

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

**INDIAN RIVER STATE COLLEGE**

For the Fiscal Year Ended  
June 30, 2021



Sherrill F. Norman, CPA  
Auditor General

## **Board of Trustees and President**

During the 2020-21 fiscal year, Dr. Edwin R. Massey served as President of Indian River State College through August 31, 2020, and Dr. Timothy Moore served as President after that date. The following individuals served as Members of the Board of Trustees:

	<u>County</u>
Sandra J. Krischke, Chair from 10-27-20, Vice Chair through 10-26-20	St. Lucie
Anthony D. George Jr., Vice Chair from 10-27-20	Martin
Jose L. Conrado, Chair through 10-26-20	Indian River
Susan R. Caron	St. Lucie
Vicki H. Davis	Martin
Christa Luna	Okeechobee
J. Brantley Schirard Jr.	St. Lucie

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 Mark D. Kenny, CPA, and the audit was supervised by Clare Waters, CPA.

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

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

**INDIAN RIVER STATE COLLEGE**  
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## SUMMARY

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### SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

### SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

### AUDIT OBJECTIVES AND SCOPE

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

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

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

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

### AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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111 West Madison Street  
Tallahassee, Florida 32399-1450



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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

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

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

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

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

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

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

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

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

### ***Opinions***

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

### ***Other Matter***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2022, on our consideration of the Indian River State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts,

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 28, 2022

## MANAGEMENT'S DISCUSSION AND ANALYSIS

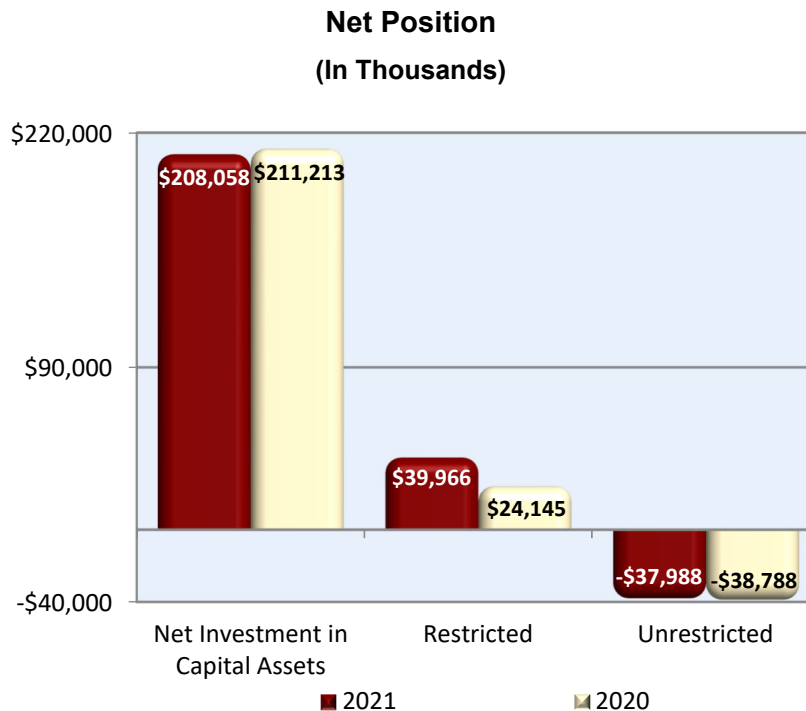
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2021, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2021, and June 30, 2020.

### FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$308.4 million at June 30, 2021. This balance reflects a \$28.4 million, or 10.1 percent, increase as compared to the 2019-20 fiscal year. In addition to the assets and deferred outflows of resources increase, liabilities and deferred inflows of resources increased by \$14.9 million, or 17.9 percent, totaling \$98.4 million at June 30, 2021. As a result, the College's net position increased by \$13.5 million, resulting in a year-end balance of \$210 million.

The College's operating revenues totaled \$22.2 million for the 2020-21 fiscal year, representing a 4.7 percent decrease compared to the 2019-20 fiscal year. Operating expenses totaled \$146.4 million for the 2020-21 fiscal year, representing a 0.8 percent decrease when compared to the prior fiscal year.

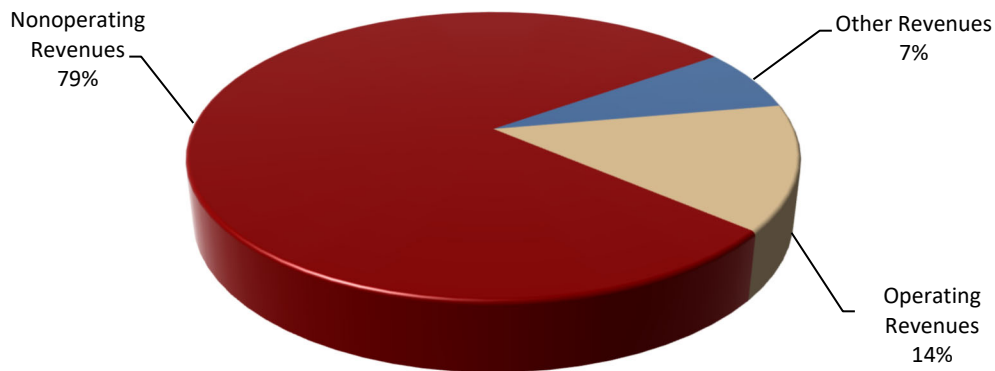
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2021, and June 30, 2020, is shown in the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



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 the Governmental Accounting Standards Board (GASB) Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the College and its component unit, Indian River State College Foundation, Inc. (Foundation). Based on the application of the criteria for determining component units, the Foundation is included within the College reporting entity as a discretely presented component unit.

Information regarding the component unit is presented in the notes to financial statements. This MD&A focuses on the College, excluding the discretely presented component unit.

