    |                   |                |               |                  |                  |
| Current Assets                             | \$ 41,563          | \$ 41,934         | \$ 82,562      | \$ 78,743     | \$ 63,833        | \$ 22,218        |
| Capital Assets, Net                        | 97,425             | 80,562            | -              | -             | 8,329            | 8,478            |
| Other Noncurrent Assets                    | 30,270             | 46,167            | 18,420         | 20,229        | 27,958           | 27,884           |
| <b>Total Assets</b>                        | <u>169,258</u>     | <u>168,663</u>    | <u>100,982</u> | <u>98,972</u> | <u>100,120</u>   | <u>58,580</u>    |
| <b>Deferred Outflows of Resources</b>      | <u>17,500</u>      | <u>16,258</u>     | <u>-</u>       | <u>-</u>      | <u>-</u>         | <u>-</u>         |
| <b>Liabilities</b>                         |                    |                   |                |               |                  |                  |
| Current Liabilities                        | 14,711             | 11,158            | 82,562         | 78,743        | 96               | 76               |
| Noncurrent Liabilities                     | 65,646             | 59,565            | 18,420         | 20,229        | 304              | 342              |
| <b>Total Liabilities</b>                   | <u>80,357</u>      | <u>70,723</u>     | <u>100,982</u> | <u>98,972</u> | <u>400</u>       | <u>418</u>       |
| <b>Deferred Inflows of Resources</b>       | <u>3,194</u>       | <u>3,994</u>      | <u>-</u>       | <u>-</u>      | <u>436</u>       | <u>686</u>       |
| <b>Net Position</b>                        |                    |                   |                |               |                  |                  |
| Net Investment in Capital Assets           | 92,205             | 74,612            | -              | -             | 8,316            | 8,478            |
| Restricted                                 | 31,746             | 51,962            | -              | -             | 49,525           | 47,447           |
| Unrestricted                               | (20,744)           | (16,370)          | -              | -             | 41,443           | 1,551            |
| <b>Total Net Position</b>                  | <u>\$ 103,207</u>  | <u>\$ 110,204</u> | <u>\$ -</u>    | <u>\$ -</u>   | <u>\$ 99,284</u> | <u>\$ 57,476</u> |
| <b>Increase (Decrease) in Net Position</b> | <u>\$ (6,997)</u>  | <u>-6.3%</u>      | <u>\$ -</u>    |               | <u>\$ 41,808</u> | <u>72.7%</u>     |

(1) The financial information reported for the Consortium includes the assets of restricted cash and cash equivalents and investments with a corresponding liability representing that the assets are held in custody by the College for the Consortium.

Revenue and expenses of the College and its component unit (the College does not include operating results of the Consortium in its statements) for the respective fiscal years ended are shown in the following table:

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

(In Thousands)

|  | College           |                   | Component Unit   |                  |
|--|-------------------|-------------------|------------------|------------------|
|  | 6-30-21           | 6-30-20           | 12-31-20         | 12-31-19         |
| <b>Operating Revenues</b>  |                   |                   |                  |                  |
| Student Tuition and Fees, Net of Scholarship                               |                   |                   |                  |                  |
| Allowances   | \$ 25,327         | \$ 26,368         | \$ -             | \$ -             |
| Federal Grants and Contracts   | 3,632             | 3,727             | -                | -                |
| State and Local Grants and Contracts                                       | 594               | 572               | -                | -                |
| Nongovernmental Grants and Contracts                                       | 314               | 296               | 40,522           | 616              |
| Sales and Services of Educational Departments                              | 502               | 735               | -                | -                |
| Auxiliary Enterprises  | 563               | 863               | -                | -                |
| Other Operating Revenues   | 189               | 294               | 560              | 749              |
| <b>Total Operating Revenues</b>  | <b>31,121</b>     | <b>32,855</b>     | <b>41,082</b>    | <b>1,365</b>     |
| Less, Operating Expenses   | 121,706           | 120,721           | 1,867            | 2,331            |
| <b>Operating Income (Loss)</b>   | <b>(90,585)</b>   | <b>(87,866)</b>   | <b>39,215</b>    | <b>(966)</b>     |
| <b>Nonoperating Revenues (Expenses)</b>                                    |                   |                   |                  |                  |
| State Noncapital Appropriations  | 45,027            | 44,883            | -                | -                |
| Federal and State Grants   | 29,214            | 25,857            | -                | -                |
| Gifts, Grants, and Contracts   | 7,820             | 1,900             | -                | -                |
| Other Nonoperating Revenues (Expenses), Net                                | (2,067)           | 3,210             | 2,257            | 6,407            |
| <b>Net Nonoperating Revenues</b>   | <b>79,994</b>     | <b>75,850</b>     | <b>2,257</b>     | <b>6,407</b>     |
| <b>Income (Loss) Before Other Revenues,<br/>Expenses, Gains, or Losses</b> |                   |                   |                  |                  |
|  | (10,591)          | (12,016)          | 41,472           | 5,441            |
| State Capital Appropriations   | 366               | 409               | -                | -                |
| Endowment Principal Additions  | -                 | -                 | 763              | 3,756            |
| Capital Grants, Contracts, Gifts, and Fees                                 | 3,228             | 3,070             | -                | -                |
| Other Revenues (Expenses)  | -                 | -                 | (427)            | 20               |
| <b>Net Increase (Decrease) In Net Position</b>                             | <b>(6,997)</b>    | <b>(8,537)</b>    | <b>41,808</b>    | <b>9,217</b>     |
| Net Position, Beginning of Year  | 110,204           | 118,741           | 57,476           | 48,259           |
| <b>Net Position, End of Year</b>   | <b>\$ 103,207</b> | <b>\$ 110,204</b> | <b>\$ 99,284</b> | <b>\$ 57,476</b> |

**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. Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, certain grants, and investment income, are defined by GASB as nonoperating. College net revenues increased by \$2.5 million, or 2.3 percent, as compared to the prior fiscal year as a result of the following factors:

*Operating Revenues:*

- Net student tuition and fee revenue decreased by \$1 million, or 3.9 percent, as a result of a decrease in enrollment offset by a decrease in the scholarship allowance.

- Auxiliary enterprise revenue decreased by \$300 thousand, or 34.7 percent, as a result of the College's shutdown of on-campus operations due to the COVID-19 pandemic.

*Nonoperating and Other Revenues and Grants:*

- State noncapital appropriations increased by \$144 thousand, or 0.3 percent, primarily due to increased funding in the Florida College System Program Fund.
- Federal and State student financial aid increased by \$3.4 million, or 13 percent, due primarily to increases in HEERF and State program scholarship funds.
- Other gifts, grants, and contracts increased by \$5.9 million, or 312 percent, as a result of an increase in HEERF funds and other gifts.
- Investment income decreased by \$5 million, or 142 percent, principally due to a decrease in investment activity and the realization of losses on investments.
- State capital appropriations decreased by \$43 thousand, or 10.5 percent. This was due to decreased Public Education Capital Outlay funding from the prior fiscal year.
- Capital grants, contracts, gifts, and fees increased by \$158 thousand, or 5.1 percent, primarily due to an increase in the donation of noncash items.

Component unit net revenues increased by \$32.1 million, or 278 percent, as compared to the prior fiscal year as a result of the following factors:

- Operating revenues increased \$39.7 million, or 291 percent, primarily from increased cash contributions from one donor.
- Other nonoperating revenues decreased by \$4.2 million, or 64.8 percent, mainly from unrealized gains on securities and real estate investments.
- Endowment principal additions decreased \$3 million, or 79.7 percent, as a result of a decrease in amounts designated by donors to be placed in permanent endowments.

**Expenses**

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

The following summarizes operating expenses by natural classification for the College (none are reported for the Consortium) and its component unit for the respective fiscal years ended:

**Operating Expenses  
For the Fiscal Years Ended**

(In Thousands)

|                                 | College           |                   | Component Unit  |                 |
|---------------------------------|-------------------|-------------------|-----------------|-----------------|
|                                 | 6-30-21           | 6-30-20           | 12-31-20        | 12-31-19        |
| Personnel Services              | \$ 72,456         | \$ 71,553         | \$ -            | \$ -            |
| Scholarships and Waivers        | 16,283            | 17,665            | 846             | 983             |
| Utilities and Communications    | 2,227             | 2,326             | -               | -               |
| Contractual Services            | 12,178            | 5,817             | -               | -               |
| Other Services and Expenses     | 5,119             | 5,535             | 748             | 983             |
| Materials and Supplies          | 8,565             | 12,890            | -               | -               |
| Depreciation                    | 4,878             | 4,935             | 273             | 365             |
| <b>Total Operating Expenses</b> | <b>\$ 121,706</b> | <b>\$ 120,721</b> | <b>\$ 1,867</b> | <b>\$ 2,331</b> |

College total operating expenses increased by \$1 million, or 0.8 percent, as compared to the prior fiscal year as a result of the following factors:

- The College implemented part of the salary equity study that was performed for full-time and part-time personnel, as well as provided a one-time payment of \$500. These increases were in addition to the recording of a net increase of pension and accrued leave liabilities. As a result, personnel services only increased by \$903 thousand, or 1.3 percent, from the prior fiscal year.
- Scholarships and waivers provided to students decreased by \$1.4 million, or 7.8 percent, primarily due to a decrease in enrollment. Scholarship expenses, similar to tuition and fee revenue, are also shown net of scholarship allowances (amounts received from other than students and third-party payers).
- Utilities and communications decreased by \$99 thousand, or 4.3 percent, primarily due to the closure of campus due to the COVID-19 pandemic, which resulted in a decrease in electricity and gas expenses.
- Contractual services increased by \$6.4 million, or 109 percent, primarily due to an increase in contractual services in response to the COVID-19 pandemic.
- Other services and expenses decreased by \$416 thousand, or 7.5 percent, primarily due to a decrease in the use of services related to the COVID-19 pandemic.
- Materials and supplies decreased by \$4.3 million, or 33.6 percent, which is attributable primarily to the reduction of on-campus operations due to the COVID-19 pandemic.
- Depreciation expense decreased by \$57 thousand, or 1.2 percent, as a result of several buildings and equipment reaching full amortization.

Total operating expenses for the component unit decreased \$464 thousand, or 19.9 percent, primarily due to the decrease in academic program support expenses and decreases in scholarships and waivers.

