

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

COLLEGE OF CENTRAL FLORIDA

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. James D. Henningsen served as President of the College of Central Florida and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
William "Bill" Edgar, Chair from 6-23-21, Vice Chair through 6-22-21	Levy
Russell "Rusty" Branson, Vice Chair from 6-23-21	Marion
Robert "Bobby" Durrance, Chair through 6-22-21	Levy
Joyce Brancato	Levy
Gabriel "Gabe" Bullaro II from 1-12-21 ^a	Marion

^a Trustee position vacant 7-1-20, through 1-11-21.

Note: Two Trustee positions were vacant for the entire fiscal year.

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 Karalee M. Cain, 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 or by telephone at (850) 412-2868.

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COLLEGE OF CENTRAL FLORIDA
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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the College of Central Florida (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

We noted a certain matter involving the College's internal control over financial reporting and its operation that we consider to be a significant deficiency, as summarized below. However, this significant deficiency is not considered to be a material weakness.

Significant Deficiency

Finding No. 2021-001: College financial reporting procedures did not always ensure that construction contracting and related activities are properly recorded in College accounting records and reported in the annual financial report submitted to the Florida Department of Education.

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 the College of Central Florida 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

The methodology used to develop the finding in this report included the examination of pertinent College records in connection with the application of procedures required by 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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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 the College of Central Florida, 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 blended and discretely presented component units. The financial statements of The Appleton Cultural Center, Inc., the blended component unit, represent 1 percent or less, of the assets, net position, and revenues reported for the College of Central Florida. The financial statements of the discretely presented component unit represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended and discretely presented component units, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those

standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College of Central Florida 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 23, 2022, on our consideration of the College of Central Florida'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 College of Central Florida's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 23, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2021, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2021, and June 30, 2020, which includes its blended component unit, The Appleton Cultural Center, Inc. for fiscal years ended December 31, 2020, and December 31, 2019. The MD&A also includes the financial activity of the College of Central Florida Foundation, Inc. (discretely presented component unit) for the fiscal years ended December 31, 2020, and December 31, 2019.

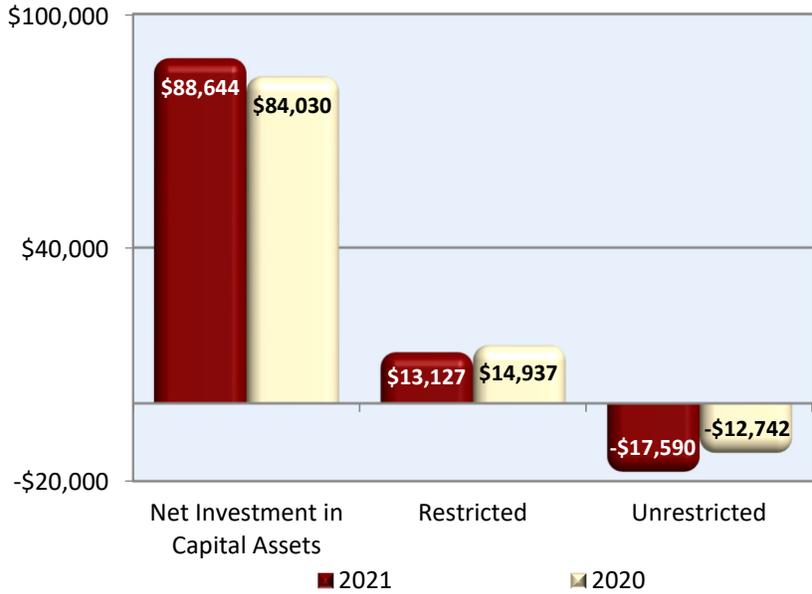
FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$133.4 million at June 30, 2021. This balance reflects a \$11.1 million, or 9.1 percent, increase as compared to the 2019-20 fiscal year, resulting primarily from an increase in cash and cash equivalents totaling \$2 million, an increase in cash with escrow agent related to an energy savings performance contract totaling \$8.1 million, and an increase of \$4.9 million in capital assets, offset by a decrease in due from other governmental agencies of \$4.1 million. While the total assets and deferred outflows of resources grew, liabilities and deferred inflows of resources also grew by \$13.1 million, or 36.4 percent, totaling \$49.3 million at June 30, 2021, primarily resulting from a \$10.1 million increase in lease-purchase payables for an energy savings performance contract, and a \$4.1 million increase in the net pension liability, offset by a decrease in unearned revenue of \$2.6 million. As a result, the College's net position decreased by \$2 million, resulting in a year-end balance of \$84.2 million.

The College's operating revenues totaled \$14.8 million for the 2020-21 fiscal year, representing a \$1.7 million, or 12.7 percent, increase compared to the 2019-20 fiscal year primarily due to a \$3.5 million increase in grants and contracts, offset by a \$0.8 million decrease in student tuition and fees, net; a \$0.4 million decrease in sales and services; and a \$0.6 million decrease in other operating revenues. Operating expenses totaled \$68.5 million for the 2020-21 fiscal year, this reflects a \$1.7 million increase, or 2.5 percent, as compared to the 2019-20 fiscal year due primarily to an increase of \$2.4 million for other services and expenses.

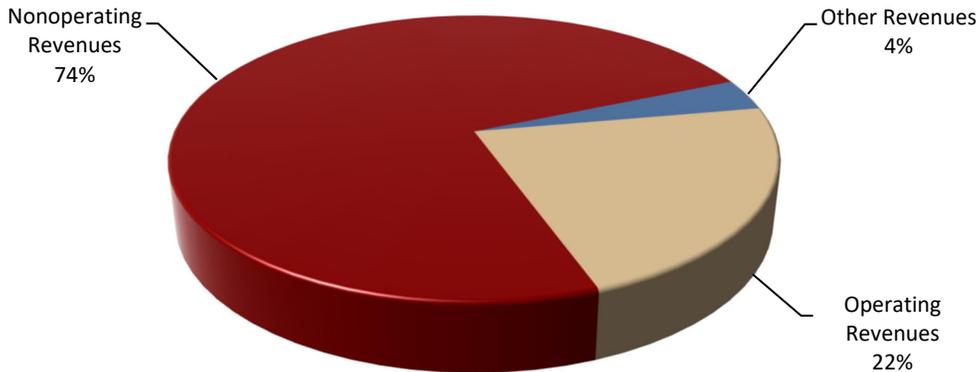
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2021, and June 30, 2020, is shown in the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

**Net Position
(In Thousands)**



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

**Total Revenues
2020-21 Fiscal Year**



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 35, the College’s financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College’s finances, and include the following entities:

- College of Central Florida (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- The Appleton Cultural Center, Inc. (Blended Component Unit) – Although legally separate, this component unit is important because the College has operational responsibility of the Center. The main purpose of the component unit is to provide financial support to the Appleton Museum, which is a department of the primary government. Based on the application of the criteria for determining component units, The Appleton Cultural Center, Inc. is included within the College's reporting entity as a blended component unit.
- College of Central Florida Foundation, Inc. (Discretely Presented 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.

Information regarding these component units is presented in the notes to financial statements.