#### **The Statement of Net Position**

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

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

## Condensed Statement of Net Position at June 30

(In Thousands)

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current Assets	\$ 45,534	\$ 27,196
Capital Assets, Net	216,051	211,915
Other Noncurrent Assets	<u>25,723</u>	<u>21,369</u>
<b>Total Assets</b>	<u>287,308</u>	<u>260,480</u>
<b>Deferred Outflows of Resources</b>	<u>21,133</u>	<u>19,558</u>
<b>Liabilities</b>		
Current Liabilities	8,737	7,389
Noncurrent Liabilities	<u>84,914</u>	<u>69,880</u>
<b>Total Liabilities</b>	<u>93,651</u>	<u>77,269</u>
<b>Deferred Inflows of Resources</b>	<u>4,754</u>	<u>6,199</u>
<b>Net Position</b>		
Net Investment in Capital Assets	208,058	211,213
Restricted	39,966	24,145
Unrestricted	<u>(37,988)</u>	<u>(38,788)</u>
<b>Total Net Position</b>	<u>\$ 210,036</u>	<u>\$ 196,570</u>

Total assets increased \$26.8 million primarily from an increase in nondepreciable capital assets and an increase in due from other agencies from Federal grants and due from component unit. Total liabilities increased \$16.4 million primarily in capital leases payable and net pension liability. The increase in assets and liabilities, resulted in a total net position increase of \$13.5 million, or 6.9 percent. Further information related to pension expenses, liabilities, deferred inflows and outflows, and other relevant actuarial data are found in the notes and supplementary information of this report.

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

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

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

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

(In Thousands)

	<u>2020-21</u>	<u>2019-20</u>
Operating Revenues	\$ 22,226	\$ 23,311
Less, Operating Expenses	<u>146,438</u>	<u>147,673</u>
<b>Operating Loss</b>	(124,212)	(124,362)
Net Nonoperating Revenues	<u>126,151</u>	<u>105,853</u>
<b>Income (Loss) Before Other Revenues</b>	1,939	(18,509)
Other Revenues	<u>11,527</u>	<u>8,069</u>
<b>Net Increase (Decrease) In Net Position</b>	<u>13,466</u>	<u>(10,440)</u>
Net Position, Beginning of Year	<u>196,570</u>	<u>207,010</u>
<b>Net Position, End of Year</b>	<u><u>\$ 210,036</u></u>	<u><u>\$ 196,570</u></u>

**Operating Revenues**

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

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

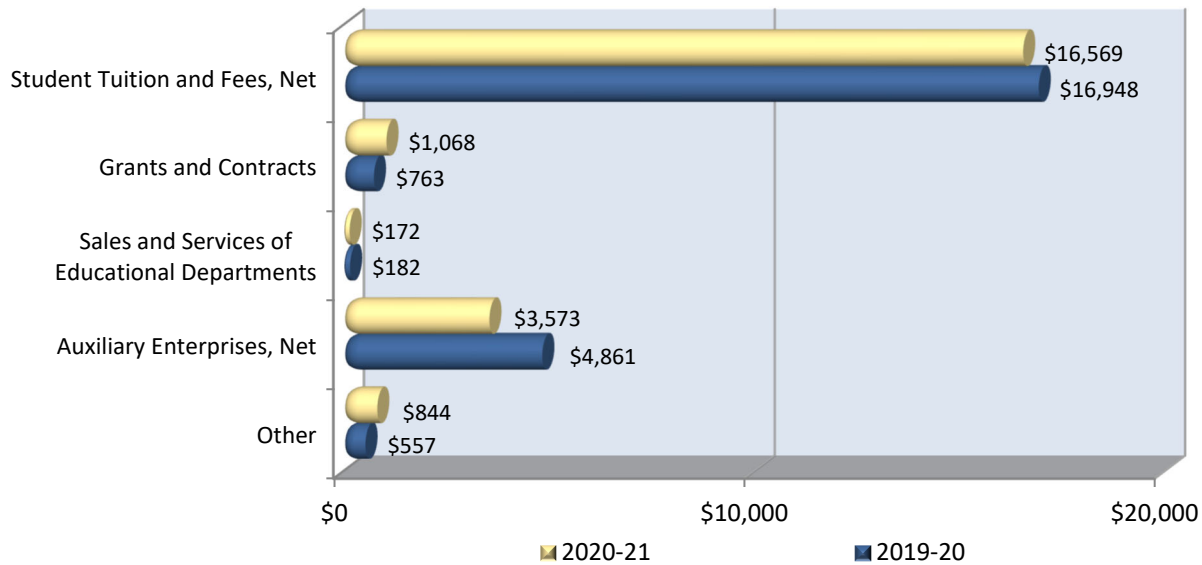
**Operating Revenues  
For the Fiscal Years**

(In Thousands)

	<u>2020-21</u>	<u>2019-20</u>
Student Tuition and Fees, Net	\$ 16,569	\$ 16,948
Grants and Contracts	1,068	763
Sales and Services of Educational Departments	172	182
Auxiliary Enterprises, Net	3,573	4,861
Other	<u>844</u>	<u>557</u>
<b>Total Operating Revenues</b>	<u><u>\$ 22,226</u></u>	<u><u>\$ 23,311</u></u>

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

**Operating Revenues**  
(In Thousands)



College operating revenue decreased \$1.1 million, or 4.7 percent, primarily in auxiliary enterprises.