**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 and Consortium's cash flows for the 2020-21 and 2019-20 fiscal years:

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

|   | <u>College</u>   |                  | <u>Consortium</u> |                  |
|---|------------------|------------------|-------------------|------------------|
|   | <u>2020-21</u>   | <u>2019-20</u>   | <u>2020-21</u>    | <u>2019-20</u>   |
| Cash Provided (Used) by:                                    |                  |                  |                   |                  |
| Operating Activities  | \$ (79,911)      | \$ (77,104)      | \$ 2,009          | \$ 15,785        |
| Noncapital Financing Activities                             | 82,087           | 72,646           | -                 | -                |
| Capital and Related Financing Activities                    | (12,280)         | 1,867            | -                 | -                |
| Investing Activities  | (1,447)          | 3,215            | (126)             | (950)            |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b> | (11,551)         | 624              | 1,883             | 14,835           |
| Cash and Cash Equivalents, Beginning of Year                | 64,484           | 63,860           | 78,233            | 63,398           |
| <b>Cash and Cash Equivalents, End of Year</b>               | <u>\$ 52,933</u> | <u>\$ 64,484</u> | <u>\$ 80,116</u>  | <u>\$ 78,233</u> |

The College's cash and cash equivalents increased during the 2020-21 fiscal year. The following discussion amplifies the overview of cash flows:

- Cash outflows for operating activities increased \$2.8 million as compared to the prior fiscal year. The primary components of this change were decreases in cash inflows from student tuition and fees (\$1.1 million) and auxiliary enterprises (\$268 thousand), decreases in payments for scholarships (\$1.4 million) and utilities and communications (\$99 thousand), as well as increases in cash outflows for salaries and benefits payments (\$1.6 million) and payments to suppliers (\$1.5 million); offset by an increase in other receipts (\$1.9 million).
- The primary sources of cash inflows in noncapital financing activities are State noncapital appropriations (\$45 million) and Federal and State student financial aid (\$29.2 million). Cash inflows from noncapital financing increased \$9.4 million as compared to the prior fiscal year, predominately due to increases in State noncapital appropriations (\$144 thousand); in Federal and State student financial aid (\$3.4 million); and gifts, grants, and contracts (\$5.9 million).
- The primary sources of cash inflows of capital and related financing activities are State capital appropriations (\$6.9 million) and capital grants and gifts (\$3.2 million). Net cash used for capital and related financing activities increased \$14.1 million as compared to the prior fiscal year, primarily due to an increase in purchases of capital assets (\$18.6 million).
- Cash inflows for investing activities of the College decreased by \$4.7 million primarily due to a decrease in investment activity.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2021, the College had \$227.5 million in capital assets, less accumulated depreciation of \$130.1 million, for net capital assets of \$97.4 million. Depreciation charges for the current fiscal year

totaled \$4.9 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30, 2021:

**Capital Assets, Net at June 30: College**

(In Thousands)

|                                       | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending<br/>Balance</b> |
|---------------------------------------|------------------------------|------------------|-------------------|---------------------------|
| Land                                  | \$ 7,104                     | \$ -             | \$ -              | \$ 7,104                  |
| Artwork and Artifacts                 | 18                           | -                | -                 | 18                        |
| Buildings                             | 149,183                      | -                | 297               | 148,886                   |
| Other Structures and Improvements     | 36,365                       | 1,129            | -                 | 37,494                    |
| Furniture, Machinery, and Equipment   | 11,027                       | 834              | 212               | 11,649                    |
| Construction in Progress              | 2,259                        | 21,202           | 1,129             | 22,332                    |
| <b>Total</b>                          | <b>205,956</b>               | <b>23,165</b>    | <b>1,638</b>      | <b>227,483</b>            |
| Less, Accumulated Depreciation:       |                              |                  |                   |                           |
| Buildings                             | 83,414                       | 3,248            | 14                | 86,648                    |
| Other Structures and Improvements     | 32,552                       | 786              | -                 | 33,338                    |
| Furniture, Machinery, and Equipment   | 9,428                        | 844              | 200               | 10,072                    |
| <b>Total Accumulated Depreciation</b> | <b>125,394</b>               | <b>4,878</b>     | <b>214</b>        | <b>130,058</b>            |
| <b>Capital Assets, Net</b>            | <b>\$ 80,562</b>             | <b>\$ 18,287</b> | <b>\$ 1,424</b>   | <b>\$ 97,425</b>          |

The component unit had \$15 million in capital assets, less accumulated depreciation of \$6.7 million, for net capital assets of \$8.3 million. Depreciation charges for the current fiscal year totaled \$273 thousand. Details of the component unit's capital assets activity for the fiscal year ended December 31, 2020, are shown in the following table:

**Capital Assets, Net at December 31: Component Unit**

(In Thousands)

|                                | <b>Beginning<br/>Balance</b> | <b>Additions</b> | <b>Reductions</b> | <b>Ending<br/>Balance</b> |
|--------------------------------|------------------------------|------------------|-------------------|---------------------------|
| Land                           | \$ 2,606                     | \$ -             | \$ -              | \$ 2,606                  |
| Art Collection                 | 675                          | 16               | -                 | 691                       |
| Equipment                      | 4                            | -                | -                 | 4                         |
| Buildings and Improvements     | 10,647                       | 108              | -                 | 10,755                    |
| Film Costs (Depreciable)       | 1,005                        | -                | -                 | 1,005                     |
| <b>Total</b>                   | <b>14,937</b>                | <b>124</b>       | <b>-</b>          | <b>15,061</b>             |
| Less, Accumulated Depreciation | 6,459                        | 273              | -                 | 6,732                     |
| <b>Capital Assets, Net</b>     | <b>\$ 8,478</b>              | <b>\$ (149)</b>  | <b>\$ -</b>       | <b>\$ 8,329</b>           |

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

## **Debt Administration**

As of June 30, 2021, the College had \$5.2 million in outstanding capital improvement bonds payable versus \$5.9 million at the end of the prior fiscal year, representing a decrease of \$730 thousand, or 12.3 percent, from the prior fiscal year. Proceeds from bonds were used to construct and renovate College facilities.

Additional information about the College's long-term debt is presented in the notes to financial statements.

### **ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The College's economic condition is closely tied to that of the State of Florida. Because of negative enrollment growth linked to the COVID-19 pandemic and increased demand for State resources, the prospect of increased State funding is unknown in the 2021-22 fiscal year. The College's current financial and capital plans indicate that there are adequate financial resources to maintain its present level of services in the short term. The College expects to revise its budgets based upon student tuition and State resources available to fund operations in the next 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 educational programs, improved student access, and overall excellence in service to its students and communities. The conservative budgetary stance taken by the College provides a framework for a focused response in support of our educational mission and provides financial stability in the face of limited economic growth and increased demand for State resources.

The component unit's reliance on charitable giving is also affected by the general state of the economy as well as by the health of the stock market and prospective donors' perception of the benefiting organization. Toward this latter factor, the College has historically enjoyed a very positive reputation in the communities it serves. While economic factors do affect charitable giving in general, the Foundation has a history of very steady growth regardless of changes in these factors.

### **REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Administrative Affairs/CFO, Santa Fe College, 3000 Northwest 83<sup>rd</sup> Street, Gainesville, Florida 32606.

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# BASIC FINANCIAL STATEMENTS

## SANTA FE COLLEGE A Component Unit of the State of Florida Statement of Net Position

June 30, 2021

|   | <u>College</u>     | <u>Component<br/>Unit</u> |
|---|--------------------|---------------------------|
| <b>ASSETS</b>                               |                    |                           |
| Current Assets:                             |                    |                           |
| Cash and Cash Equivalents                   | \$ 23,339,913      | \$ 53,491                 |
| Restricted Cash and Cash Equivalents        | 5,779,599          | 1,607,925                 |
| Investments                                 | 2,695,538          | 29,751,765                |
| Restricted Investments                      | -                  | 32,316,546                |
| Accounts Receivable, Net                    | 741,698            | 102,945                   |
| Due from Other Governmental Agencies        | 8,478,282          | -                         |
| Due from Component Unit                     | 41,156             | -                         |
| Inventories                                 | 87,819             | -                         |
| Prepaid Expenses                            | 399,003            | -                         |
| Risk Management Consortium:                 |                    |                           |
| Restricted Cash and Cash Equivalents        | 80,115,341         | -                         |
| Restricted Investments                      | 2,446,817          | -                         |
| <b>Total Current Assets</b>                 | <u>124,125,166</u> | <u>63,832,672</u>         |
| Noncurrent Assets:                          |                    |                           |
| Restricted Cash and Cash Equivalents        | 23,814,280         | -                         |
| Investments                                 | 6,456,035          | 11,583,772                |
| Restricted Investments                      | -                  | 4,548,010                 |
| Endowment Investments                       | -                  | 11,826,195                |
| Depreciable Capital Assets, Net             | 67,970,175         | 5,028,312                 |
| Nondepreciable Capital Assets               | 29,455,186         | 3,301,134                 |
| Risk Management Consortium:                 |                    |                           |
| Restricted Deposit                          | 2,680,283          | -                         |
| Restricted Investments                      | 15,739,240         | -                         |
| <b>Total Noncurrent Assets</b>              | <u>146,115,199</u> | <u>36,287,423</u>         |
| <b>TOTAL ASSETS</b>                         | <u>270,240,365</u> | <u>100,120,095</u>        |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |                    |                           |
| Other Postemployment Benefits               | 413,128            | -                         |
| Pensions                                    | 17,086,428         | -                         |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> | <u>17,499,556</u>  | <u>-</u>                  |
| <b>LIABILITIES</b>                          |                    |                           |
| Current Liabilities:                        |                    |                           |
| Accounts Payable                            | 4,800,216          | 43,451                    |
| Salary and Payroll Taxes Payable            | 4,813,808          | -                         |
| Retainage Payable                           | 732,551            | -                         |
| Due to Other Governmental Agencies          | 175,135            | -                         |
| Unearned Revenue                            | 1,192,560          | -                         |
| Annuity Trust Obligations                   | -                  | 52,709                    |
| Deposits Held for Others                    | 1,117,092          | -                         |
| Long-Term Liabilities - Current Portion:    |                    |                           |
| Bonds Payable                               | 770,000            | -                         |
| Compensated Absences Payable                | 871,217            | -                         |
| Other Postemployment Benefits Payable       | 101,820            | -                         |
| Net Pension Liability                       | 136,778            | -                         |
| Risk Management Consortium:                 |                    |                           |
| Deposits Held for Others                    | 82,562,158         | -                         |
| <b>Total Current Liabilities</b>            | <u>97,273,335</u>  | <u>96,160</u>             |