The Statement of Net Position

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

The following summarizes the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College and its discretely presented component unit for the respective fiscal years ended:

Condensed Statement of Net Position at June 30

(In Thousands)

	College		Component Unit	
	6-30-21	6-30-20	12-31-20	12-31-19
Assets				
Current Assets	\$ 24,855	\$ 20,058	\$ 6,894	\$ 5,970
Capital Assets, Net	88,892	84,030	21,298	21,105
Other Noncurrent Assets	10,408	9,385	87,058	78,292
Total Assets	<u>124,155</u>	<u>113,473</u>	<u>115,250</u>	<u>105,367</u>
Deferred Outflows of Resources	<u>9,280</u>	<u>8,860</u>	<u>-</u>	<u>-</u>
Liabilities				
Current Liabilities	5,681	5,743	869	1,014
Noncurrent Liabilities	41,860	27,657	729	1,061
Total Liabilities	<u>47,541</u>	<u>33,400</u>	<u>1,598</u>	<u>2,075</u>
Deferred Inflows of Resources	<u>1,713</u>	<u>2,708</u>	<u>164</u>	<u>429</u>
Net Position				
Net Investment in Capital Assets	88,644	84,030	20,813	20,450
Restricted	13,127	14,937	75,484	65,936
Unrestricted	(17,590)	(12,742)	17,191	16,477
Total Net Position	<u>\$ 84,181</u>	<u>\$ 86,225</u>	<u>\$ 113,488</u>	<u>\$ 102,863</u>
Change in Net Position	<u>\$ (2,044)</u>	-2.4%	<u>\$ 10,625</u>	10.3%

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

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

The following summarizes the activities of the College and its discretely presented component unit for the respective fiscal years ended:

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

(In Thousands)

	College		Component Unit	
	6-30-21	6-30-20	12-31-20	12-31-19
Operating Revenues	\$ 14,774	\$ 13,106	\$ 1,396	\$ 1,766
Less, Operating Expenses	68,489	66,820	4,421	5,271
Operating Loss	(53,715)	(53,714)	(3,025)	(3,505)
Net Nonoperating Revenues	49,307	46,843	7,852	12,325
Income (Loss) Before Other Revenues	(4,408)	(6,871)	4,827	8,820
Other Revenues	2,364	3,843	5,798	834
Net Increase (Decrease) In Net Position	(2,044)	(3,028)	10,625	9,654
Net Position, Beginning of Year	86,225	89,253	102,863	93,209
Net Position, End of Year	<u>\$ 84,181</u>	<u>\$ 86,225</u>	<u>\$ 113,488</u>	<u>\$ 102,863</u>

Operating Revenues

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

The following summarizes the operating revenues for the College and its discretely presented component unit by source that were used to fund operating activities for the respective fiscal years ended:

**Operating Revenues
For the Fiscal Years Ended**

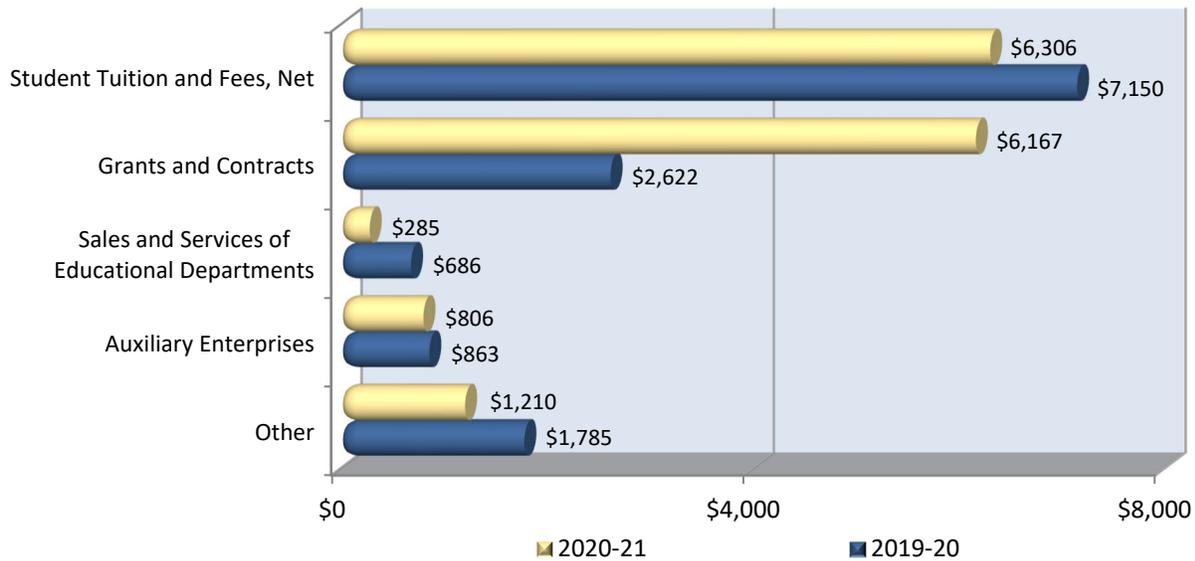
(In Thousands)

	College		Component Unit	
	6-30-21	6-30-20	12-31-20	12-31-19
Student Tuition and Fees, Net	\$ 6,306	\$ 7,150	\$ -	\$ -
Grants and Contracts	6,167	2,622	-	-
Sales and Services of Educational Departments	285	686	-	-
Auxiliary Enterprises	806	863	1,396	1,766
Other	1,210	1,785	-	-
Total Operating Revenues	<u>\$ 14,774</u>	<u>\$ 13,106</u>	<u>\$ 1,396</u>	<u>\$ 1,766</u>

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

Operating Revenues

(In Thousands)



Operating Expenses

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

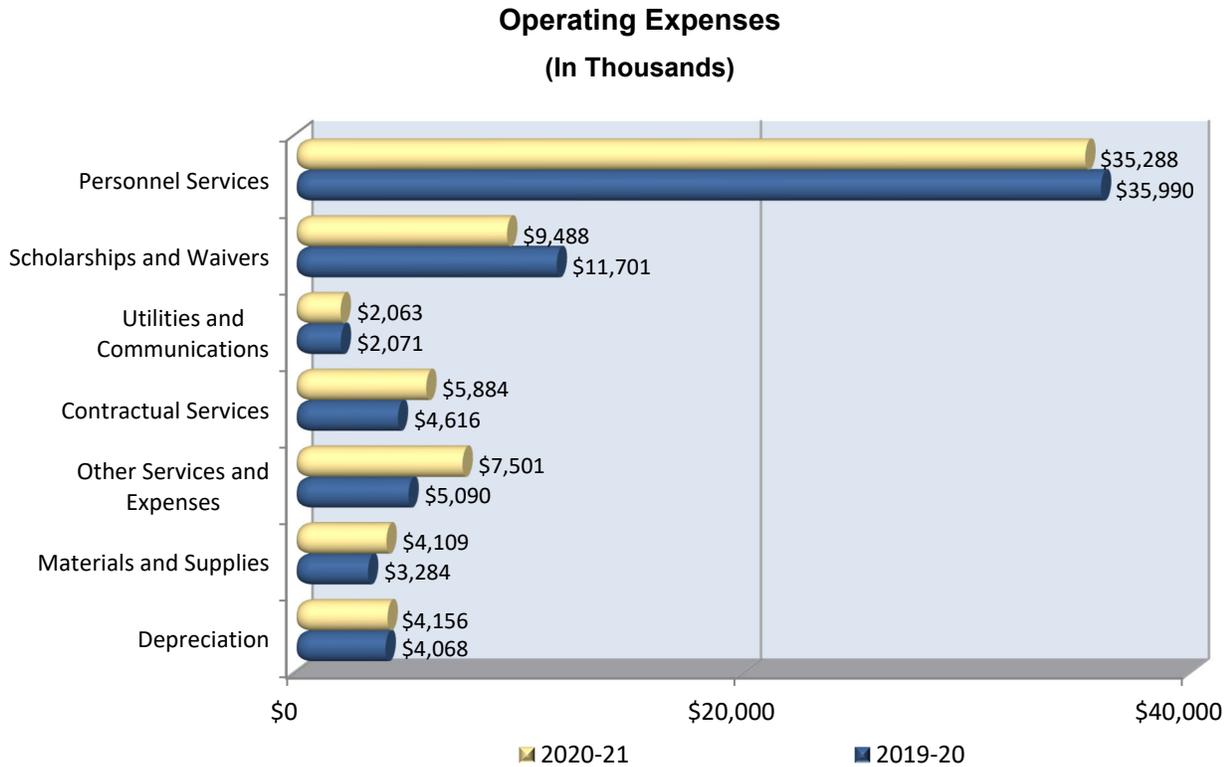
The following summarizes operating expenses by natural classification for the College and its discretely presented component unit for the respective fiscal years:

Operating Expenses For the Fiscal Years

(In Thousands)

	College		Component Unit	
	6-30-21	6-30-20	12-31-20	12-31-19
Personnel Services	\$ 35,288	\$ 35,990	\$ -	\$ -
Scholarships and Waivers	9,488	11,701	743	1,229
Utilities and Communications	2,063	2,071	-	-
Contractual Services	5,884	4,616	-	-
Other Services and Expenses	7,501	5,090	3,678	4,042
Materials and Supplies	4,109	3,284	-	-
Depreciation	4,156	4,068	-	-
Total Operating Expenses	\$ 68,489	\$ 66,820	\$ 4,421	\$ 5,271

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



College operating expense changes were primarily the result of an increase in other services and expenses of \$2.4 million for a Lockheed Martin pass-through grant for safety and security.

Nonoperating Revenues and Expenses

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

Nonoperating Revenues (Expenses)
For the Fiscal Years
(In Thousands)

	<u>2020-21</u>	<u>2019-20</u>
State Noncapital Appropriations	\$ 26,368	\$ 24,306
Federal and State Student Financial Aid	15,516	19,608
Gifts and Grants	7,292	2,379
Investment Income	309	530
Gain on Disposal of Capital Assets	1	-
Other Nonoperating Revenues	-	20
Interest on Capital Asset-Related Debt	(179)	-
Net Nonoperating Revenues	<u>\$ 49,307</u>	<u>\$ 46,843</u>

The College's net nonoperating revenues increased by \$2.5 million when compared to the 2019-20 fiscal year due mainly to an increase in State noncapital appropriations of \$2.1 million.

Other Revenues

This category is mainly composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2020-21 and 2019-20 fiscal years:

Other Revenues For the Fiscal Years		
(In Thousands)		
	<u>2020-21</u>	<u>2019-20</u>
State Capital Appropriations	\$ 153	\$ 202
Capital Grants, Contracts, Gifts, and Fees	1,693	3,103
Other Revenues	<u>518</u>	<u>538</u>
Total	<u>\$ 2,364</u>	<u>\$ 3,843</u>

Changes in other revenues were the result of a \$1.4 million decrease in capital grants, contracts, gifts and fees.

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

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

Condensed Statement of Cash Flows		
For the Fiscal Years		
(In Thousands)		
	<u>2020-21</u>	<u>2019-20</u>
Cash Provided (Used) by:		
Operating Activities	\$ (45,595)	\$ (48,209)
Noncapital Financing Activities	49,818	46,699
Capital and Related Financing Activities	6,986	2,597
Investing Activities	<u>326</u>	<u>521</u>
Net Increase in Cash and Cash Equivalents	11,535	1,608
Cash and Cash Equivalents, Beginning of Year	<u>18,238</u>	<u>16,630</u>
Cash and Cash Equivalents, End of Year	<u>\$ 29,773</u>	<u>\$ 18,238</u>

Major sources of funds came from net student tuition and fees (\$6.7 million), grants and contracts (\$6.5 million), State noncapital appropriations (\$26.4 million), Federal and State student financial aid (\$15.6 million) and State capital appropriations (\$2.5 million). Major uses of funds were for payments to suppliers (\$16.8 million), payments to employees and for employee benefits (\$32.6 million), payments for scholarships (\$9.5 million), and purchases of capital assets (\$7.3 million).

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

- The College's cash outflow from operating activities decreased by \$2.6 million primarily due to a \$3.5 million increase in payments to suppliers, offset by a \$5 million increase in grant and contracts and a \$2.2 million decrease in payments for scholarships.
- The College's cash inflow from noncapital financing activities increased by \$3.1 million due to a \$2 million increase in State noncapital appropriations and a \$4.9 million increase in gifts and grants which was offset by a \$3.8 million decrease in Federal and State student financial aid.
- The College's cash inflow from capital and related financing activities increased by \$4.4 million primarily due to a \$10.1 million increase in proceeds from capital debt, offset by a \$4.2 million increase in purchases of capital assets and a decrease of \$1.4 million in capital gifts and grants.

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

Capital Assets

At June 30, 2021, the College had \$167.6 million in capital assets, less accumulated depreciation of \$78.7 million, for net capital assets of \$88.9 million. Depreciation charges for the current fiscal year totaled \$4.2 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30		
(In Thousands)		
	2021	2020
Land	\$ 15,804	\$ 15,804
Construction in Progress	9,863	2,298
Buildings	57,602	59,579
Other Structures and Improvements	4,674	5,229
Furniture, Machinery, and Equipment	949	1,120
Capital Assets, Net	\$ 88,892	\$ 84,030

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2021, were incurred on the energy savings performance contract. The College's major commitments at June 30, 2021, are as follows:

	Amount (In Thousands)
Total Committed	\$ 17,473
Completed to Date	<u>(8,842)</u>
Balance Committed	<u>\$ 8,631</u>

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

Debt Administration

As of June 30, 2021, the College had \$10.1 million in outstanding lease-purchase payable in long-term liabilities, representing a 100 percent increase from the prior fiscal year.

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 limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2021-22 fiscal year. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

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 Charles A. Prince, Jr., Vice President of Administration and Finance, College of Central Florida, 3001 SW College Road, Ocala, Florida 34474.