**Operating Expenses**

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

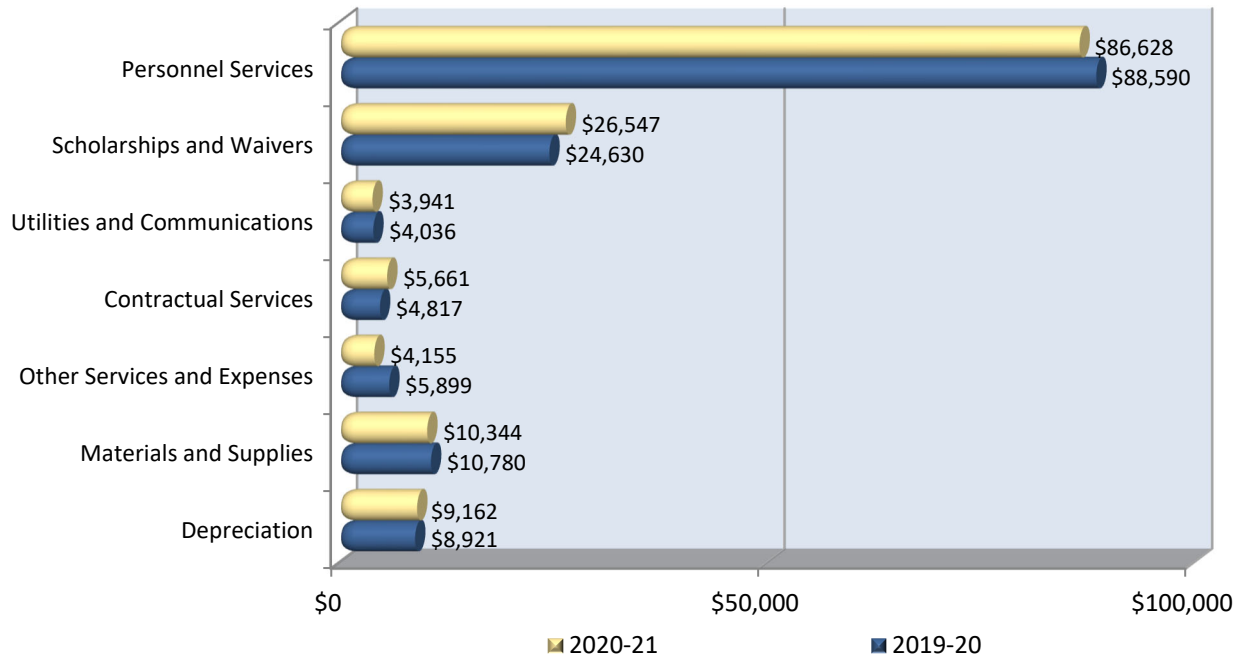
The following summarizes operating expenses by natural classification for the 2020-21 and 2019-20 fiscal years:

**Operating Expenses**  
**For the Fiscal Years**  
(In Thousands)

	<u>2020-21</u>	<u>2019-20</u>
Personnel Services	\$ 86,628	\$ 88,590
Scholarships and Waivers	26,547	24,630
Utilities and Communications	3,941	4,036
Contractual Services	5,661	4,817
Other Services and Expenses	4,155	5,899
Materials and Supplies	10,344	10,780
Depreciation	9,162	8,921
<b>Total Operating Expenses</b>	<b>\$ 146,438</b>	<b>\$ 147,673</b>

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

**Operating Expenses**  
(In Thousands)



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

- A decrease in personnel services of \$2 million, or 2.2 percent, related to a decrease in full-time and adjunct instructional expense.
- A decrease in other services and expenses of \$1.7 million, or 29.6 percent, related to a decrease in travel, repairs/maintenance, and rentals.
- An increase in scholarships and waivers of \$1.9 million, or 7.8 percent, relates to the Coronavirus Aid, Relief, and Economic Security (CARES) Act, Higher Education Emergency Relief Fund (HEERF) grant.

**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)**

	<b>2020-21</b>	<b>2019-20</b>
State Noncapital Appropriations	\$ 52,010	\$ 51,732
Federal and State Student Financial Aid	34,313	35,348
Gifts and Grants	38,198	17,919
Investment Income	180	906
Gain on Disposal of Capital Asset	1,499	-
Interest on Capital Asset-Related Debt	(49)	(52)
<b>Net Nonoperating Revenues</b>	<b>\$ 126,151</b>	<b>\$ 105,853</b>

Net nonoperating revenues increased overall by \$20.3 million, or 19.2 percent, as compared to prior fiscal year, primarily due to an increase in gifts and grants, primarily from HEERF grants.

**Other Revenues**

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

**Other Revenues  
For the Fiscal Years  
(In Thousands)**

	<b>2020-21</b>	<b>2019-20</b>
State Capital Appropriations	\$ 690	\$ 5,043
Capital Grants, Contracts, Gifts, and Fees	10,837	3,026
<b>Total</b>	<b>\$ 11,527</b>	<b>\$ 8,069</b>

Other revenues increased by \$3.5 million, or 42.9 percent, compared to the prior fiscal year due to an increase in capital grants, contracts, gifts, and fees primarily from funding received from the Foundation to renovate College facilities, offset by a reduction in Public Education Capital Outlay revenues reported in State capital appropriations.

**The Statement of Cash Flows**

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

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

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

	<b>2020-21</b>	<b>2019-20</b>
Cash Provided (Used) by:		
Operating Activities	\$ (115,049)	\$ (104,442)
Noncapital Financing Activities	123,623	105,000
Capital and Related Financing Activities	2,433	(651)
Investing Activities	52	83
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	11,059	(10)
Cash and Cash Equivalents, Beginning of Year	9,578	9,588
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 20,637</b>	<b>\$ 9,578</b>

Major sources of funds came from State noncapital appropriations (\$52 million), gifts and grants received for other than capital and endowment purposes (\$37.5 million), Federal and State student financial aid (\$34.1 million), and net student tuition and fees (\$17.1 million). Major uses of funds were for payments to employee salaries and benefits (\$86.3 million), payments for student scholarships (\$26.5 million), and payments to suppliers (\$20.4 million).