|  | <u>College</u>        | <u>Component<br/>Unit</u> |
|--|-----------------------|---------------------------|
| <b>LIABILITIES (Continued)</b>             |                       |                           |
| Noncurrent Liabilities:                    |                       |                           |
| Bonds Payable                              | 4,450,000             | -                         |
| Compensated Absences Payable               | 9,635,628             | -                         |
| Other Postemployment Benefits Payable      | 1,618,753             | -                         |
| Net Pension Liability                      | 49,941,722            | -                         |
| Other Noncurrent Liability                 | -                     | 303,748                   |
| Risk Management Consortium:                |                       |                           |
| Deposits Held for Others                   | 18,419,523            | -                         |
| <b>Total Noncurrent Liabilities</b>        | <u>84,065,626</u>     | <u>303,748</u>            |
| <b>TOTAL LIABILITIES</b>                   | <u>181,338,961</u>    | <u>399,908</u>            |
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |                       |                           |
| Other Postemployment Benefits              | 98,712                | -                         |
| Pensions                                   | 3,094,925             | -                         |
| Deferred Amounts Related to Irrevocable    |                       |                           |
| Split-Interest Agreements                  | -                     | 435,866                   |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> | <u>3,193,637</u>      | <u>435,866</u>            |
| <b>NET POSITION</b>                        |                       |                           |
| Net Investment in Capital Assets           | 92,205,362            | 8,316,047                 |
| Restricted:                                |                       |                           |
| Nonexpendable:                             |                       |                           |
| Endowment                                  | -                     | 35,295,245                |
| Expendable:                                |                       |                           |
| Grants                                     | 1,822,618             | -                         |
| Loans                                      | 568,023               | -                         |
| Scholarships                               | 161,099               | 4,107,515                 |
| Capital Projects                           | 29,193,754            | -                         |
| Other                                      | -                     | 10,121,976                |
| Unrestricted                               | <u>(20,743,533)</u>   | <u>41,443,538</u>         |
| <b>TOTAL NET POSITION</b>                  | <u>\$ 103,207,323</u> | <u>\$ 99,284,321</u>      |

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

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**SANTA FE COLLEGE**  
**A Component Unit of the State of Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2021**

|  | <u>College</u>        | <u>Component<br/>Unit</u> |
|--|-----------------------|---------------------------|
| <b>REVENUES</b>  |                       |                           |
| Operating Revenues:  |                       |                           |
| Student Tuition and Fees, Net of Scholarship Allowances of \$7,853,820 | \$ 25,327,301         | \$ -                      |
| Federal Grants and Contracts   | 3,632,190             | -                         |
| State and Local Grants and Contracts                                   | 593,667               | -                         |
| Nongovernmental Grants and Contracts                                   | 314,459               | 40,521,894                |
| Sales and Services of Educational Departments                          | 501,525               | -                         |
| Auxiliary Enterprises  | 562,957               | -                         |
| Other Operating Revenues   | 188,790               | 560,064                   |
| <b>Total Operating Revenues</b>  | <u>31,120,889</u>     | <u>41,081,958</u>         |
| <b>EXPENSES</b>  |                       |                           |
| Operating Expenses:  |                       |                           |
| Personnel Services   | 72,455,730            | -                         |
| Scholarships and Waivers   | 16,283,718            | 845,758                   |
| Utilities and Communications   | 2,226,663             | -                         |
| Contractual Services   | 12,177,860            | -                         |
| Other Services and Expenses  | 5,119,371             | 747,802                   |
| Materials and Supplies   | 8,564,850             | -                         |
| Depreciation   | 4,878,058             | 273,173                   |
| <b>Total Operating Expenses</b>  | <u>121,706,250</u>    | <u>1,866,733</u>          |
| <b>Operating Income (Loss)</b>   | <u>(90,585,361)</u>   | <u>39,215,225</u>         |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                                |                       |                           |
| State Noncapital Appropriations  | 45,027,440            | -                         |
| Federal and State Student Financial Aid                                | 29,214,268            | -                         |
| Gifts, Grants, and Contracts   | 7,820,019             | -                         |
| Investment Income (Loss)   | (1,488,632)           | 2,256,783                 |
| Loss on Disposal of Capital Assets                                     | (280,945)             | -                         |
| Other Nonoperating Expenses  | (297,500)             | -                         |
| <b>Net Nonoperating Revenues</b>                                       | <u>79,994,650</u>     | <u>2,256,783</u>          |
| <b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b> | <u>(10,590,711)</u>   | <u>41,472,008</u>         |
| State Capital Appropriations   | 366,000               | -                         |
| Capital Grants, Contracts, Gifts, and Fees                             | 3,228,240             | -                         |
| Endowment Principal Additions  | -                     | 763,407                   |
| Other Expenses   | -                     | (426,649)                 |
| <b>Total Other Revenues, Expenses, Gains, or Losses</b>                | <u>3,594,240</u>      | <u>336,758</u>            |
| <b>Increase (Decrease) in Net Position</b>                             | <u>(6,996,471)</u>    | <u>41,808,766</u>         |
| Net Position, Beginning of Year  | 110,203,794           | 57,475,555                |
| <b>Net Position, End of Year</b>                                       | <u>\$ 103,207,323</u> | <u>\$ 99,284,321</u>      |

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

**SANTA FE COLLEGE**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2021**

|  | <b>College</b>        |
|--|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |                       |
| Student Tuition and Fees, Net                                    | \$ 25,166,180         |
| Grants and Contracts   | 2,781,742             |
| Payments to Suppliers  | (25,757,990)          |
| Payments for Utilities and Communications                        | (2,226,663)           |
| Payments to Employees  | (52,682,689)          |
| Payments for Employee Benefits                                   | (14,864,395)          |
| Payments for Scholarships  | (16,283,718)          |
| Auxiliary Enterprises  | 594,890               |
| Sales and Services of Educational Departments                    | 501,525               |
| Other Receipts   | 2,859,133             |
| Risk Management Consortium:                                      |                       |
| Other Receipts   | 2,009,251             |
| <b>Net Cash Used by Operating Activities</b>                     | <b>(77,902,734)</b>   |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>           |                       |
| State Noncapital Appropriations                                  | 45,027,440            |
| Federal and State Student Financial Aid                          | 29,214,268            |
| Federal Direct Loan Program Receipts                             | 12,175,758            |
| Federal Direct Loan Program Disbursements                        | (12,149,933)          |
| Gifts, Grants, and Contracts                                     | 7,820,019             |
| <b>Net Cash Provided by Noncapital Financing Activities</b>      | <b>82,087,552</b>     |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>  |                       |
| State Capital Appropriations                                     | 6,892,860             |
| Capital Grants and Gifts   | 3,229,028             |
| Purchases of Capital Assets                                      | (21,374,882)          |
| Principal Paid on Capital Debt and Leases                        | (730,000)             |
| Interest Paid on Capital Debt and Leases                         | (297,500)             |
| <b>Net Cash Used by Capital and Related Financing Activities</b> | <b>(12,280,494)</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |                       |
| Proceeds from Sales and Maturities of Investments                | 2,486,145             |
| Purchases of Investments   | (5,136,105)           |
| Investment Income  | 1,203,402             |
| Risk Management Consortium:                                      |                       |
| Proceeds from Sales and Maturities of Investments                | 6,825,515             |
| Purchases of Investments   | (6,951,836)           |
| <b>Net Cash Used by Investing Activities</b>                     | <b>(1,572,879)</b>    |
| <b>Net Decrease in Cash and Cash Equivalents</b>                 | <b>(9,668,555)</b>    |
| Cash and Cash Equivalents, Beginning of Year                     | 142,717,688           |
| <b>Cash and Cash Equivalents, End of Year</b>                    | <b>\$ 133,049,133</b> |

|  | <u>College</u>         |
|--|------------------------|
| <b>RECONCILIATION OF OPERATING LOSS<br/>TO NET CASH USED BY OPERATING ACTIVITIES</b>   |                        |
| Operating Loss   | \$ (90,585,361)        |
| Adjustments to Reconcile Operating Loss<br>to Net Cash Used by Operating Activities:   |                        |
| Depreciation Expense   | 4,878,058              |
| Changes in Assets, Liabilities, Deferred Outflows of Resources,<br>and Deferred Inflows of Resources:  |                        |
| Receivables, Net   | 168,753                |
| Due from Other Governmental Agencies   | (1,875,157)            |
| Due from Component Unit  | (32,247)               |
| Inventories  | 13,136                 |
| Deposits Receivable  | 90,956                 |
| Prepaid Expenses   | (245,646)              |
| Accounts Payable   | 3,298,702              |
| Salary and Payroll Taxes Payable   | 111,374                |
| Due to Other Governmental Agencies   | 148,423                |
| Unearned Revenue   | (152,541)              |
| Deposits Held for Others   | (527,706)              |
| Compensated Absences Payable   | 526,799                |
| Other Postemployment Benefits Payable  | (22,271)               |
| Net Pension Liability  | 6,334,106              |
| Deferred Outflows of Resources Related to Other Postemployment Benefits  | 33,595                 |
| Deferred Inflows of Resources Related to Other Postemployment Benefits   | 45,861                 |
| Deferred Outflows of Resources Related to Pensions   | (1,274,941)            |
| Deferred Inflows of Resources Related to Pensions  | (845,878)              |
| Risk Management Consortium:  |                        |
| Restricted Deposit   | 6                      |
| Deposits Held for Others   | 2,009,245              |
| <b>NET CASH USED BY OPERATING ACTIVITIES</b>   | <u>\$ (77,902,734)</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND<br/>CAPITAL FINANCING ACTIVITIES</b>   |                        |
| Unrealized losses on investments were recognized as a reduction to investment<br>income on the statement of revenues, expenses, and changes in net position, but<br>are not cash transactions for the statement of cash flows. | \$ (2,609,913)         |
| Losses from the disposal of capital assets were recognized on the statement of<br>revenues, expenses, and changes in net position, but the entire amount is not a<br>cash transaction for the statement of cash flows.         | \$ (280,945)           |

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

# **NOTES TO FINANCIAL STATEMENTS**

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

**Reporting Entity.** The governing body of Santa Fe 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 eight 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 Alachua and Bradford Counties.