BASIC FINANCIAL STATEMENTS

COLLEGE OF CENTRAL FLORIDA A Component Unit of the State of Florida Statement of Net Position

June 30, 2021

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 9,683,612	\$ 5,746,632
Restricted Cash and Cash Equivalents	2,584,709	-
Cash with Escrow Agent	8,076,917	-
Restricted Investments	187,169	-
Accounts Receivable	1,201,952	-
Due from Other Governmental Agencies	2,189,975	-
Due from Component Unit	142,102	-
Inventories	34,594	-
Prepaid Expenses	736,885	103,434
Other Assets	17,521	1,044,384
Total Current Assets	24,855,436	6,894,450
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	9,427,868	1,447,913
Investments	-	1,935,777
Endowed Investments	600,000	83,508,629
Restricted Investments	-	72,773
Due from Component Unit	380,343	-
Depreciable Capital Assets, Net	63,224,814	3,251,683
Nondepreciable Capital Assets	25,666,539	18,045,858
Other Assets	-	92,812
Total Noncurrent Assets	99,299,564	108,355,445
TOTAL ASSETS	124,155,000	115,249,895
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	362,750	-
Pensions	8,917,509	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	9,280,259	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,536,768	424,974
Accrued Interest Payable	76,253	-
Salary and Payroll Taxes Payable	1,295,811	-
Construction Contracts Payable	1,622,712	-
Retainage Payable	172,547	-
Due to Other Governmental Agencies	557	-
Unearned Revenue	-	29,348
Deposits Held for Others	327,216	35,327
Long-Term Liabilities - Current Portion:		
Bonds Payable	-	170,004
Loan Payable to College	-	200,000
Lease-Purchase Payable	274,843	-
Compensated Absences Payable	259,541	-
Other Postemployment Benefits Payable	34,698	-
Net Pension Liability	80,231	-
Other Long-Term Liabilities	-	9,750
Total Current Liabilities	5,681,177	869,403

	<u>College</u>	<u>Component Unit</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	-	314,994
Loan Payable to College	-	380,343
Lease-Purchase Payable	9,844,632	-
Compensated Absences Payable	3,304,156	-
Other Postemployment Benefits Payable	983,757	-
Net Pension Liability	27,727,109	-
Other Long-Term Liabilities	-	33,617
Total Noncurrent Liabilities	<u>41,859,654</u>	<u>728,954</u>
TOTAL LIABILITIES	<u>47,540,831</u>	<u>1,598,357</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	16,360	-
Pensions	1,696,627	-
Irrevocable Split-Interest Agreements	-	163,772
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,712,987</u>	<u>163,772</u>
NET POSITION		
Net Investment in Capital Assets	88,644,056	20,812,543
Restricted:		
Nonexpendable:		
Endowment	600,000	72,213,145
Expendable:		
Endowment	-	3,270,691
Grants and Loans	1,642,517	-
Scholarships	27,950	-
Capital Projects	10,856,952	-
Unrestricted	<u>(17,590,034)</u>	<u>17,191,387</u>
TOTAL NET POSITION	<u>\$ 84,181,441</u>	<u>\$ 113,487,766</u>

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

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

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$7,271,690	\$ 6,306,347	\$ -
Federal Grants and Contracts	2,153,050	-
State and Local Grants and Contracts	162,095	-
Nongovernmental Grants and Contracts	3,851,378	-
Sales and Services of Educational Departments	284,608	-
Auxiliary Enterprises	805,873	1,395,563
Other Operating Revenues	1,210,287	-
Total Operating Revenues	14,773,638	1,395,563
EXPENSES		
Operating Expenses:		
Personnel Services	35,288,370	-
Scholarships and Waivers	9,488,513	743,127
Utilities and Communications	2,062,897	-
Contractual Services	5,883,772	-
Other Services and Expenses	7,500,719	3,678,160
Materials and Supplies	4,109,032	-
Depreciation	4,155,873	-
Total Operating Expenses	68,489,176	4,421,287
Operating Loss	(53,715,538)	(3,025,724)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	26,368,370	-
Federal and State Student Financial Aid	15,516,389	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	7,292,150	1,889,767
Investment Income	308,964	6,729,054
Gain on Disposal of Capital Assets	920	-
Interest on Capital Asset-Related Debt	(178,551)	(42,522)
Other Nonoperating Expenses	-	(724,410)
Net Nonoperating Revenues	49,308,242	7,851,889
Income (Loss) Before Other Revenues	(4,407,296)	4,826,165
State Capital Appropriations	152,756	-
Capital Grants, Contracts, Gifts, and Fees	1,693,368	-
Additions to Endowments	518,104	5,797,812
Total Other Revenues	2,364,228	5,797,812
Increase (Decrease) in Net Position	(2,043,068)	10,623,977
Net Position, Beginning of Year	86,224,509	102,863,789
Net Position, End of Year	\$ 84,181,441	\$ 113,487,766

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

COLLEGE OF CENTRAL FLORIDA
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2021

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 6,673,236
Grants and Contracts	6,454,014
Payments to Suppliers	(16,788,742)
Payments for Utilities and Communications	(2,062,897)
Payments to Employees	(25,448,192)
Payments for Employee Benefits	(7,167,845)
Payments for Scholarships	(9,487,500)
Auxiliary Enterprises	681,060
Sales and Services of Educational Departments	284,608
Other Receipts	1,267,195
	(45,595,063)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	26,368,370
Federal and State Student Financial Aid	15,639,142
Federal Direct Loan Program Receipts	8,222,228
Federal Direct Loan Program Disbursements	(8,222,228)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	7,292,150
Private Gifts for Endowment Purposes	518,104
	49,817,766
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	10,119,475
State Capital Appropriations	2,536,000
Capital Grants and Gifts	1,693,368
Proceeds from Sale of Capital Assets	920
Purchases of Capital Assets	(7,261,345)
Interest Paid on Capital Debt	(102,298)
	6,986,120
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	325,495
	11,534,318
Net Increase in Cash and Cash Equivalents	18,238,788
Cash and Cash Equivalents, Beginning of Year	18,238,788
	\$ 29,773,106
	\$ 29,773,106

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (53,715,538)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,155,873
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables	275,374
Due from Other Governmental Agencies	1,612,056
Due from Component Unit	1,295,502
Due to Other Governmental Agencies	(4,443)
Inventories	(7,116)
Prepaid Expenses	13,697
Other Assets	671
Accounts Payable	665,411
Salaries and Payroll Taxes Payable	(203,394)
Unearned Revenue	(2,619,562)
Deposits Held for Others	60,680
Compensated Absences Payable	62,428
Other Postemployment Benefits Payable	90,534
Net Pension Liability	4,137,436
Deferred Outflows of Resources Related to Other Postemployment Benefits	11,270
Deferred Inflows of Resources Related to Other Postemployment Benefits	(3,093)
Deferred Outflows of Resources Related to Pensions	(431,181)
Deferred Inflows of Resources Related to Pensions	(991,668)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (45,595,063)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING FINANCING ACTIVITIES	
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 11,971

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The governing body of the College of Central Florida, 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 seven 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 Marion, Citrus, and Levy Counties.

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

Blended Component Unit. Although it is legally separate from the College, The Appleton Cultural Center, Inc. (Center) is included within the College's reporting entity as a blended component unit because management of the College has operational responsibility of the Center. The main purpose of the component unit is to provide financial support to the Appleton Museum, which is a department of the primary government.

The Center was audited by other auditors pursuant to Section 1004.70(6), Florida Statutes, and the audited financial statements are available to the public at the College. The financial data blended within the College's accompanying financial statements was derived from the Center's audited financial statements for the fiscal year ended December 31, 2020. Condensed financial statements for the College's blended component unit are shown in a subsequent note

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the College of Central Florida 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 at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2020.

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

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

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

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

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

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

include State noncapital appropriations, Federal and State student financial aid, and investment income. Other revenues generally include revenues for capital construction projects.