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

**Capital Assets**

At June 30, 2021, the College had \$376.2 million in capital assets, less accumulated depreciation of \$160.2 million, for net capital assets of \$216 million. Depreciation charges for the current fiscal year totaled \$9.2 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)**

	<b>2021</b>	<b>2020</b>
Land	\$ 23,954	\$ 24,860
Construction in Progress	9,070	1,528
Buildings	170,881	174,814
Other Structures and Improvements	3,571	1,878
Furniture, Machinery, and Equipment	2,319	1,906
Computer Software	5,820	6,805
Assets Under Capital Lease and Leasehold Improvements	436	124
<b>Capital Assets, Net</b>	<b>\$ 216,051</b>	<b>\$ 211,915</b>

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

## **Capital Expenses and Commitments**

Major capital expenses through June 30, 2021, were incurred for the construction of a new building, the Industrial Technology Building, and an Energy Savings Project. The College's construction commitments at June 30, 2021, are as follows:

	<b>Amount</b>
Total Committed	\$ 24,724,354
Completed to Date	<u>(8,646,905)</u>
<b>Balance Committed</b>	<b><u>\$ 16,077,449</u></b>

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 \$8 million in outstanding bonds payable and capital leases payable, representing an increase of \$7.3 million, or 1,038.6 percent, from the prior fiscal year. The majority of this increase was the result of the College entering into a capital lease agreement for \$7.2 million for energy savings projects. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

### **Long-Term Debt at June 30**

(In Thousands)

	<b>2021</b>	<b>2020</b>
SBE Capital Outlay Bonds	\$ 320	\$ 465
Capital Leases	<u>7,673</u>	<u>237</u>
<b>Total</b>	<b><u>\$ 7,993</u></b>	<b><u>\$ 702</u></b>

During the 2020-21 fiscal year, the debt repayments totaled \$309 thousand. 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. Due to the pandemic and the negative economic growth linked to the COVID-19 virus and increased demand for State resources, the prospect of decreased State funding is anticipated in the 2021-22 fiscal year. The College was awarded a HEERF allocation, which will continue to assist students in the form of emergency grant aid and also assist in enhancing online learning initiatives, and other needs to address the safety issues with students returning to campus. Efforts to increase enrollment have taken place; however, enrollment patterns are expected to be somewhat volatile and difficult to predict due to student concerns about COVID-19. The College's current financial and capital plans indicate that there are adequate financial resources to maintain its present level of services. The College expects to revise its budgets based upon student tuition and State resources available to fund operations in the next fiscal year.



## REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Dr. Marvin Pyles, Vice President of Financial Services, CFO, Indian River State College, 3209 Virginia Avenue, Fort Pierce, Florida 34981.

# BASIC FINANCIAL STATEMENTS

## INDIAN RIVER STATE COLLEGE A Component Unit of the State of Florida Statement of Net Position

June 30, 2021

	College	Component Unit
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 11,024,350	\$ 22,560,133
Restricted Cash and Cash Equivalents	3,560,754	-
Investments	-	65,033,359
Accounts Receivable, Net	2,230,293	-
Notes Receivable, Net	746	-
Due from Other Governmental Agencies	17,862,229	-
Due from Component Unit	6,353,226	-
Inventories	1,915,158	-
Prepaid Expenses	2,580,447	-
Deposits	7,104	244,838
Other Assets	-	6,129,038
<b>Total Current Assets</b>	<b>45,534,307</b>	<b>93,967,368</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	6,052,176	-
Investments	11,326,315	81,684,026
Restricted Investments	8,214,550	-
Prepaid Expenses	129,600	-
Depreciable Capital Assets, Net	183,027,054	4,749,261
Nondepreciable Capital Assets	33,024,059	251,407
Other Assets	-	818,284
<b>Total Noncurrent Assets</b>	<b>241,773,754</b>	<b>87,502,978</b>
<b>TOTAL ASSETS</b>	<b>287,308,061</b>	<b>181,470,346</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	777,910	-
Pensions	20,355,389	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>21,133,299</b>	<b>-</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	992,596	22,461
Salary and Payroll Taxes Payable	2,928,647	-
Retainage Payable	403,271	-
Unearned Revenue	1,519,855	-
Deposits Held for Others	1,094,817	2,941,680
Long-Term Liabilities - Current Portion:		
Bonds Payable	155,000	-
Note Payable	-	233,201
Capital Lease Payable	658,405	-
Compensated Absences Payable	648,447	-
Other Postemployment Benefits Payable	142,509	-
Net Pension Liability	193,665	-
<b>Total Current Liabilities</b>	<b>8,737,212</b>	<b>3,197,342</b>

	<u>College</u>	<u>Component Unit</u>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds Payable	165,000	-
Note Payable	-	4,396,993
Capital Lease Payable	7,015,027	-
Compensated Absences Payable	9,658,909	-
Other Postemployment Benefits Payable	3,837,901	-
Net Pension Liability	64,236,670	-
<b>Total Noncurrent Liabilities</b>	<u>84,913,507</u>	<u>4,396,993</u>
<b>TOTAL LIABILITIES</b>	<u>93,650,719</u>	<u>7,594,335</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	191,245	-
Pensions	4,562,970	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>4,754,215</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	208,057,681	370,474
Restricted:		
Nonexpendable:		
Endowment	-	28,526,945
Expendable:		
Grants and Loans	12,708,317	-
Scholarships	72,001	53,800,163
Capital Projects	27,181,162	-
Debt Service	4,842	314,937
Other	-	6,126,751
Unrestricted	<u>(37,987,577)</u>	<u>84,736,741</u>
<b>TOTAL NET POSITION</b>	<u>\$ 210,036,426</u>	<u>\$ 173,876,011</u>