Reported within the College's financial statements are certain assets and liabilities of the Florida College System Risk Management Consortium (Consortium). The College is the fiscal agent for the Consortium, which is the administrator of an Employee Benefit Plan and a Property and Casualty Plan for participating Florida colleges. As fiscal agent, the College is responsible for receiving, disbursing, and administering all moneys due to or payable from the Consortium and for personnel functions (hiring, records maintenance, etc.) of the Consortium. The financial information reported for the Consortium includes restricted cash and cash equivalents, restricted deposits, and restricted investments with a corresponding liability representing that the assets are held in custody by the College for the Consortium. Annual audits of the Consortium employee benefit plans and property and casualty plan for the fiscal years ended December 31, 2020, and February 28, 2021, respectively, were conducted by independent certified public accountants and are available at the College.

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the

Vice President for Advancement, Santa Fe College, 3000 NW 83<sup>rd</sup> Street, Gainesville, Florida 32606. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2020.

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

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

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

The College's component unit uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, and investment income

(net of unrealized gains or losses on investments). 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 identifies within its accounting system amounts paid for tuition and fees from grants, loans, or others providing financial aid sources. The total amount of these payments is deducted from student tuition and fees.

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

**Cash and Cash Equivalents.** The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash invested 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 and Consortium consider 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 and Consortium consider 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 and Consortium reported as cash equivalents at fair value \$47,904,988 and \$67,904,115, respectively, 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 4.). 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 and Consortium reported as cash equivalents \$2,106,479 and \$11,312, respectively, in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The 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, artwork and artifacts, construction in progress, buildings, other structures and improvements, and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

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

**Capital Assets – Component Unit.** Property and equipment acquisitions of the College’s component unit are recorded at cost, if purchased. Contributed property and equipment are recorded at estimated value, as determined by the donor or the component unit, at the date of receipt. Capitalized assets have a useful life greater than 1 year and an original cost of \$500 or greater. Buildings and equipment are depreciated using the straight-line method, based on a 40-year useful life for buildings, 5 to 7 years’ useful life for equipment, and 10 years for film production costs.

**Noncurrent Liabilities.** Noncurrent liabilities include bonds 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, and net pension liabilities) in the current unrestricted funds.

| <u>Fund</u>                  | <u>Net Position</u>    |
|------------------------------|------------------------|
| Current Funds - Unrestricted | \$ (28,412,113)        |
| Auxiliary Funds              | 7,668,580              |
| <b>Total</b>                 | <b>\$ (20,743,533)</b> |

## 3. Restricted Deposits

The Consortium has restricted deposits of \$2,680,283 held by third-party administrators for workers’ compensation insurance claims, pursuant to collateral agreements. Although the Consortium is required to reimburse the administrators for claims paid, the administrators are authorized to use the collateral to pay any and all of the Consortium’s obligations owed under the agreements.

## 4. Investments

### **College and Consortium**

The College's Board of Trustees and the Consortium have adopted written investment policies providing that surplus funds of the College and the Consortium 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.

The general investment policy of both the College and the Consortium is to apply the prudent person rule: investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived from the investment. In addition to the investments allowed by Section 218.415(6), Florida Statutes, the investment policies of the College and the Consortium authorize investments in repurchase agreements, corporate notes, and money market instruments. The Consortium also includes asset-backed securities as an authorized investment.

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

All of the College's and the Consortium's recurring fair value measurements as of June 30, 2021, are valued using a matrix pricing model (Level 2 inputs), with the exception of United States Treasury Notes which are valued using quoted market prices (Level 1 inputs).

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

|   | Amount               | Fair Value Measurements Using  |   |
|---|----------------------|--|---|
|   |                      | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) |
| <b>Investments by fair value level - College</b>                                |                      |  |   |
| United States Treasury Notes  | \$ 2,530,507         | \$ 2,530,507   | \$ -  |
| Obligations of United States Government<br>and Government-Sponsored Enterprises | 3,934,354            | -  | 3,934,354   |
| Federal Agency Collateralized Mortgage Obligations                              | 1,068,924            | -  | 1,068,924   |
| Mortgage-Backed Pass-Throughs   | 639,369              | -  | 639,369   |
| Money Market Mutual Funds   | 978,419              | -  | 978,419   |
| Total investments by fair value level - College                                 | \$ 9,151,573         | \$ 2,530,507   | \$ 6,621,066  |
| <b>Investments by fair value level - Consortium</b>                             |                      |  |   |
| United States Treasury Notes  | 4,570,318            | 4,570,318  | -   |
| Obligations of United States Government<br>and Government-Sponsored Enterprises | 3,290,337            | -  | 3,290,337   |
| Corporate Notes   | 4,388,284            | -  | 4,388,284   |
| Federal Agency Collateralized Mortgage Obligations                              | 952,355              | -  | 952,355   |
| Foreign Notes   | 2,474,267            | -  | 2,474,267   |
| Asset-Backed Securities   | 748,633              | -  | 748,633   |
| Mortgage-Backed Pass-Throughs   | 892,341              | -  | 892,341   |
| Money Market Mutual Funds   | 869,522              | -  | 869,522   |
| Total investments by fair value level - Consortium                              | 18,186,057           | 4,570,318  | 13,615,739  |
| <b>Total investments measured at fair value</b>                                 | <b>\$ 27,337,630</b> | <b>\$ 7,100,825</b>  | <b>\$ 20,236,805</b>                                      |

**Other Investments.** The College and the Consortium invested in various debt and equity securities and money mutual funds. The following risks apply to College and Consortium investments:

*Interest Rate Risk:* Interest rate risk is the risk that changing interest rates will adversely affect the fair value of an investment. The investment policy of the College limits the maximum average duration of the investment portfolio to no greater than 120 percent of the target benchmarks' average duration. The College's benchmark is the Merrill Lynch 1-3 Year U.S. Treasury Index. The investment policy of the Consortium limits the maximum effective duration of the aggregate portfolio to 3 years. The performance benchmark for the Consortium is the Merrill Lynch 1-5 Year U.S. Treasury Index.

At June 30, 2021, the Merrill Lynch 1-3 and 1-5 Year U.S. Treasury Indexes' effective durations were 1.83 and 2.59 years, respectively. The effective duration of the College's and the Consortium's portfolios at June 30, 2021, were 1.51 and 2.40 years, respectively. Recognizing that market volatility is a function of duration, the investment policies of the College and the Consortium state that the portfolios are to be maintained as short- to intermediary-term duration portfolios. The maximum duration of floating rate and individual securities from date of purchase is 5 years for the College and 5.5 years for the Consortium. At June 30, 2021, the College and Consortium's longest individual security effective duration was 3.19 years and 4.82 years, respectively. Furthermore, the College's investment policy is designed to limit principal fluctuation so that no more than 20 percent of the portfolio has an effective duration greater than

3 years. An additional objective of the College is to provide sufficient liquidity and stability of principal so that no less than 10 percent of the portfolio has an effective duration of 1 year or less.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investment policies of the College provide for the following regarding credit risk:

- Repurchase agreements must be fully collateralized at 102 percent by United States Treasuries.
- Money market instruments including, but not limited to, commercial paper, time deposits, and banker's acceptances, at the time of purchase must, at a minimum, be rated "A1/P1" or the equivalent by Standard & Poor's and/or Moody's and all other nationally recognized credit rating organizations.
- Corporate bonds and notes must have at least an "AAA" rating by at least two of the following three credit rating organizations: Standard & Poor's, Moody's, or Fitch.
- Money market funds must be registered with the SEC with the highest credit quality rating from a nationally recognized rating company.
- A total quality rating of 8 or higher for the College must be maintained using the following scale:
  - United States Government Fully Guaranteed 10
  - Government-Sponsored Enterprises 9
  - "AAA" – Rated Securities 8
  - "AA" – Rated Securities 7
  - "A" – Rated Securities 6

As of June 30, 2021, using the above scale, the College's total quality rating was 9.17.

The investment policies of the Consortium provide the following regarding credit risk:

| Sector  | Sector Maximum (%) | Per Issuer Maximum (%)        | Minimum Ratings Requirement <sup>1</sup>   | Maximum Maturity   |
|---|--------------------|-------------------------------|--|--|
| U.S. Treasury   | 100%               | 100%                          | N/A  | 5.50 Years<br>(5.50 Years avg. life <sup>2</sup> for GNMA) |
| Government National Mortgage Association (GNMA)   |                    | 40%                           |  |  |
| Other U.S. Government Guaranteed; (e.g., Agency for International Development, Government Trust Certificates)   |                    | 10%                           |  |  |
| Federal Agency/Government Sponsored Enterprise (GSE): Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Home Loan Banks, Federal Farm Credit Banks | 75%                | 40% <sup>3</sup>              | N/A  | 5.50 Years   |
| Federal Agency/GSE other than those above   |                    | 10%                           |  |  |
| Supranationals where U.S. is a shareholder and voting member  | 25%                | 10%                           | Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)   | 5.50 Years   |
| Supranationals other than those above   |                    | 5%                            |  | 5.50 Years   |
| Foreign Sovereign Governments (Organization for Economic Cooperation and Development countries only) and Canadian Provinces   | 10%                | 5%                            | Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)   | 5.50 Years   |
| Foreign Sovereign Agencies (OECD countries only)  | 10%                | 5%                            | Highest ST or Two Highest LT Rating Categories (A-1/P-1, AA-/Aa3, or equivalent)   | 5.50 Years   |
| Corporates  | 50% <sup>4</sup>   | 5%                            | Highest ST or Three Highest LT Rating Categories (A-1/P-1, BBB/Baa or equivalent)  | 5.50 Years   |
| Municipals  | 25%                | 5%                            | Highest ST or Three Highest LT Rating Categories (SP-1/MIG 1, A-/A3, or equivalent)  | 5.50 Years   |
| Agency Mortgage-Backed Securities (MBS)   | 25%                | 40% <sup>3</sup>              | N/A  | 5.50 Years<br>Avg. Life <sup>2</sup>                       |
| Asset-Backed Securities (ABS)   | 25%                | 5%                            | Highest ST or LT Rating (A-1+/P-1, AAA/Aaa, or equivalent)   | 5.50 Years<br>Avg. Life <sup>2</sup>                       |
| Non-Negotiable Collateralized Bank Deposits or Savings Accounts   | 50%                | None, if fully collateralized | None, if fully collateralized.   | 2 Years  |
| Commercial Paper  | 50% <sup>4</sup>   | 5%                            | Highest ST Rating Category (A-1/P-1, or equivalent)  | 270 Days   |
| Bankers' Acceptances  | 10% <sup>4</sup>   | 5%                            | Highest ST Rating Category (A-1/P-1, or equivalent)  | 180 Days   |
| Repurchase Agreements   | 40%                | 20%                           | Counterparty (or if the counterparty is not rated by a Nationally Recognized Statistical Rating Organization (NRSRO), then the counterparty's parent) must be rated in the Highest ST Rating Category (A-1/P-1, or equivalent). If the counterparty is a Federal Reserve Bank, no rating is required | 1 Year   |
| Money Market Funds  | 50%                | 25%                           | Highest Fund Rating by all NRSROs who rate the fund (AAAm/Aaa-mf, or equivalent)   | N/A  |
| Fixed-Income Mutual Funds & Exchange-Traded Funds   | 20%                | 10%                           | N/A  | N/A  |

| Sector                  | Sector Maximum (%) | Per Issuer Maximum (%) | Minimum Ratings Requirement <sup>1</sup>   | Maximum Maturity |
|-------------------------|--------------------|------------------------|--|------------------|
| Intergovernmental Pools | 50%                | 25%                    | Highest Fund Quality and Volatility Rating Categories by NRSROs who rate the fund (AAAm/AAAf, S1, or equivalent) | N/A              |