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

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

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

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

At June 30, 2021, the College reported as cash equivalents at fair value \$19,696,304 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 3.). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.6 years and fair value factor of 0.984 at June 30, 2021. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value

by the pool participant's total cash balance. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Annual Comprehensive Financial Report.

At June 30, 2021, the College reported as cash equivalents \$1,236,272 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 50 days as of June 30, 2021. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost.

Section 218.409(8)(a), Florida Statutes, provides that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Cash and Cash Equivalents – Discretely Presented Component Unit. The amount reported for the Foundation as cash and cash equivalents consists of cash, certificates of deposit, money market accounts, and highly liquid fixed income investments with original maturities of 3 months or less. Cash and cash equivalents that are part of the endowment account are classified as noncurrent assets in the statement of net position as they are not intended to be used for current operating costs.

Cash deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits at individual financial institutions and cash held in money market accounts are uninsured. Management does not consider this risk significant. Certain investments are held in brokerage house investment accounts that are not

insured by the FDIC. Cash and cash equivalents, including cash and cash equivalents held in endowment, were held by depositories and the bank balances totaled \$7,194,545 at December 31, 2020.

Capital Assets – College. College capital assets consist of land; construction in progress; buildings; other structures and improvements; and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$50,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 10 or 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 – 3 to 7 years

Capital Assets – Discretely Presented Component Unit. The Foundation’s land, buildings, and equipment are stated at cost except for donated property, which is stated at fair market value at the date of donation, and is net of accumulated depreciation of \$3,440,851. The Foundation depreciates buildings and equipment using the straight-line method over estimated lives ranging from 5 years for most equipment and 40 years for buildings.

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

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

2. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (22,904,687)
Auxiliary Funds	5,314,653
Total	\$ (17,590,034)

3. Investments

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

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

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

The Appleton Cultural Center, Inc.

The Center (blended component unit) categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant observable inputs, which is based on matrix pricing model, and Level 3 inputs are significant unobservable inputs and were evaluated using curve-based approach. Investments of the Center totaling \$787,169 are carried at fair market value measured with Level 2 inputs and consist of mutual funds invested in United States Government securities. As of December 31, 2020, the mutual fund carried a credit rating of AAA/AA by Standard & Poor's and had a WAM of 2.27 years. A \$600,000 nonexpendable principal balance is maintained in the Center's State of Florida Cultural Endowment Fund while the remaining \$187,169 current portion is classified as restricted.

Discretely Presented Component Unit

Investments of the Foundation at December 31, 2020, include endowed investments of \$83,508,629 in United States Government securities and corporate debt securities and equities, reported at fair value based on quoted market prices, and non-endowed investments of \$1,935,777 held for various unrestricted and restricted purposes, reported at fair value.

Endowed investments are managed by bank trust departments and investment brokerage houses. The Foundation has established an investment policy for its endowed investments and has investment managers who are required to oversee the management of the portfolios pursuant to its investment policy. The Foundation has a separate investment policy pertaining to the Arthur Appleton Endowment and the Edith Marie Appleton Endowment, which are managed and governed by a trust company with oversight by the Appleton family. The following information is presented for the Arthur Appleton Endowment portfolio, the Edith Marie Appleton Endowment portfolio, and other endowed investments:

<u>Endowment Investment</u>	<u>Maturity (Years)</u>	<u>Credit Rating</u>	<u>Fair Value</u>
Edith Marie Appleton Endowment:			
Government/Corporate Bonds	5.85	AA	\$ 1,013,436
High Yield Bonds	5.77	B	344,506
Equities	(1)	(1)	3,294,025
Global Real Estate	(1)	(1)	71,193
Total Edith Marie Appleton Endowment			<u>4,723,160</u>
Arthur Appleton Endowment:			
Government/Corporate Bonds	5.85	AA	3,380,155
High Yield Bonds	5.77	B	1,149,077
Equities	(1)	(1)	10,987,304
Global Real Estate	(1)	(1)	241,896
Total Arthur Appleton Endowment			<u>15,758,432</u>
Other Endowed Investments:			
Investment Grade Fixed Income	5.22	AA	14,070,421
Non-Investment Grade Fixed Income	3.85	BB	3,029,017
Investment Bonds	10.73	BBB	3,066,803
U.S. Equity Funds	(1)	(1)	18,028,395
Equities	(1)	(1)	21,056,967
Hedge Funds	(1)	(1)	3,775,434
Total Other Endowed Investments			<u>63,027,037</u>
Total Endowment Investments			<u><u>\$ 83,508,629</u></u>

(1) Disclosure of maturity/duration or credit quality is not required.

Non-endowed investments are invested separately and managed in accordance with the Foundation's Board of Directors approval for non-endowed investments. The following information is presented for the Foundation's non-endowed investments:

<u>Investment</u>	<u>Weighted-Average Maturity or Duration (Years)</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Non-Endowed Investment:			
Investment Grade Fixed Income	4.40	AA	\$ 1,582,199
Non-Investment Grade Fixed Income	3.85	BB	189,117
Investment Bonds	10.73	BBB	164,461
Total Non-Endowed Investments			<u>\$ 1,935,777</u>

The following risks apply to the Foundation's investments:

Interest Rate Risk: Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. The weighted average maturity method is used to determine the interest rate risk for the Arthur Appleton Endowment and the Edith Marie Appleton Endowment, and the duration method is used for the other endowed investments.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit for debt securities are shown in the above schedule. Investment ratings are from Moody's Investors Services, Inc., Standard & Poor's, and Fitch. SEI Investments Management Corporation manages the other endowed investments and seeks "real return" for the portfolio. Fixed income securities managed by SEI Investments Management Corporation may invest in debt securities of any credit quality and with a broad range of maturities.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

- Arthur Appleton Endowment and Edith Marie Appleton Endowment – All investments are held in a counterparty account for the Northern Trust Company, a trust department, as custodian for the above referenced client account.
- Other Endowed Investments – All investments are managed by SEI Investment Management Corporation and are held in counterparty accounts as custodian for the Foundation.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. Disclosure of any issuer of investments that in the aggregate is 5 percent or more of the portfolio is required to be disclosed as a concentration of credit risk. As of December 31, 2020, there were no concentrations of credit risk.

Foreign Currency Risk: Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment. The Foundation investment risk exposure is as follows:

- Arthur Appleton Endowment and Edith Marie Appleton Endowment – Both portfolios include exposure to international equity securities. Fluctuating exchange rates will have an impact on the performance of those investments. No investments are completed with the sole intent to profit from changes in foreign currency exchange rates.
- Other Endowment Investments – The investments managed by SEI Investments Management Corporation are not exposed to this type of risk.

4. Accounts Receivable

Accounts receivable represent amounts for accrued interest, student fee deferrals, and other.

5. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$0.9 million of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$1.3 million due from the Federal Government for reimbursement of grant expenditures including HEERF funds.

6. Due From Component Unit

The College's financial statements are reported for the fiscal year ended June 30, 2021, and the financial statements of the Foundation (discretely presented component unit) are reported for the fiscal year ended December 31, 2020. Accordingly, on the statement of net position, the amount (current) due from component unit of \$142,102 reported by the College does not agree with the amount of loan payable to the College of \$200,000 reported by the Foundation (due to COVID-19, the Foundation will make two \$100,000 payments in the calendar year 2021). However, on the statement of net position, the amount (noncurrent) due from component unit reported by the College pursuant to a limited pledge agreement, as explained in Note 8., agrees with the amount (noncurrent) loan payable to the College reported by the Foundation of \$380,343. This is because any advances to the Foundation were completed before December 31, 2020.