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

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

	<u>College</u>	<u>Component Unit</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$10,081,493	\$ 16,569,252	\$ -
Federal Grants and Contracts	798,218	-
State and Local Grants and Contracts	270,454	144,078
Nongovernmental Grants and Contracts	-	48,317,013
Sales and Services of Educational Departments	171,831	-
Auxiliary Enterprises, Net of Scholarship Allowances of \$943,747	3,572,753	-
Other Operating Revenues	843,821	-
<b>Total Operating Revenues</b>	<u>22,226,329</u>	<u>48,461,091</u>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	86,627,944	519,726
Scholarships and Waivers	26,546,949	4,073,943
Utilities and Communications	3,941,380	-
Contractual Services	5,661,452	-
Other Services and Expenses	4,155,476	8,495,300
Materials and Supplies	10,343,524	-
Depreciation	9,161,670	431,392
<b>Total Operating Expenses</b>	<u>146,438,395</u>	<u>13,520,361</u>
<b>Operating Income (Loss)</b>	<u>(124,212,066)</u>	<u>34,940,730</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	52,009,761	-
Federal and State Student Financial Aid	34,313,316	-
Gifts and Grants	38,198,240	-
Investment Income	180,445	924,786
Net Gain on Investment	-	40,162,877
Other Nonoperating Revenues	-	1,529,625
Gain on Disposal of Capital Assets	1,499,167	-
Loss on Sale of Assets	-	(586,892)
Interest on Capital Asset-Related Debt	(48,952)	(81,632)
<b>Net Nonoperating Revenues</b>	<u>126,151,977</u>	<u>41,948,764</u>
<b>Income Before Other Revenues</b>	<u>1,939,911</u>	<u>76,889,494</u>
State Capital Appropriations	689,580	990,435
Capital Grants, Contracts, Gifts, and Fees	10,837,397	-
<b>Total Other Revenues</b>	<u>11,526,977</u>	<u>990,435</u>
<b>Increase in Net Position</b>	<u>13,466,888</u>	<u>77,879,929</u>
<b>Net Position, Beginning of Year</b>	<u>196,569,538</u>	<u>95,996,082</u>
<b>Net Position, End of Year</b>	<u>\$ 210,036,426</u>	<u>\$ 173,876,011</u>

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

**INDIAN RIVER STATE COLLEGE**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows**

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

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 17,132,868
Grants and Contracts	314,881
Payments to Suppliers	(20,440,210)
Payments for Utilities and Communications	(3,941,380)
Payments to Employees	(67,186,490)
Payments for Employee Benefits	(19,126,717)
Payments for Scholarships	(26,538,728)
Collection on Loans to Students	8,043
Auxiliary Enterprises, Net	3,875,401
Sales and Services of Educational Departments	171,831
Other Receipts	681,258
	<b>(115,049,243)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	52,009,761
Federal and State Student Financial Aid	34,139,098
Federal Direct Loan Program Receipts	3,154,303
Federal Direct Loan Program Disbursements	(3,154,303)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	37,474,207
	<b>123,623,066</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt	7,599,881
State Capital Appropriations	2,304,634
Capital Grants and Gifts	4,556,842
Proceeds from the Sale of Capital Assets	2,405,281
Purchases of Capital Assets	(14,075,441)
Principal Paid on Capital Debt and Leases	(308,788)
Interest Paid on Capital Debt and Leases	(48,952)
	<b>2,433,457</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	17,362,054
Purchases of Investments	(17,490,924)
Investment Income	180,445
	<b>51,575</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>11,058,855</b>
Cash and Cash Equivalents, Beginning of Year	9,578,425
	<b>\$ 20,637,280</b>

	<u>College</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (124,212,066)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	9,161,670
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(4,044,516)
Notes Receivable, Net	8,044
Inventories	889,070
Due from Other Governmental Agencies	(1,520,089)
Prepaid Expenses	(1,287,585)
Deposits	3,735
Accounts Payable	221,704
Salaries and Payroll Taxes Payable	437,871
Unearned Revenue	190,347
Deposits Held for Others	(166,299)
Compensated Absences Payable	(649,300)
Other Postemployment Benefits Payable	375,016
Net Pension Liability	8,563,214
Deferred Outflows of Resources Related to Other Postemployment Benefits	(153,182)
Deferred Inflows of Resources Related to Other Postemployment Benefits	(35,451)
Deferred Outflows of Resources Related to Pensions	(1,421,801)
Deferred Inflows of Resources Related to Pensions	(1,409,625)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (115,049,243)</u>

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

# **NOTES TO FINANCIAL STATEMENTS**

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

**Reporting Entity.** The governing body of Indian River State College, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education (SBE) rules. However, the Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and SBE rules. The College serves Martin, St. Lucie, Indian River, and Okeechobee Counties.

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the Vice President for Financial Services, CFO, Indian River State College, 3209 Virginia Avenue, Fort Pierce, Florida 34981. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2021.

**Basis of Presentation.** The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only



business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

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

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

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by

the student or the third party making payment on behalf of the student. The College determines its scholarship allowance by determining through its accounting records, those transactions where the student's classes and books were paid by an applicable financial aid resource. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fees and auxiliary revenue.

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

**Cash and Cash Equivalents**. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash invested with the State Board of Administration (SBA) Florida PRIME investment pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less, that are not held solely for income or profit, to be cash equivalents. Under this definition, the College considers amounts invested in the SBA Florida PRIME investment pool to be cash equivalents.

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

At June 30, 2021, the College reported as cash equivalents \$908 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 invested pool carried a rating of AAAM by Standard and Poor's and had a weighted-average days to maturity (WAM) of 50 days as of June 30, 2021. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost.

Section 218.409(8)(a), Florida Statutes, provides that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and

withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.” As of June 30, 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

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

- Buildings – 40 or 50 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
  - Computer Equipment – 3 years
  - Vehicles, Office Machines, and Educational Equipment – 5, 7, or 10 years
  - Furniture – 7 or 10 years
- Capitalized Computer Software – 7 years
- Assets Under Capital Lease and Leasehold Improvements – 5 years

Land, buildings, and equipment of the College’s component unit are stated at cost except for donated property which is stated at fair market value at the date of the donation and is net of accumulated depreciation of \$5,488,100. The College’s component unit depreciates buildings and equipment using the straight-line method over estimated life ranging from 3 to 40 years.

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

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

## 2. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (52,194,925)
Auxiliary Funds	14,207,348
<b>Total</b>	<b>\$ (37,987,577)</b>

## 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. Significant College investments were classified as Level 2 and these securities are valued daily by a pricing service that uses evaluated pricing application which incorporate available market information. Available market information is also applied through benchmarking processes, sector groupings, and matrix pricing (Level 2 inputs).