- (1) Rating by at least one SEC-registered NRSRO, unless otherwise noted. ST=Short-term; LT=Long-term.
- (2) The maturity limit for MBS and ABS is based on the expected average life at time of purchase, measured using Bloomberg or other industry standard methods.
- (3) Maximum exposure to any one Federal agency, including the combined holdings of Agency debt and Agency ABS, is 40 percent.
- (4) Maximum allocation to all corporate and bank credit instruments is 50 percent combined.

At June 30, 2021, the investments of the College and the Consortium in obligations of the United States Government and Government-sponsored enterprises, Federal agency collateralized mortgage obligations, corporate notes, mortgage-backed pass-throughs, foreign notes, asset-backed securities, and money market funds were rated by Standard & Poor's as follows:

| <u>Investment Type</u>   | <u>Fair Value</u> | <u>Credit Quality Rating</u> |
|--|-------------------|------------------------------|
| <b><u>College</u></b>  |                   |                              |
| United States Treasury Notes   | \$ 2,530,507      | N/A                          |
| Mortgage-Backed Pass-Throughs  | \$ 639,369        | AA+                          |
| Federal Agency Collateralized Mortgage Obligations                           | \$ 1,068,924      | N/A                          |
| Obligations of United States Government and Government-Sponsored Enterprises | \$ 3,934,354      | AA+                          |
| Money Market Mutual Funds  | \$ 978,419        | AAAm                         |
| <b><u>Consortium</u></b>   |                   |                              |
| United States Treasury Notes   | \$ 4,570,318      | N/A                          |
| Mortgage-Backed Pass-Throughs  | \$ 892,341        | AA+                          |
| Federal Agency Collateralized Mortgage Obligations                           | \$ 952,355        | NR to AAA                    |
| Obligations of United States Government and Government-Sponsored Enterprises | \$ 3,290,337      | AA+                          |
| Corporate Notes  | \$ 4,388,284      | A- to BBB+                   |
| Foreign Notes  | \$ 2,474,267      | A- to BBB+                   |
| Asset-Backed Securities  | \$ 748,633        | NR to AAA                    |
| Money Market Mutual Funds  | \$ 869,522        | AAAm                         |

**Custodial Credit Risk:** Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investments purchased on behalf of the College pursuant to Section 218.415, Florida Statutes, must be properly earmarked and: (1) if registered with the issuer or its agents, the investment must be immediately placed for safekeeping in a location that protects the College's interest in the security; (2) if in a book entry form, the investment must be held for the credit of the College by a depository chartered by the Federal Government, the State, or any other State or territory of the United States that has a branch or principal place of business in the State, or by a national

association organized and existing under the laws of the United States that is authorized to accept and execute trusts and is doing business in this State, and must be kept by the depository in an account separate and apart from the assets of the financial institution, or (3) if physically issued to the holder but not registered with the issuer or its agents, must be immediately placed for safekeeping in a secured vault. Investment policies of the College and the Consortium require that all securities purchased be properly designated as an asset of the College or the Consortium and held in safekeeping by a third-party custodial bank or other third-party custodial institution. The College's and the Consortium's investments are held by a safekeeping agent in the name of the College or the Consortium.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investment in a single issuer. The investment policies of the College and the Consortium provide that a maximum of 5 percent of the portfolio's individual corporate exposure may be invested in securities of a single issuer. The maximum corporate exposure at June 30, 2021, was as follows:

- College: 0.00%
- Consortium: 1.92%

### **Component Unit Investments.**

Mutual Funds, Certificates of Deposit, and Corporate Common Stocks are valued based on prices quoted in the active markets and are categorized as Level 1 in the fair value hierarchy. Corporate Preferred Stocks, Corporate Bonds, U.S. Federal Agency Bonds, and Municipal Bonds are valued using quoted prices for similar securities in active markets and are categorized as Level 2 in the fair value hierarchy. Real estate is valued using the capitalization rate to determine fair value and is categorized as Level 3 in the fair value hierarchy.

Investments held by the Foundation at December 31, 2020, were reported at fair value as follows:

| Investments by fair value level         | Amount               | Fair Value Measurements Using  |   |   |
|---|----------------------|--|---|---|
|   |                      | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs (Level 3) |
| Mutual Funds                            | \$ 330,357           | \$ 330,357   | \$ -  | \$ -  |
| Certificates of Deposit                 | 991,065              | 991,065  | -   | -   |
| Corporate Common Stocks                 | 17,628,041           | 17,628,041   | -   | -   |
| Corporate Preferred Stocks              | 3,396,107            | -  | 3,396,107   | -   |
| Corporate Bonds                         | 21,737,303           | -  | 21,737,303  | -   |
| U.S. Federal Agency Bonds               | 39,999,837           | -  | 39,999,837  | -   |
| Municipal Bonds                         | 468,870              | -  | 468,870   | -   |
| Limited Partnerships                    | 218,034              | -  | -   | 218,034   |
| Real Estate                             | 5,256,674            | -  | -   | 5,256,674                                       |
| <b>Total Component Unit Investments</b> | <b>\$ 90,026,288</b> | <b>\$ 18,949,463</b>   | <b>\$ 65,602,117</b>                                      | <b>\$ 5,474,708</b>                             |

There was \$1,746,622 in unrealized appreciation in the fair value of investments during the year ended December 31, 2020. The carrying value of investments at December 31, 2020, includes all material

changes in fair value, including both realized and unrealized gains and losses that occurred both during the current year and previous years.

The Foundation invested in various debt and equity securities. To smooth distributions from the aggregate portfolio, the Foundation uses the moving average method of determining year-to-year spending. This policy provides for a more consistent and predictable spending for programs, and it allows the Foundation to design an investment strategy that is more consistent with a higher expected average return over time. The following risks apply to the Foundation's investments:

*Interest Rate Risk:* The Foundation's investment policy does not limit debt obligation maturities. However, the Foundation manages its exposure to fair value losses arising from increasing interest rates through the segmented-time distribution method. The durations for the Foundation investments as of December 31, 2020, are as follows:

| <u>Maturities in Years</u> | <u>% of Total<br/>Assets</u> | <u>Total</u>         |
|----------------------------|------------------------------|----------------------|
| Less than 1 Year           | 50.62%                       | \$ 42,912,243        |
| 1 to 2                     | 2.39%                        | 2,023,271            |
| 3 to 5                     | 7.25%                        | 6,147,563            |
| 6 to 10                    | 9.51%                        | 8,063,890            |
| 11 to 15                   | 3.10%                        | 2,632,001            |
| 16 to 20                   | 0.66%                        | 556,914              |
| 21 Plus                    | 3.87%                        | 3,279,464            |
| None                       | 22.60%                       | 24,410,942           |
| <b>Total</b>               | <u>100.00%</u>               | <u>\$ 90,026,288</u> |

*Credit Risk:* The Foundation's investment policy limits investments to investment grade securities (BBB or higher) issued by banks, corporations, or the Federal Government. Those securities listed at below investment grade have been downgraded subsequent to purchase. In each case, the Foundation's Board of Directors, through the Finance Committee, has determined that the downgraded security has a reasonable expectation of recovery and has elected to maintain its position. The policy provides the 20 percent of the total investment in securities may be made in preferred corporate securities. Obligations of United States Government agencies and instrumentalities, certificates of deposit, and domestic equities do not require disclosure of credit quality. The credit ratings, by nationally recognized rating agencies (e.g., Moody's Investors Service) of the portfolio held by the Foundation at December 31, 2020, was as follows:

| <u>Rating</u>            | <u>% of Total Assets</u> | <u>Fair Value</u>    |
|--------------------------|--------------------------|----------------------|
| Aaa/AAA                  | 0.74%                    | \$ 663,519           |
| Aa/AA                    | 2.85%                    | 2,566,375            |
| A/A                      | 10.90%                   | 9,811,875            |
| Baa/BBB                  | 11.33%                   | 10,202,707           |
| Below Investment Grade   | 1.78%                    | 1,600,010            |
| <b>Total Rated</b>       | <b>27.60%</b>            | <b>24,844,486</b>    |
| Government Backed        | 44.45%                   | 40,025,044           |
| Corporate Stocks         | 20.35%                   | 18,318,571           |
| Mutual Funds             | 0.37%                    | 330,357              |
| Corporate Bonds          | 0.06%                    | 53,291               |
| Preferred Stock          | 0.23%                    | 206,800              |
| Certificates of Deposit  | 1.10%                    | 991,065              |
| Real Estate              | 5.84%                    | 5,256,674            |
| <b>Total Non-Rated</b>   | <b>72.40%</b>            | <b>65,181,802</b>    |
| <b>Total Investments</b> | <b>100.00%</b>           | <b>\$ 90,026,288</b> |

*Custodial Credit Risk:* The Foundation has no formal policy on custodial credit risk. However, all investments are insured, registered, or held in the Foundation's name by a custodial bank as an agent for the Foundation.

*Concentration of Credit Risk:* Composition of the Foundation's investment portfolio is limited by its investment policy, which restricts investment in any one issue to no more than 5 percent of the value of the portfolio. At December 31, 2020, no single issues represented more than 2 percent of the total portfolio value.