7. Capital Assets

Capital assets 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>
Nondepreciable Capital Assets:				
Land	\$ 15,803,849	\$ -	\$ -	\$ 15,803,849
Construction in Progress	2,297,945	7,564,745	-	9,862,690
Total Nondepreciable Capital Assets	\$ 18,101,794	\$ 7,564,745	\$ -	\$ 25,666,539
Depreciable Capital Assets:				
Buildings	\$ 111,941,501	\$ 575,853	\$ 150,941	\$ 112,366,413
Other Structures and Improvements	20,337,775	425,668	-	20,763,443
Furniture, Machinery, and Equipment	8,644,654	451,089	280,854	8,814,889
Total Depreciable Capital Assets	140,923,930	1,452,610	431,795	141,944,745
Less, Accumulated Depreciation:				
Buildings	52,362,007	2,553,690	150,941	54,764,756
Other Structures and Improvements	15,108,779	981,064	-	16,089,843
Furniture, Machinery, and Equipment	7,525,067	621,119	280,854	7,865,332
Total Accumulated Depreciation	74,995,853	4,155,873	431,795	78,719,931
Total Depreciable Capital Assets, Net	\$ 65,928,077	\$ (2,703,263)	\$ -	\$ 63,224,814

Capital assets activity of the Foundation (discretely presented 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	\$ 805,491	\$ -	\$ -	\$ 805,491
Works of Art and Historical Treasures	17,234,367	6,000	-	17,240,367
Total Nondepreciable Capital Assets	\$ 18,039,858	\$ 6,000	\$ -	\$ 18,045,858
Depreciable Capital Assets:				
Buildings	\$ 6,294,141	\$ 358,604	\$ -	\$ 6,652,745
Furniture, Machinery, and Equipment	39,789	-	-	39,789
Total Depreciable Capital Assets	6,333,930	358,604	-	6,692,534
Less, Accumulated Depreciation:				
Buildings	3,228,526	172,536	-	3,401,062
Furniture, Machinery, and Equipment	39,789	-	-	39,789
Total Accumulated Depreciation	3,268,315	172,536	-	3,440,851
Total Depreciable Capital Assets, Net	\$ 3,065,615	\$ 186,068	\$ -	\$ 3,251,683

8. 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>
Lease-Purchase Payable	\$ -	\$ 10,119,475	\$ -	\$ 10,119,475	\$ 274,843
Compensated Absences Payable	3,501,269	302,991	240,563	3,563,697	259,541
Other Postemployment Benefits Payable	927,921	125,115	34,581	1,018,455	34,698
Net Pension Liability	23,669,904	13,867,719	9,730,283	27,807,340	80,231
Total Long-Term Liabilities	\$ 28,099,094	\$ 24,415,300	\$ 10,005,427	\$ 42,508,967	\$ 649,313

Long-term liabilities activity of the Foundation (discretely presented 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>	<u>Current Portion</u>
Enterprise Center Revenue Bonds	\$ 655,002	\$ -	\$ 170,004	\$ 484,998	\$ 170,004
Loan Payable to College	580,343	-	-	580,343	200,000
Other Long-Term Liabilities	117,065	-	73,698	43,367	9,750
Total Long-Term Liabilities	\$ 1,352,410	\$ -	\$ 243,702	\$ 1,108,708	\$ 379,754

Bonds Payable – Foundation. In May 2003, the Foundation issued \$2 million tax-exempt Industrial Development Revenue Bonds, Series 2003A1, through the Florida Development Finance Corporation to construct a 25,400-square foot office building known as the Enterprise Center, for lease on the Ocala Campus of the College. The bonds were refinanced in 2010 for \$1.8 million. The bonds are secured by a first mortgage on real property, first lien on personal property, and assignment of rents, contracts, and leases. The interest rate was fixed at 4.125 percent annually through 2015. The rate was adjusted to 4.2 percent annually in June 2015 and may be adjusted for each subsequent 5-year period through June 2, 2023, to reflect current market interest rates. Annual requirements, based on the rate in effect for the fiscal year ended December 31, 2020, to amortize the Enterprise Center Revenue Bonds are as follows:

Fiscal Year Ending December 31	Enterprise Center Revenue Bonds		
	Principal	Interest	Total
2021	\$ 170,004	\$ 15,804	\$ 185,808
2022	170,004	9,202	179,206
2023	144,990	2,644	147,634
Total	\$ 484,998	\$ 27,650	\$ 512,648

Loans Payable to College – Foundation. On January 1, 1994, the College entered into a limited pledge agreement with the Foundation (discretely presented component unit) to assist the Foundation with unfunded debt service payments associated with the Foundation’s financing of a student housing facility. In December 2003, the Foundation legally obligated itself to the College in the form of an uncollateralized, noninterest bearing advance for amounts provided by the College. During the Foundation’s fiscal year ended December 31, 2020, the payable to the College was unchanged and the \$100,000 payment made to the College from the Foundation for the repayment of the Loan was deferred to the next fiscal year.

Annual requirements to amortize the outstanding loan as of December 31, 2020, are as follows:

Fiscal Year Ending December 31	Amount
2021	\$ 200,000
2022	100,000
2023	100,000
2024	180,343
Total	\$ 580,343

Lease-Purchase Payable. On September 25, 2020, the College entered into a lease-purchase agreement for the purchase of equipment and related construction, reported at \$10,119,475. The stated interest rate is 2.375 percent. Future minimum payments remaining under the lease-purchase agreement and the present value of the minimum payments as of June 30, 2021, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 274,843
2023	662,074
2024	666,765
2025	666,765
2026	666,765
2027-2031	3,333,826
2032-2036	3,333,826
2037-2041	2,831,051
Total Minimum Payments	12,435,915
Less, Amount Representing Interest	(2,316,440)
Present Value of Minimum Payments	<u>\$ 10,119,475</u>

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2021, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$3,563,697. The current portion of the compensated absences liability, \$259,541, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

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

General Information about the OPEB Plan

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

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	49
Inactive Employees Entitled to But Not Yet Receiving Benefits	17
Active Employees	394
Total	<u><u>460</u></u>

Total OPEB Liability

The College’s total OPEB liability of \$1,018,455 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
Wage Inflation	3.25
Salary increases	
Regular Employees	3.40 percent – 7.80 percent
Senior Management	4.10 percent – 8.20 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 4.50 percent by 2026
Medicare	5.00 percent for 2019 decreasing to an ultimate rate of 4.60 percent by 2021

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

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

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

	Amount
Balance at 6/30/20	<u>\$ 927,921</u>
Changes for the year:	
Service Cost	56,186
Interest	33,844
Changes in Assumptions or Other Inputs	35,085
Benefit Payments	<u>(34,581)</u>
Net Changes	<u>90,534</u>
Balance at 6/30/21	<u><u>\$ 1,018,455</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% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
Total OPEB liability	\$830,530	\$1,018,455	\$1,274,565

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the College, as well as what the College’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$838,907	\$1,018,455	\$1,262,046

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 \$133,409. At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 114,849	\$ -
Change of assumptions or other inputs		
Transactions subsequent to the measurement date	213,203	16,360
	<u>34,698</u>	
Total	<u>\$ 362,750</u>	<u>\$ 16,360</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$34,698 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	\$ 43,379
2023	43,379
2024	43,379
2025	43,379
2026	43,501
Thereafter	<u>94,675</u>
Total	<u>\$ 311,692</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 \$27,807,340. Note 9. includes a complete discussion of defined benefit pension plans.

9. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

Essentially all regular employees of the College are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122,

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

The College's FRS and HIS pension expense totaled \$4,637,280 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.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

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

survivors' benefits. The following table shows the percentage value for each year of service credit earned:

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2020-21 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	10.00
FRS, Senior Management Service	3.00	27.29
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	16.98
FRS, Reemployed Retiree	(2)	(2)

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

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

The College's contributions to the Plan totaled \$1,480,704 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 \$20,110,890 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 0.046401028 percent, which was a decrease of 0.001359284 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the College recognized pension expense of \$4,095,041. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 769,685	\$ -
Change of assumptions	3,640,711	-
Net difference between projected and actual earnings on FRS Plan investments	1,197,422	-
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	170,883	805,826
College FRS contributions subsequent to the measurement date	1,480,704	-
Total	<u>\$ 7,259,405</u>	<u>\$ 805,826</u>

The deferred outflows of resources totaling \$1,480,704, 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	\$ 948,340
2023	1,618,644
2024	1,436,190
2025	831,348
2026	138,353
Total	<u>\$ 4,972,875</u>

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

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
Total	<u>100.0%</u>			
Assumed inflation - Mean			2.4%	1.7%

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

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

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

	<u>1% Decrease (5.80%)</u>	<u>Current Discount Rate (6.80%)</u>	<u>1% Increase (7.80%)</u>
College's proportionate share of the net pension liability	\$32,113,711	\$20,110,890	\$10,086,081

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 \$359,834 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 \$7,696,450 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 0.063031152 percent, which was a decrease of 0.001513648 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the College recognized pension expense of \$542,239. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 314,813	\$ 5,937
Change of assumptions	827,539	447,492
Net difference between projected and actual earnings on HIS Plan investments	6,145	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	149,773	437,372
College contributions subsequent to the measurement date	359,834	-
Total	\$ 1,658,104	\$ 890,801

The deferred outflows of resources totaling \$359,834, 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	\$ 143,842
2023	67,620
2024	(38,326)
2025	64,728
2026	92,011
Thereafter	77,594
Total	\$ 407,469

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% Decrease (1.21%)</u>	<u>Current Discount Rate (2.21%)</u>	<u>1% Increase (3.21%)</u>
College’s proportionate share of the net pension liability	\$8,896,234	\$7,696,450	\$6,713,614

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.

10. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State’s Annual Comprehensive Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2020-21 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2021, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

After termination and applying to receive benefits, the member may roll over vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The College's Investment Plan pension expense totaled \$747,236 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 \$72,005 and employee contributions totaled \$25,147 for the 2020-21 fiscal year.

11. Construction Commitments

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

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Health Sciences Building	\$ 4,565,872	\$ 3,366,806	\$ 1,199,066
Dental Remodel	52,250	3,694	48,556
ESPC Project (1)	12,855,072	5,471,391	7,383,681
Total	\$ 17,473,194	\$ 8,841,891	\$ 8,631,303

(1) Energy Savings Performance Contract (ESPC).

12. 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.

13. 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	\$ 20,720,599
Academic Support	3,476,982
Student Services	4,889,182
Institutional Support	16,469,197
Operation and Maintenance of Plant	8,783,017
Scholarships and Waivers	9,662,067
Depreciation	4,155,873
Auxiliary Enterprises	332,259
Total Operating Expenses	\$ 68,489,176

14. Blended Component Unit

The College has one blended component unit as discussed in Note 1. The following financial information is presented for the College's blended component unit:

Condensed Statement of Net Position

	Blended Component Unit		Total Primary Government
	The Appleton Cultural Center, Inc. 12-31-20	College 6-30-21	
Assets:			
Current Assets	\$ 187,169	\$ 24,668,267	\$ 24,855,436
Noncurrent Assets	600,000	98,699,564	99,299,564
Total Assets	787,169	123,367,831	124,155,000
Deferred Outflows of Resources	-	9,280,259	9,280,259
Liabilities:			
Current Liabilities	-	5,681,177	5,681,177
Noncurrent Liabilities	-	41,859,654	41,859,654
Total Liabilities	-	47,540,831	47,540,831
Deferred Inflows of Resources	-	1,712,987	1,712,987
Net Position:			
Investment in Capital Assets	-	88,644,056	88,644,056
Restricted - Nonexpendable	600,000	-	600,000
Restricted - Expendable	187,169	12,340,250	12,527,419
Unrestricted	-	(17,590,034)	(17,590,034)
Total Net Position	\$ 787,169	\$ 83,394,272	\$ 84,181,441

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

	Blended Component Unit		
	The Appleton Cultural Center, Inc. 12-31-20	College 6-30-21	Total Primary Government
Operating Revenues	\$ 21,201	\$ 14,752,437	\$ 14,773,638
Depreciation Expense	-	(4,155,873)	(4,155,873)
Other Operating Expenses	(4,261)	(64,329,042)	(64,333,303)
Operating Income (Loss)	16,940	(53,732,478)	(53,715,538)
Nonoperating Revenues	-	49,308,242	49,308,242
Other Revenues	-	2,364,228	2,364,228
Increase (Decrease) in Net Position	16,940	(2,060,008)	(2,043,068)
Net Position, Beginning of year	770,229	85,454,280	86,224,509
Net Position, End of Year	\$ 787,169	\$ 83,394,272	\$ 84,181,441

Condensed Statement of Cash Flows

	Blended Component Unit		
	The Appleton Cultural Center, Inc. 12-31-20	College 6-30-21	Total Primary Government
Net Cash Provided (Used) by:			
Operating Activities	\$ 4,969	\$ (45,600,032)	\$ (45,595,063)
Noncapital Financing Activities	-	49,817,766	49,817,766
Capital and Related Financing Activities	-	6,986,120	6,986,120
Investing Activities	(4,969)	330,464	325,495
Net Increase in Cash and Cash Equivalents	-	11,534,318	11,534,318
Cash and Cash Equivalents, Beginning of Year	100	18,238,688	18,238,788
Cash and Cash Equivalents, End of Year	\$ 100	\$ 29,773,006	\$ 29,773,106

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 56,186	\$ 28,455	\$ 28,667	\$ 221,084
Interest	33,844	19,836	17,976	15,293
Difference between expected and actual experience	-	148,139	-	-
Changes of assumptions or other inputs	35,085	234,267	(9,689)	(17,959)
Benefit Payments	(34,581)	(30,393)	(28,320)	(32,226)
Net change in total OPEB liability	90,534	400,304	8,634	186,192
Total OPEB Liability - beginning	927,921	527,617	518,983	524,082
Total OPEB Liability - ending	\$ 1,018,455	\$ 927,921	\$ 527,617	\$ 710,274
Covered-Employee Payroll	\$ 17,708,513	\$ 17,708,513	\$ 18,345,342	\$ 17,918,365
Total OPEB Liability as a percentage of covered-employee payroll	5.75%	5.24%	2.88%	3.96%