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

	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
SBA Debt Service Accounts	\$ 4,842	\$ 4,842	\$ -	\$ -
Obligations of United States Government Agencies and Instrumentalities	9,685,485	-	9,685,485	-
Municipal Obligations	993,023	-	993,023	-
Bonds and Notes:				
Corporate Bonds and Notes	3,109,747	-	3,109,747	-
Foreign Bonds - Notes and Debentures	2,952,180	-	2,952,180	-
Asset Backed Securities	2,470,344	-	2,470,344	-
Mutual Funds:				
Bonds	10,092	10,092	-	-
Total investments by fair value level	\$ 19,225,713	\$ 14,934	\$ 19,210,779	\$ -
<b>Investments measured at the net asset value (NAV)</b>				
Money Market Funds	315,152			
<b>Total investments measured at fair value</b>	<b>\$ 19,540,865</b>			

**State Board of Administration Debt Service Accounts.** The College reported investments totaling \$4,842 at June 30, 2021, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Annual Comprehensive Financial Report.

**Managed Investments.** The College's other investments totaling \$19,536,023 at June 30, 2021, are reported at fair value and are managed by a contracted investment management firm. The following risks apply to other College investments:

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The College's investment policy provides that the maximum effective maturity of the type of security will not be greater than 5.5 years, and limits the maximum allocation to all corporate and bank credit instruments to 50 percent combined. The maximum exposure to any one Federal agency investment is 40 percent and the maturity limit for mortgage-backed and asset-backed securities is based on the expected average life at the time of purchase. At June 30, 2021, the College had \$5,453,984 in United States Treasury bonds with final maturity dates between May 2022 and October 2024, \$4,231,501 in Federal Agency bonds with final maturity dates between March 2022 and July 2035, and \$993,023 in municipal obligations with final maturity dates between March 2022 and July 2025. The College's investment in corporate securities totaled \$3,109,747 with final maturity dates between March 2022 and June 2025 and foreign securities totaled \$2,952,180 with final maturity dates between April 2022 and June 2024. The College's investment in asset-backed-securities totaling \$2,470,344 have final maturity dates between January 2022 and

May 2027. The College's investments in mutual funds totaled \$10,092 and money market funds totaled \$315,152.

*Credit Risk:* Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy addresses credit risk through the authorization of the following investments:

- United States Treasury bills, notes, bonds, strips, and other obligations whose principal and interest is fully guaranteed by the United States of America, any of its agencies or instrumentalities.
- Government Sponsored Enterprises: Federal Farm Credit Bank (FFCB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), Student Loan Marketing Association (SLMA), Financing Corporation (FICO), the Resolution Funding Corporation (REFCO), Farm Credit System Financial Assistance Corporation, the Federal Housing Finance Board, and all other government-sponsored agencies and enterprises.
- Repurchase agreements rated at least "A1/P1" or the equivalent.
- Nonnegotiable certificates of deposit and savings account in State-certified qualified public depositories.
- Agency mortgage-backed securities guaranteed by the United States Government or a Federal agency.
- Money market funds, including, but not limited to, commercial paper, time deposits and bankers' acceptances, rated at least "AAAm/Aaa-mf" or the equivalent by Standard & Poor's, Moody's Investors Service, and all other nationally recognized credit rating organizations.
- Corporate bonds and notes with an "A-/A3" rating.
- Supranationals where United States is a shareholder and voting member with a rating of "A-1+/P-1, AAA/Aaa" or equivalent.
- Asset Backed Securities with a rating of "A-1+/P-1, AAA/Aaa" or equivalent.
- Any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes, which maintains a similar investment objective.

United States Government obligations are not considered to have credit risk. As of June 30, 2021, the College's investments in Federal agency obligations (Government sponsored enterprises) are rated AA+ by Standard & Poor's. Corporate notes are investment grade debt securities which have credit quality ratings given by Standard & Poor's and are available for purchase in the United States and are issued or guaranteed by a corporation or a financial institution.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover that value of investments or collateral securities that are in the possession of an outside party. The College's investment policy addresses this by requiring that all securities purchased shall be properly designated as an asset of the College and held in safe keeping by a third-party custodial bank or institution. Further, the policy states that no withdrawal of securities, in whole or in part, shall be made from safekeeping except those designated within the Investment Management and Custodial Agreement between the Custodian and the College. The

College's investments of \$19,536,023 as of June 30, 2021, are all held by the safekeeping agent in the name of the College.

**Component Unit Investments.** Investment held by the Indian River State College Foundation, Inc. at March 31, 2021, are reported as follows:

<u>Investments by fair value level</u>	<u>Amount</u>	<u>Fair Value Measurements Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Fixed Income Investments	\$ 20,238,119	\$ 20,238,119
Equities	126,479,266	126,479,266
<b>Total Component Unit Investments</b>	<b>\$ 146,717,385</b>	<b>\$ 146,717,385</b>

#### 4. Accounts Receivable

Accounts receivable represent amounts for student fee deferrals, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a \$336,012 allowance for doubtful accounts.

#### 5. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$6,553,747 of Public Education Capital Outlay allocations due from the State for construction, remodeling, and renovation of College facilities, \$5,956,728 of HEERF due from the U.S. Department of Education for recognition of lost revenue, and \$1,306,201 for Federal restricted grants and contracts.

#### 6. Due From Component Unit

The College recorded an amount of \$6,353,226 representing scholarships and funding for the renovation of College facilities that will be reimbursed by the Foundation, pursuant to agreements between the College and the Foundation. The College's financial statements are reported for the fiscal year ended June 30, 2021. The College's component unit's financial statements are reported as of March 31, 2021. Although the College reported an amount as due from the component unit on the statement of net position, the component unit has not reported an amount due to the College.

#### 7. Inventories

Inventories consist of items for resale by the campus bookstore and items for resale by the Treasure Coast Public Safety Institute department, and are valued using the last invoice cost, which approximates the first-in, first-out method of inventory valuation.