## 5. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, Title IV Federal grant and State Bright Futures program repayments due from students; agency billings; investment income; and commissions and rent due from vendors under contract for food, vending, and bookstore operations. The receivables for students total \$420,818 and are reported net of a \$276,394 allowance for uncollectible student accounts. Other receivables are considered to be fully collectible.

## 6. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$5,376,045 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$2,706,074 of Federal grant allocations due from the Federal Government primarily for the following grants:

- Adult and Family Literacy – U.S. Department of Education
- SF2UF: A New Bridges Baccalaureate Program – U.S. Department of Health and Human Services
- Louis Stokes Regional Center of Excellence – National Science Foundation
- Workforce Development – U.S. Department of Education

- Upward Bound (TRIO) – U.S. Department of Education
- Talent Search (TRIO) – U.S. Department of Education
- Perkins – U.S. Department of Education
- Innovative Product Development Center – U.S. Department of Commerce
- Title III Part A – U.S. Department of Education
- Student Support Services (TRIO) – U.S. Department of Education
- Coral Research – National Science Foundation
- Higher Education Emergency Relief Fund (HEERF) – U.S. Department of Education

## 7. Due From Component Unit

The \$41,156 reported as due from component unit includes the remaining amount owed to the College by the Foundation for contributed and matching funds. The College's financial statements are reported for the fiscal year ended June 30, 2021. The College's component unit's financial statements are reported for the calendar year ended December 31, 2020, and there is no amount reported as due to the College by the Foundation.

## 8. 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   | \$ 7,104,300             | \$ -                  | \$ -                | \$ 7,104,300          |
| Artwork and Artifacts                        | 18,000                   | -                     | -                   | 18,000                |
| Construction in Progress                     | 2,260,274                | 21,201,412            | 1,128,800           | 22,332,886            |
| <b>Total Nondepreciable Capital Assets</b>   | <b>\$ 9,382,574</b>      | <b>\$ 21,201,412</b>  | <b>\$ 1,128,800</b> | <b>\$ 29,455,186</b>  |
| Depreciable Capital Assets:                  |                          |                       |                     |                       |
| Buildings                                    | \$ 149,182,423           | \$ -                  | \$ 296,019          | \$ 148,886,404        |
| Other Structures and Improvements            | 36,364,974               | 1,128,800             | -                   | 37,493,774            |
| Furniture, Machinery, and Equipment          | 11,025,761               | 834,010               | 211,424             | 11,648,347            |
| <b>Total Depreciable Capital Assets</b>      | <b>196,573,158</b>       | <b>1,962,810</b>      | <b>507,443</b>      | <b>198,028,525</b>    |
| Less, Accumulated Depreciation:              |                          |                       |                     |                       |
| Buildings                                    | 83,414,166               | 3,248,280             | 13,662              | 86,648,784            |
| Other Structures and Improvements            | 32,552,586               | 784,993               | -                   | 33,337,579            |
| Furniture, Machinery, and Equipment          | 9,427,301                | 844,785               | 200,099             | 10,071,987            |
| <b>Total Accumulated Depreciation</b>        | <b>125,394,053</b>       | <b>4,878,058</b>      | <b>213,761</b>      | <b>130,058,350</b>    |
| <b>Total Depreciable Capital Assets, Net</b> | <b>\$ 71,179,105</b>     | <b>\$ (2,915,248)</b> | <b>\$ 293,682</b>   | <b>\$ 67,970,175</b>  |

Capital assets activity of the College's component unit for the fiscal year ended December 31, 2020, is shown in the following table:

| <u>Description</u>                           | <u>Beginning Balance</u> | <u>Additions</u>    | <u>Reductions</u> | <u>Ending Balance</u> |
|--|--------------------------|---------------------|-------------------|-----------------------|
| Nondepreciable Capital Assets:               |                          |                     |                   |                       |
| Land   | \$ 2,605,303             | \$ -                | \$ -              | \$ 2,605,303          |
| Art Collection                               | 675,349                  | 16,107              | -                 | 691,456               |
| Equipment                                    | 4,375                    | -                   | -                 | 4,375                 |
| <b>Total Nondepreciable Capital Assets</b>   | <b>\$ 3,285,027</b>      | <b>\$ 16,107</b>    | <b>\$ -</b>       | <b>\$ 3,301,134</b>   |
| Depreciable Capital Assets:                  |                          |                     |                   |                       |
| Buildings and Improvements                   | \$ 10,647,648            | \$ 108,257          | \$ -              | 10,755,905            |
| Film Costs                                   | 1,004,645                | -                   | -                 | 1,004,645             |
| <b>Total Depreciable Capital Assets</b>      | <b>11,652,293</b>        | <b>108,257</b>      | <b>-</b>          | <b>11,760,550</b>     |
| Less, Accumulated Depreciation:              |                          |                     |                   |                       |
| Buildings and Improvements                   | 5,497,073                | 268,908             | -                 | 5,765,981             |
| Film Costs                                   | 961,992                  | 4,265               | -                 | 966,257               |
| <b>Total Accumulated Depreciation</b>        | <b>6,459,065</b>         | <b>273,173</b>      | <b>-</b>          | <b>6,732,238</b>      |
| <b>Total Depreciable Capital Assets, Net</b> | <b>\$ 5,193,228</b>      | <b>\$ (164,916)</b> | <b>\$ -</b>       | <b>\$ 5,028,312</b>   |

## 9. Unearned Revenue

Unearned revenue at June 30, 2021, includes student tuition and fees, and grant and contract revenue 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>       |
|-------------------------------|---------------------|
| Student Tuition and Fees      | \$ 1,186,148        |
| Grant and Contract Revenue    | 6,412               |
| <b>Total Unearned Revenue</b> | <b>\$ 1,192,560</b> |

## 10. Long-Term Liabilities

Long-term liabilities activity of the College 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                         | \$ 5,950,000             | \$ -                 | \$ 730,000           | \$ 5,220,000          | \$ 770,000             |
| Compensated Absences Payable          | 9,980,046                | 1,307,927            | 781,128              | 10,506,845            | 871,217                |
| Other Postemployment Benefits Payable | 1,742,844                | 130,480              | 152,751              | 1,720,573             | 101,820                |
| Net Pension Liability                 | 43,744,394               | 24,514,634           | 18,180,528           | 50,078,500            | 136,778                |
| <b>Total Long-Term Liabilities</b>    | <b>\$ 61,417,284</b>     | <b>\$ 25,953,041</b> | <b>\$ 19,844,407</b> | <b>\$ 67,525,918</b>  | <b>\$ 1,879,815</b>    |

**Bonds Payable.** The SBA, Division of Bond Finance issues Capital Improvement Revenue Bonds on behalf of the College. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution;

Sections 215.57 through 215.86 and Section 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 2018A participating colleges on a parity with any additional bonds issued subsequent to the Series 2018A bonds. The Series 2018A bonds were issued for the purpose of refunding the outstanding Series 2006A bonds. 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 2018A bonds will share the lien of such additional bonds on the Series 2018A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds.

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

| <u>Bond Type</u>  | <u>Amount<br/>Outstanding</u> | <u>Interest<br/>Rate<br/>(Percent)</u> | <u>Annual<br/>Maturity<br/>To</u> |
|---|-------------------------------|--|-----------------------------------|
| Florida Department of Education<br>Capital Improvement Revenue Bonds:<br>Series 2018A | \$ 5,220,000                  | 5.00                                   | 2027                              |

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

| <u>Fiscal Year<br/>Ending June 30</u> | <u>Capital Improvement Revenue Bonds</u> |                   |                     |
|---------------------------------------|--|-------------------|---------------------|
|                                       | <u>Principal</u>                         | <u>Interest</u>   | <u>Total</u>        |
| 2022                                  | \$ 770,000                               | \$ 261,000        | \$ 1,031,000        |
| 2023                                  | 805,000                                  | 222,500           | 1,027,500           |
| 2024                                  | 845,000                                  | 182,250           | 1,027,250           |
| 2025                                  | 890,000                                  | 140,000           | 1,030,000           |
| 2026                                  | 935,000                                  | 95,500            | 1,030,500           |
| 2027                                  | 975,000                                  | 48,750            | 1,023,750           |
| <b>Total</b>                          | <b>\$ 5,220,000</b>                      | <b>\$ 950,000</b> | <b>\$ 6,170,000</b> |

**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 \$10,506,845. The current portion of the compensated absences liability, \$871,217, is the amount expected to be paid in the coming fiscal year based upon the College's prior experience.

**Other Postemployment Benefits Payable.** The College follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for OPEB administered by the Consortium.

**General Information about the OPEB Plan**

*Plan Description.* The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the Consortium that provides OPEB for all employees who satisfy the College’s retirement eligibility provisions. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College’s healthcare 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. Neither the College nor the Consortium issue a stand- alone annual report for the OPEB Plan and the OPEB Plan is not included in the annual report of a public employee retirement system or another entity. 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. In addition to the implicit subsidy described above, the OPEB Plan also provides all retirees with \$5,000 of life insurance benefits.

*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 | 51         |
| Inactive Employees Entitled to But Not Yet Receiving Benefits    | 55         |
| Active Employees   | 665        |
| <b>Total</b>   | <u>771</u> |

**Total OPEB Liability**

The College’s total OPEB liability of \$1,720,573 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 Inflation |  |
| Regular Employees                     | 3.40 – 7.80 percent  |
| Senior Management                     | 4.10 – 8.20 percent  |
| Special Risk                          | 4.80 – 7.40 percent  |
| Discount 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 for 2026 |
| Medicare                              | 5.00 percent for 2019, decreasing to an ultimate rate of 4.60 percent by 2021  |

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal and salary increases used in the June 30, 2019, 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, 2019, valuation were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation.