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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	0.046401028%	0.047760312%	0.049091976%	0.047529748%
College's proportionate share of the FRS net pension liability	\$ 20,110,890	\$ 16,447,987	\$ 14,786,758	\$ 14,058,982
College's covered payroll (2)	\$ 22,759,760	\$ 22,411,336	\$ 22,149,225	\$ 21,851,774
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	88.36%	73.39%	66.76%	64.34%
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	\$ 1,480,704	\$ 1,455,947	\$ 1,496,907	\$ 1,399,082
FRS contributions in relation to the contractually required contribution	<u>(1,480,704)</u>	<u>(1,455,947)</u>	<u>(1,496,907)</u>	<u>(1,399,082)</u>
FRS contribution deficiency (excess)	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>
College's covered payroll (2)	\$ 22,514,996	\$ 22,759,760	\$ 22,411,336	\$ 22,149,225
FRS contributions as a percentage of covered payroll	6.58%	6.40%	6.68%	6.32%

(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>
0.051305639%	0.055016381%	0.051934163%	0.048830117%
\$ 12,954,714	\$ 7,106,103	\$ 3,168,748	\$ 8,405,836
\$ 22,807,049	\$ 23,014,311	\$ 21,522,050	\$ 22,593,907
56.80%	30.88%	14.72%	37.20%
84.88%	92.00%	96.09%	88.54%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 1,240,947	\$ 1,398,855	\$ 1,341,346	\$ 1,134,579
<u>(1,240,947)</u>	<u>(1,398,855)</u>	<u>(1,341,346)</u>	<u>(1,134,579)</u>
\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
\$ 21,851,774	\$ 22,807,049	\$ 23,014,311	\$ 21,522,050
5.68%	6.13%	5.83%	5.27%

**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	0.063031152%	0.064544800%	0.065467818%	0.063877649%
College's proportionate share of the HIS net pension liability	\$ 7,696,450	\$ 7,221,917	\$ 6,929,187	\$ 6,830,101
College's covered payroll (2)	\$ 21,894,017	\$ 21,628,840	\$ 21,387,590	\$ 21,111,407
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.15%	33.39%	32.40%	32.35%
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	\$ 359,834	\$ 366,818	\$ 359,039	\$ 355,034
HIS contributions in relation to the contractually required HIS contribution	<u>(359,834)</u>	<u>(366,818)</u>	<u>(359,039)</u>	<u>(355,034)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 21,676,758	\$ 21,894,017	\$ 21,628,840	\$ 21,387,590
HIS contributions as a percentage of covered payroll	1.66%	1.68%	1.66%	1.66%

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

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

<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.068424178%	0.069100414%	0.065385575%	0.069790609%
\$ 7,974,554	\$ 7,047,155	\$ 6,113,711	\$ 6,076,190
\$ 21,965,149	\$ 21,971,078	\$ 20,483,450	\$ 21,448,007
36.31%	32.07%	29.85%	28.33%
0.97%	0.50%	0.99%	1.78%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 338,039	\$ 350,646	\$ 264,145	\$ 223,989
<u>(338,039)</u>	<u>(350,646)</u>	<u>(264,145)</u>	<u>(223,989)</u>
\$ -	\$ -	\$ -	\$ -
\$ 21,111,407	\$ 21,965,149	\$ 21,971,078	\$ 20,483,450
1.60%	1.60%	1.20%	1.09%

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

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

Changes of Assumptions. The Municipal Bond Rate used to determine total OPEB liability decreased from 3.50 percent to 2.21 percent.

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

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

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 3.50 percent to 2.21 percent, and the active member mortality assumption was updated.



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 College of Central Florida, 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 23, 2022, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and discretely presented component units, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying **FINDING AND RECOMMENDATION** section of this report as Financial Statement Finding No. 2021-001 that we consider to be a significant deficiency.

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*.

College's Response to Finding

The College's response to the finding identified in our audit is included as College's Response in Financial Statement Finding No. 2021-001. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 23, 2022

FINDING AND RECOMMENDATION

SIGNIFICANT DEFICIENCY

FINANCIAL REPORTING

Finding Number	2021-001
Opinion Unit	College of Central Florida
Financial Statements Account Titles	Cash with Escrow Agent, Accounts Receivable, Lease-Purchase Payable, Nondepreciable Capital Assets, Construction Contracts Payable, Retainage Payable, and Other Accounts.
Adjustment Amounts	Adjustments to debit: Cash with Escrow Agent - \$8,076,917; Nondepreciable Capital Assets, Construction in Progress - \$1,020,799; and Lease-Purchase Payable, Current - \$315,157 Adjustments to credit: Lease-Purchase Payable, Noncurrent - \$6,963,241; Accounts Receivable - \$652,669; Construction Contracts Payable - \$1,622,712; Retainage Payable - \$172,547; and Other Accounts - \$1,704.
Statistically Valid Sample	Not Applicable
Prior Year Finding	Not Applicable
Finding	College procedures need improvement to ensure that construction contracting and related activities are properly recorded in College accounting records and reported in the annual financial statements report (AFR) submitted to the Florida Department of Education.
Criteria	State Board of Education Rule 6A-14.072, Florida Administrative Code, requires the College to keep financial records according to the Department of Education publication "Accounting Manual for Florida's Public Community Colleges, 2007" (Manual). The Manual requires the College to comply with generally accepted accounting principles by appropriately recording and reporting construction contracting and related activities.
Condition	In September 2020, the College entered into a lease-purchase agreement (Agreement) for \$10.1 million to finance a guaranteed energy savings performance contract (Project). The Lessor deposited \$10.1 million into an escrow account on behalf of the College upon execution of the contract; however, the College did not record the Cash with Escrow Agent or Lease-Purchase Payable related to the Project in the accounting records. At June 30, 2021, the escrow agent held College funds totaling \$8,076,717, which the College had not recorded and did not report. Additionally, at June 30, 2021, College personnel did not properly record and report the Construction Contracts Payable or related Retainage Payable owed to the contractor for the work completed on the Project, totaling \$1,622,712 and \$172,547, respectively.
Cause	College personnel did not have training to sufficiently understand the accounting entries related to the energy savings performance contract and the corresponding construction activities. In response to our inquiry, College personnel indicated that they treated the Agreement as a legally binding liability only as the work was completed for the Project and did not view the cash in escrow as College restricted funds. Additionally, College personnel indicated that due to the COVID-19 pandemic and

personnel working remotely, College personnel did not have the time to collaborate before the AFR was prepared and the transactions were not properly accounted for due to oversights.

Effect

Absent effective procedures to properly record activity related to energy savings performance contracts and associated construction activities, there is an increased risk that errors may occur and not be timely detected and corrected. Reporting errors such as these may cause financial statement users to misunderstand the College's financial activities and incorrectly assess the College's financial position.

We extended our audit procedures to determine the adjustments necessary to properly report these transactions and account balances, and College personnel accepted the adjustments. However, our audit procedures cannot substitute for management's responsibility for proper financial recording and reporting.

Recommendation

The College should provide training to ensure staff understand how construction contracting and related activities should be properly recorded and reported.

College's Response

Enhanced procedures have been developed to insure that all construction and lease projects are recorded in the accounting records in a timely manner. This includes installment purchase agreements, other structures and improvements and any interest income and interest expense associated with these projects.