## 8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2021, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 24,860,099	\$ -	\$ 906,114	\$ 23,953,985
Computer Software in Progress	-	304,440	304,440	-
Construction in Progress	1,527,869	12,594,938	5,052,733	9,070,074
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 26,387,968</b>	<b>\$ 12,899,378</b>	<b>\$ 6,263,287</b>	<b>\$ 33,024,059</b>
Depreciable Capital Assets:				
Buildings	\$ 293,224,201	\$ 2,238,698	\$ -	\$ 295,462,899
Other Structures and Improvements	15,997,656	2,814,035	-	18,811,691
Furniture, Machinery, and Equipment	16,769,809	939,177	1,131,300	16,577,686
Computer Software	10,951,928	304,440	-	11,256,368
Assets Under Capital Lease and Leasehold Improvements	1,192,832	365,013	473,252	1,084,593
<b>Total Depreciable Capital Assets</b>	<b>338,136,426</b>	<b>6,661,363</b>	<b>1,604,552</b>	<b>343,193,237</b>
Less, Accumulated Depreciation:				
Buildings	118,409,683	6,172,517	-	124,582,200
Other Structures and Improvements	14,119,566	1,121,280	-	15,240,846
Furniture, Machinery, and Equipment	14,864,238	526,341	1,131,300	14,259,279
Computer Software	4,147,163	1,288,687	-	5,435,850
Assets Under Capital Lease and Leasehold Improvements	1,068,415	52,845	473,252	648,008
<b>Total Accumulated Depreciation</b>	<b>152,609,065</b>	<b>9,161,670</b>	<b>1,604,552</b>	<b>160,166,183</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 185,527,361</b>	<b>\$ (2,500,307)</b>	<b>\$ -</b>	<b>\$ 183,027,054</b>

## 9. Unearned Revenue

As of June 30, 2021, the College reported unearned revenue of \$1,519,855 for restricted grants and contracts received prior to fiscal year end related to subsequent accounting periods.

## 10. Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable	\$ 465,000	\$ -	\$ 145,000	\$ 320,000	\$ 155,000
Capital Lease Payable	237,339	7,599,881	163,788	7,673,432	658,405
Compensated Absences Payable	10,956,656	1,407,049	2,056,349	10,307,356	648,447
Other Postemployment Benefits Payable	3,605,394	490,885	115,869	3,980,410	142,509
Net Pension Liability	55,867,121	31,822,106	23,258,892	64,430,335	193,665
<b>Total Long-Term Liabilities</b>	<b>\$ 71,131,510</b>	<b>\$ 41,319,921</b>	<b>\$ 25,739,898</b>	<b>\$ 86,711,533</b>	<b>\$ 1,798,026</b>



**Bonds Payable.** SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College’s portion of the State-assessed motor vehicle license tax and by the State’s full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.

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

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rate (Percent)</u>	<u>Annual Maturity To</u>
SBE Capital Outlay Bonds: Series 2011A	\$ 320,000	3	2023

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

<u>Fiscal Year Ending June 30</u>	<u>SBE Capital Outlay Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 155,000	\$ 9,600	\$ 164,600
2023	165,000	4,950	169,950
<b>Total</b>	<b>\$ 320,000</b>	<b>\$ 14,550</b>	<b>\$ 334,550</b>

**Capital Lease Payable.** Vehicles in the amount of \$495,357 are being acquired under a capital lease agreement. The average interest rate is 3.16 percent. Future minimum payments under the capital lease 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	\$ 157,893
2023	157,507
2024	137,679
2025	66,098
<b>Total Minimum Payments</b>	<b>519,177</b>
Less, Amount Representing Interest	80,612
<b>Present Value of Minimum Payments</b>	<b>\$ 438,565</b>

The College entered into a financing agreement on November 19, 2020, characterized as a lease purchase agreement, to provide \$7,234,868 in capital lease financing for energy, water, wastewater performance savings projects under the provisions of Section 1013.23, Florida Statutes, at an interest rate of 1.9 percent. Under this arrangement, the College obtained financing of \$7,234,868 for certain energy management facility upgrade projects. The capital lease payments include quarterly lease payments due from November 19, 2021, through September 1, 2031. Future minimum capital lease payments under the 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	\$ 737,572
2023	792,126
2024	792,126
2025	792,126
2026	792,126
2027-2031	3,960,629
2032	198,031
<b>Total</b>	8,064,736
Less, Amount Representing Interest	829,869
<b>Present Value of Minimum Payments</b>	<u><u>\$ 7,234,867</u></u>

**Note Payable – Component Unit.** The long-term debt of the component unit as of March 31, 2021, is as follows:

Promissory note to bank secured by all income related to student housing, with \$25,932 monthly payments beginning January 1, 2015, including interest at 1.7 percent per annum, maturing April 1, 2038.	\$4,630,194
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Maturities of the long-term debt are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 233,201
2023	237,252
2024	241,188
2025	245,564
2026	249,830
Thereafter	3,423,159
<b>Total</b>	<u><u>\$ 4,630,194</u></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 \$10,307,356. The current portion of the compensated absences liability, \$648,447, is the amount expected to be paid in the coming fiscal year and represents payments for employees in the Deferred Retirement Option Program.

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

*Benefits Provided.* The OPEB Plan provides healthcare benefits for retirees and their dependents as well as life insurance for retirees. 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	95
DROP Members	46
Active Employees	760
<b>Total</b>	<u>901</u>

**Total OPEB Liability**

The College’s total OPEB liability of \$3,980,410 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019.

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

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

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019, valuation were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation.