### ***Changes in the Total OPEB Liability***

|  | <b>Amount</b>              |
|--|----------------------------|
| <b>Balance at 6/30/20</b>              | <u>\$ 1,742,844</u>        |
| <b>Changes for the year:</b>           |                            |
| Service Cost                           | 68,684                     |
| Interest                               | 61,796                     |
| Changes in Assumptions or Other Inputs | (60,098)                   |
| Benefit Payments                       | <u>(92,653)</u>            |
| <b>Net Changes</b>                     | <u>(22,271)</u>            |
| <b>Balance at 6/30/21</b>              | <u><u>\$ 1,720,573</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 due to a change in the Municipal Bond Rate.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

|                      | <u>1%<br/>Decrease<br/>(1.21%)</u> | <u>Current<br/>Discount Rate<br/>(2.21%)</u> | <u>1%<br/>Increase<br/>(3.21%)</u> |
|----------------------|------------------------------------|--|------------------------------------|
| Total OPEB liability | \$1,917,611                        | \$1,720,573                                  | \$1,557,731                        |

*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<br/>Cost Trend<br/>Rates</u> | <u>1% Increase</u> |
|----------------------|--------------------|--|--------------------|
| Total OPEB liability | \$1,485,154        | \$1,720,573                                | \$2,022,272        |

***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 \$159,005. 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<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 239,128                                | \$ -                                     |
| Change of assumptions or other inputs              | 72,180                                    | 98,712                                   |
| Transactions subsequent to the measurement date    | 101,820                                   | -  |
| <b>Total</b>                                       | <u>\$ 413,128</u>                         | <u>\$ 98,712</u>                         |

Of the total amount reported as deferred outflows of resources related to OPEB, \$101,820 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 fiscal 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                              | \$ 28,525         |
| 2023                              | 28,525            |
| 2024                              | 28,525            |
| 2025                              | 28,525            |
| 2026                              | 29,537            |
| Thereafter                        | 68,959            |
| <b>Total</b>                      | <u>\$ 212,596</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 \$50,078,500. Note 11. includes a complete discussion of defined benefit pension plans.

## **11. 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](http://www.dms.myflorida.com)).

The College's FRS and HIS pension expense totaled \$8,438,848 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* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

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 except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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 except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

*Benefits Provided.* Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

| <b><u>Class, Initial Enrollment, and Retirement Age/Years of Service</u></b> | <b><u>% Value</u></b> |
|--|-----------------------|
| <b>Regular Class members initially enrolled before July 1, 2011</b>          |                       |
| Retirement up to age 62 or up to 30 years of service                         | 1.60                  |
| Retirement at age 63 or with 31 years of service                             | 1.63                  |
| Retirement at age 64 or with 32 years of service                             | 1.65                  |
| Retirement at age 65 or with 33 or more years of service                     | 1.68                  |
| <b>Regular Class members initially enrolled on or after July 1, 2011</b>     |                       |
| Retirement up to age 65 or up to 33 years of service                         | 1.60                  |
| Retirement at age 66 or with 34 years of service                             | 1.63                  |
| Retirement at age 67 or with 35 years of service                             | 1.65                  |
| Retirement at age 68 or with 36 or more years of service                     | 1.68                  |
| <b>Senior Management Service Class</b>                                       | <b>2.00</b>           |
| <b>Special Risk Class</b>  | <b>3.00</b>           |

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

**Contributions.** The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 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               |
| FRS, Special Risk  | 3.00                           | 24.45               |
| 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 \$3,574,183 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 \$36,958,311 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 0.085272392 percent, which was a decrease of 0.005223224 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the College recognized pension expense of \$7,409,033. 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<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience   | \$ 1,414,471                              | \$ -                                     |
| Change of assumptions  | 6,690,630                                 | -  |
| Net difference between projected and actual earnings on FRS Plan investments                                     | 2,200,533                                 | -  |
| Changes in proportion and differences between College FRS contributions and proportionate share of contributions | 304,454                                   | 1,710,189                                |
| College FRS contributions subsequent to the measurement date   | 3,574,183                                 | -  |
| <b>Total</b>   | <b>\$ 14,184,271</b>                      | <b>\$ 1,710,189</b>                      |

The deferred outflows of resources totaling \$3,574,183, 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                              | \$ 1,718,987        |
| 2023                              | 3,023,556           |
| 2024                              | 2,594,865           |
| 2025                              | 1,414,084           |
| 2026                              | 148,407             |
| <b>Total</b>                      | <b>\$ 8,899,899</b> |

*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%                      |
| <b>Total</b>             | <u>100.0%</u>                |                                 |   |                           |
| Assumed inflation - Mean |                              |                                 | 2.4%                                      | 1.7%                      |

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

*Discount Rate.* The discount rate used to measure the total pension liability was 6.80 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2020 valuation was updated from 6.90 percent to 6.80 percent.

*Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.80 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.80 percent) or 1 percentage point higher (7.80 percent) than the current rate:

|  | <u>1% Decrease (5.80%)</u> | <u>Current Discount Rate (6.80%)</u> | <u>1% Increase (7.80%)</u> |
|--|----------------------------|--------------------------------------|----------------------------|
| College's proportionate share of the net pension liability | \$59,016,212               | \$36,958,311                         | \$18,535,457               |

*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.

### **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 \$650,526 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 \$13,120,189 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 0.107455888 percent, which was a decrease of 0.004966711 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the College recognized pension expense of \$1,029,815. 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<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience   | \$ 536,695                                | \$ 10,121                                |
| Change of assumptions  | 1,410,794                                 | 762,888                                  |
| Net difference between projected and actual earnings on HIS Plan investments   | 10,475                                    | -  |
| Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions | 293,667                                   | 611,727                                  |
| College contributions subsequent to the measurement date   | 650,526                                   | -  |
| <b>Total</b>   | <b>\$ 2,902,157</b>                       | <b>\$ 1,384,736</b>                      |

The deferred outflows of resources totaling \$650,526, 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                              | \$ 269,575        |
| 2023                              | 204,904           |
| 2024                              | 46,109            |
| 2025                              | 124,238           |
| 2026                              | 131,093           |
| Thereafter                        | 90,976            |
| <b>Total</b>                      | <b>\$ 866,895</b> |

*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:

|   | <u>1%<br/>Decrease<br/>(1.21%)</u> | <u>Current<br/>Discount Rate<br/>(2.21%)</u> | <u>1%<br/>Increase<br/>(3.21%)</u> |
|---|------------------------------------|--|------------------------------------|
| College's proportionate share<br>of the net pension liability | \$15,166,353                       | \$13,120,189                                 | \$11,445,410                       |

*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.

## 12. 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<br/>Gross<br/>Compensation</u> |
|--------------------------------|--|
| FRS, Regular                   | 6.30   |
| FRS, Senior Management Service | 7.67   |
| FRS, Special Risk Regular      | 14.00  |

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 \$430,384 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 \$479,174 and employee contributions totaled \$166,188 for the 2020-21 fiscal year.

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

The Local Annuity Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. The College contributes 9.65 percent and employees contribute 3 percent of the employee's salary to the Local Annuity Program. The participants may make contributions toward the Local Annuity Program by way of salary reduction or by deduction of a percentage of the employee's gross compensation not to exceed

the percentage contributed by the employer. 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 Local Annuity Program totaled \$107,691 and employee contributions totaled \$16,070 for the 2020-21 fiscal year.

### 13. Construction Commitments

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

| <u>Project Description</u>                          | <u>Total<br/>Commitment</u> | <u>Completed<br/>to Date</u> | <u>Balance<br/>Committed</u> |
|---|-----------------------------|------------------------------|------------------------------|
| <b>Capitalized:</b>                                 |                             |                              |                              |
| Blount Center Expansion Project:                    |                             |                              |                              |
| Architect and Engineer                              | \$ 2,440,931                | \$ 2,197,761                 | \$ 243,170                   |
| Construction Manager                                | 23,248,832                  | 15,235,897                   | 8,012,935                    |
| General Contractor                                  | 6,829,352                   | 4,802,822                    | 2,026,530                    |
| Institute of Technology & Manufacturing:            |                             |                              |                              |
| Architect   | 44,955                      | 39,955                       | 5,000                        |
| R Annex Security Improvements:                      |                             |                              |                              |
| Construction Manager                                | 83,597                      | 56,451                       | 27,146                       |
| <b>Total Capitalized Projects</b>                   | <b>32,647,667</b>           | <b>22,332,886</b>            | <b>10,314,781</b>            |
| <b>Noncapitalized:</b>                              |                             |                              |                              |
| Blount Center Data Center:                          |                             |                              |                              |
| Architect   | 53,884                      | 44,400                       | 9,484                        |
| Construction Manager                                | 651,090                     | 77,365                       | 573,725                      |
| General Contractor                                  | 9,911                       | -                            | 9,911                        |
| Classroom Renovation W Bldg:                        |                             |                              |                              |
| Architect   | 22,896                      | 19,900                       | 2,996                        |
| Construction Manager                                | 216,822                     | 21,178                       | 195,644                      |
| General Contractor                                  | 217,367                     | -                            | 217,367                      |
| Roof Buildings I and J:                             |                             |                              |                              |
| Construction Manager                                | 573,610                     | 565,149                      | 8,461                        |
| Replacement-Lab Counters Rooms X107,<br>X108, X112: |                             |                              |                              |
| General Contractor                                  | 51,329                      | -                            | 51,329                       |
| Project Manager/Business Analyst:                   |                             |                              |                              |
| General Contractor                                  | 288,000                     | 22,609                       | 265,391                      |
| Projects Committed for less than \$25,000           | 62,851                      | 22,338                       | 40,513                       |
| <b>Total Noncapitalized Projects</b>                | <b>2,147,760</b>            | <b>772,939</b>               | <b>1,374,821</b>             |
| <b>Total Construction Contract Commitments</b>      | <b>\$ 34,795,427</b>        | <b>\$ 23,105,825</b>         | <b>\$ 11,689,602</b>         |

### 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, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

## 15. Functional Distribution of Operating Expenses

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

| <u>Functional Classification</u>   | <u>Amount</u>         |
|------------------------------------|-----------------------|
| Instruction                        | \$ 39,137,591         |
| Public Services                    | 1,335,234             |
| Academic Support                   | 9,927,765             |
| Student Services                   | 19,784,672            |
| Institutional Support              | 16,486,009            |
| Operation and Maintenance of Plant | 13,764,425            |
| Scholarships and Waivers           | 16,308,341            |
| Depreciation                       | 4,878,058             |
| Auxiliary Enterprises              | 84,155                |
| <b>Total Operating Expenses</b>    | <b>\$ 121,706,250</b> |

## 16. Current Unrestricted Funds

The Southern Association of Colleges and Schools, Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net position, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net position. To meet this requirement, statements of net position and revenues, expenses, and changes in net position for the current unrestricted funds are presented as follows:

## Statement of Current Unrestricted Funds Net Position

### ASSETS

#### Current Assets:

|                                    |               |
|------------------------------------|---------------|
| Cash and Cash Equivalents          | \$ 22,784,204 |
| Investments                        | 2,695,538     |
| Accounts Receivable, Net           | 716,676       |
| Due from Other Government Agencies | 102,373       |
| Inventories                        | 87,819        |
| Prepaid Expenses                   | 86,357        |
|                                    | <hr/>         |
| Total Current Assets               | 26,472,967    |

#### Noncurrent Assets:

|             |           |
|-------------|-----------|
| Investments | 6,456,035 |
|             | <hr/>     |

### TOTAL ASSETS

---

32,929,002

### DEFERRED OUTFLOWS OF RESOURCES

|                               |            |
|-------------------------------|------------|
| Other Postemployment Benefits | 413,128    |
| Pensions                      | 17,086,428 |
|                               | <hr/>      |

### TOTAL DEFERRED OUTFLOWS OF RESOURCES

---

17,499,556

### LIABILITIES

#### Current Liabilities:

|                                  |           |
|----------------------------------|-----------|
| Accounts Payable                 | 858,803   |
| Salary and Payroll Taxes Payable | 4,635,562 |
| Unearned Revenue                 | 444,357   |
|                                  | <hr/>     |

#### Total Current Liabilities

---

5,938,722

#### Noncurrent Liabilities:

|                                       |            |
|---------------------------------------|------------|
| Compensated Absences Payable          | 10,240,659 |
| Other Postemployment Benefits Payable | 1,720,573  |
| Net Pension Liability                 | 50,078,500 |
|                                       | <hr/>      |

### TOTAL LIABILITIES

---

67,978,454

### DEFERRED INFLOWS OF RESOURCES

|                               |           |
|-------------------------------|-----------|
| Other Postemployment Benefits | 98,712    |
| Pensions                      | 3,094,925 |
|                               | <hr/>     |

### TOTAL DEFERRED INFLOWS OF RESOURCES

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3,193,637

### TOTAL NET POSITION

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\$ (20,743,533)

**Statement of Current Unrestricted Funds Revenues,  
Expenses, and Changes in Net Position**

**REVENUES**

Operating Revenues:

|   |                   |
|---|-------------------|
| Student Tuition and Fees                      | \$ 29,287,220     |
| State and Local Grants and Contracts          | 90,472            |
| Sales and Services of Educational Departments | 466,985           |
| Auxiliary Enterprises                         | 562,957           |
| Other Operating Revenues                      | 182,254           |
| <b>Total Operating Revenues</b>               | <b>30,589,888</b> |

**EXPENSES**

Operating Expenses:

|                                 |                     |
|---------------------------------|---------------------|
| Salary and Benefits             | 68,112,054          |
| Utilities and Communications    | 2,226,537           |
| Contractual Services            | 4,074,886           |
| Other Services and Expenses     | 4,128,501           |
| Materials and Supplies          | 5,226,665           |
| <b>Total Operating Expenses</b> | <b>83,768,643</b>   |
| <b>Operating Loss</b>           | <b>(53,178,755)</b> |

**NONOPERATING REVENUES (EXPENSES)**

|  |                               |
|--|-------------------------------|
| State Noncapital Appropriations  | 45,027,440                    |
| Investment Loss  | (1,500,681)                   |
| Other Nonoperating Revenues  | 5,258,764                     |
| <b>Net Nonoperating Revenues</b>   | <b>48,785,523</b>             |
| <b>Loss Before Other Revenues,<br/>Capital Appropriations and Grants</b> | <b>(4,393,232)<br/>19,953</b> |
| <b>Decrease in Net Position</b>  | <b>(4,373,279)</b>            |
| Net Position, Beginning of Year  | (16,370,254)                  |
| <b>Net Position, End of Year</b>   | <b>\$ (20,743,533)</b>        |

Note: Student tuition and fees revenues are reported net of scholarship allowances on the statement of revenues, expenses, and changes in net position; however, scholarship allowances are not reflected in the student tuition and fees revenues for the purpose of this disclosure.

## **OTHER REQUIRED SUPPLEMENTARY INFORMATION**

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

|   | <b>2020</b>         | <b>2019</b>         | <b>2018</b>         | <b>2017</b>         |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>Total OPEB Liability</b>   |                     |                     |                     |                     |
| Service cost  | \$ 68,684           | \$ 57,196           | \$ 57,766           | \$ 60,275           |
| Interest  | 61,796              | 49,658              | 46,008              | 39,569              |
| Difference between expected and actual experience                       | -                   | 304,822             | -                   | -                   |
| Changes of assumptions or other inputs                                  | (60,098)            | 92,010              | (26,089)            | (49,523)            |
| Benefit Payments  | (92,653)            | (87,150)            | (86,730)            | (58,672)            |
| <b>Net change in total OPEB liability</b>                               | <b>(22,271)</b>     | <b>416,536</b>      | <b>(9,045)</b>      | <b>(8,351)</b>      |
| Total OPEB Liability - beginning  | 1,742,844           | 1,326,308           | 1,335,353           | 1,343,704           |
| <b>Total OPEB Liability - ending</b>                                    | <b>\$ 1,720,573</b> | <b>\$ 1,742,844</b> | <b>\$ 1,326,308</b> | <b>\$ 1,335,353</b> |
| Covered-Employee Payroll  | \$40,153,282        | \$34,029,848        | \$39,408,617        | \$35,628,898        |
| <b>Total OPEB Liability as a percentage of covered-employee payroll</b> | <b>4.29%</b>        | <b>5.12%</b>        | <b>3.37%</b>        | <b>3.75%</b>        |

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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   | 0.085272392%    | 0.090495616%    | 0.092938136%    | 0.089724126%    |
| College's proportionate share of the FRS net pension liability  | \$ 36,958,311   | \$ 31,165,430   | \$ 27,993,448   | \$ 26,539,794   |
| College's covered payroll (2)   | \$ 43,261,786   | \$ 43,409,857   | \$ 42,375,205   | \$ 40,303,975   |
| College's proportionate share of the FRS net pension liability as a percentage of its covered payroll | 85.43%          | 71.79%          | 66.06%          | 65.85%          |
| 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                                  | \$ 3,574,183       | 2,862,181          | \$ 2,827,584       | \$ 2,658,400       |
| FRS contributions in relation to the contractually required contribution | <u>(3,574,183)</u> | <u>(2,862,181)</u> | <u>(2,827,584)</u> | <u>(2,658,400)</u> |
| FRS contribution deficiency (excess)                                     | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>        |
| College's covered payroll (2)  | \$ 44,634,289      | \$ 43,261,786      | \$ 43,409,857      | \$ 42,375,205      |
| FRS contributions as a percentage of covered payroll                     | 8.01%              | 6.62%              | 6.51%              | 6.27%              |

- (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> |
|-----------------|-----------------|-----------------|-----------------|
| 0.090106028%    | 0.097138630%    | 0.100886047%    | 0.090124341%    |
| \$ 22,751,843   | \$ 12,546,757   | \$ 6,155,532    | \$ 15,514,410   |
| \$ 39,431,384   | \$ 39,279,143   | \$ 38,694,964   | \$ 37,553,181   |
| 57.70%          | 31.94%          | 15.91%          | 41.31%          |
| 84.88%          | 92.00%          | 96.09%          | 88.54%          |

| <u>2017 (1)</u>    | <u>2016 (1)</u>    | <u>2015 (1)</u>    | <u>2014 (1)</u>    |
|--------------------|--------------------|--------------------|--------------------|
| \$ 2,342,304       | \$ 2,208,964       | \$ 2,368,322       | \$ 2,209,833       |
| <u>(2,342,304)</u> | <u>(2,208,964)</u> | <u>(2,368,322)</u> | <u>(2,209,833)</u> |
| \$ _____ -         | \$ _____ -         | \$ _____ -         | \$ _____ -         |
| \$ 40,303,975      | \$ 39,431,384      | \$ 39,279,143      | \$ 38,694,964      |
| 5.81%              | 5.60%              | 6.03%              | 5.71%              |

**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   | 0.107455888%    | 0.112422599%    | 0.113592820%    | 0.109528125%    |
| College's proportionate share of the HIS net pension liability  | \$ 13,120,189   | \$ 12,578,964   | \$ 12,022,792   | \$ 11,711,251   |
| College's covered payroll (2)   | \$ 37,616,793   | \$ 37,462,007   | \$ 36,204,661   | \$ 34,251,575   |
| College's proportionate share of the HIS net pension liability as a percentage of its covered payroll | 34.88%          | 33.58%          | 33.21%          | 34.19%          |
| 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                                      | \$ 650,526       | \$ 619,815       | \$ 625,061       | \$ 616,339       |
| HIS contributions in relation to the contractually required HIS contribution | <u>(650,526)</u> | <u>(619,815)</u> | <u>(625,061)</u> | <u>(616,339)</u> |
| HIS contribution deficiency (excess)   | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| College's covered payroll (2)  | \$ 39,094,705    | \$ 37,616,793    | \$ 37,462,007    | \$ 36,204,661    |
| HIS contributions as a percentage of covered payroll                         | 1.66%            | 1.65%            | 1.67%            | 1.70%            |

(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> |
|-----------------|-----------------|-----------------|-----------------|
| 0.108350909%    | 0.109549292%    | 0.111742332%    | 0.110935455%    |
| \$ 12,627,849   | \$ 11,172,304   | \$ 10,448,180   | \$ 9,658,390    |
| \$ 33,453,417   | \$ 33,322,876   | \$ 33,203,064   | \$ 32,202,548   |
| 37.75%          | 33.53%          | 31.47%          | 29.99%          |
| 0.97%           | 0.50%           | 0.99%           | 1.78%           |

| <u>2017 (1)</u>  | <u>2016 (1)</u>  | <u>2015 (1)</u>  | <u>2014 (1)</u>  |
|------------------|------------------|------------------|------------------|
| \$ 578,858       | \$ 555,564       | \$ 418,766       | \$ 382,792       |
| <u>(578,858)</u> | <u>(555,564)</u> | <u>(418,766)</u> | <u>(382,792)</u> |
| \$ -             | \$ -             | \$ -             | \$ -             |
| \$ 34,251,575    | \$ 33,453,417    | \$ 33,322,876    | \$ 33,203,064    |
| 1.69%            | 1.66%            | 1.26%            | 1.15%            |

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

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

*Changes of Assumptions.* The long term expected rate of return, using the Municipal Bond Rate decreased from 3.50 percent at the prior measurement date to 2.21 percent at the current measurement date, and the active member mortality assumption was updated.

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

*Changes of Assumptions.* The long-term expected rate of return was decreased from 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 mortality assumption was updated.



Sherrill F. Norman, CPA  
Auditor General

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Santa Fe College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 15, 2022, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

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

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 15, 2022