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

	<b>Amount</b>
<b>Balance at 6/30/20</b>	<u>\$ 3,605,394</u>
<b>Changes for the year:</b>	
Service Cost	152,086
Interest	129,502
Changes in Assumptions or Other Inputs	209,297
Benefit Payments	<u>(115,869)</u>
<b>Net Changes</b>	<u>375,016</u>
<b>Balance at 6/30/21</b>	<u><u>\$ 3,980,410</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 Index 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	\$4,644,304	\$3,980,410	\$3,453,254

*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	\$3,388,560	\$3,980,410	\$4,788,533

***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 \$328,892. 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	\$ 172,925	\$ -
Change of assumptions or other inputs	462,476	191,245
Transactions subsequent to the measurement date	142,509	-
<b>Total</b>	<u>\$ 777,910</u>	<u>\$ 191,245</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$142,509 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 47,304
2023	47,304
2024	47,304
2025	47,304
2026	47,304
Thereafter	207,636
<b>Total</b>	<u>\$ 444,156</u>

**Net Pension Liability.** As a participating employer in the Florida Retirement System (FRS), the College recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2021, the College's proportionate share of the net pension liabilities totaled \$64,430,335. Note 11. includes a complete discussion of defined benefit pension plans.

## **11. Retirement Plans – Defined Benefit Pension Plans**

### ***General Information about the Florida Retirement System (FRS)***

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

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

The College's FRS and HIS pension expense totaled \$10,537,162 for the fiscal year ended June 30, 2021.

### **FRS Pension Plan**

*Plan Description.* The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

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

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

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:

<b><u>Class</u></b>	<b><u>Percent of Gross Salary</u></b>	
	<b><u>Employee</u></b>	<b><u>Employer (1)</u></b>
FRS, Regular	3.00	10.00
FRS, Senior Management Service	3.00	27.29
FRS, Special Risk	3.00	24.45
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	16.98
FRS, Reemployed Retiree	(2)	(2)

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

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

The College's contributions to the Plan totaled \$4,342,047 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 \$45,853,399 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 0.105793270 percent, which was a decrease of 0.004436782 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the College recognized pension expense of \$9,138,989. 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	\$ 1,754,863	\$ -
Change of assumptions	7,491,806	-
Net difference between projected and actual earnings on FRS Plan investments	2,730,089	-
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	295,525	2,237,806
College FRS contributions subsequent to the measurement date	4,342,047	-
<b>Total</b>	<u>\$ 16,614,330</u>	<u>\$ 2,237,806</u>

The deferred outflows of resources totaling \$4,342,047, resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 2,093,726
2023	3,676,069
2024	3,151,477
2025	1,708,422
2026	(595,217)
<b>Total</b>	<u>\$ 10,034,477</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%
<b>Total</b>	<u>100.0%</u>			
Assumed inflation - Mean			2.4%	1.7%

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

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

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

	<u>1% Decrease (5.80%)</u>	<u>Current Discount Rate (6.80%)</u>	<u>1% Increase (7.80%)</u>
College's proportionate share of the net pension liability	\$73,219,554	\$45,853,399	\$22,997,068

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

*Payables to the Pension Plan.* At June 30, 2021, the College reported a payable of \$711,287 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2021.

### **HIS Pension Plan**

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

*Benefits Provided.* For the fiscal year ended June 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

*Contributions.* The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2021, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled \$864,823 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 \$18,576,936 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 0.152147289 percent, which was a decrease of 0.007879769 from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the College recognized pension expense of \$1,398,173. 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>
Change of assumptions	\$ 1,944,214	\$ 1,080,179
Net difference between projected and actual earnings on HIS Plan investments	14,834	-
Difference between expected and actual experience	759,909	14,331
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	157,279	1,230,654
College contributions subsequent to the measurement date	864,823	-
<b>Total</b>	<b>\$ 3,741,059</b>	<b>\$ 2,325,164</b>

The deferred outflows of resources totaling \$864,823, 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	\$ 300,584
2023	151,638
2024	(109,237)
2025	45,164
2026	112,398
Thereafter	50,525
<b>Total</b>	<b>\$ 551,072</b>

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

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

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

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

*Discount Rate.* The discount rate used to measure the total pension liability was 2.21 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion

date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2020 valuation was updated from 3.50 percent to 2.21 percent.

*Sensitivity of the College’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the College’s proportionate share of the net pension liability calculated using the discount rate of 2.21 percent, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	<u>1% 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	\$21,474,109	\$18,576,936	\$16,205,609

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

*Payables to the Pension Plan.* At June 30, 2021, the College reported a payable of \$42,882 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2021.

## **12. Retirement Plans – Defined Contribution Pension Plans**

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

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

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

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

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

The College's Investment Plan pension expense totaled \$1,974,668 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 \$119,659 and employee contributions totaled \$62,339 for the 2020-21 fiscal year.

### 13. 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>
Fort Pierce/Massey Campus New Industrial Tech Building	\$ 17,014,354	\$ 3,198,927	\$ 13,815,427
Energy Savings Project	7,710,000	5,447,978	2,262,022
<b>Total</b>	<b>\$ 24,724,354</b>	<b>\$ 8,646,905</b>	<b>\$ 16,077,449</b>

### 14. Operating Lease Commitments

The College leased building space and four copiers under operating leases, which expire between years 2022 and 2025. These leased assets and the related commitments are not reported on the College's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 158,813
2023	32,099
2024	32,099
2025	10,699
<b>Total Minimum Payments Required</b>	<b>\$ 233,710</b>

### 15. 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.

Life insurance is obtained through purchased commercial insurance.

## 16. Litigation

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

## 17. 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	\$ 50,092,128
Public Services	1,102,903
Academic Support	16,444,770
Student Services	13,218,265
Institutional Support	10,850,719
Operation and Maintenance of Plant	14,012,896
Scholarships and Waivers	26,509,222
Depreciation	9,161,670
Auxiliary Enterprises	5,045,822
<b>Total Operating Expenses</b>	<b>\$ 146,438,395</b>

## 18. Related Party Transactions

As permitted by Section 1004.70, Florida Statutes, the College receives direct and indirect support from its direct-support organization, Indian River State College Foundation, Inc. (Foundation). The Foundation is included within the College's reporting entity as a discretely presented component unit.

The College approved lease agreements with the Foundation for the use of classroom and office space at the Indian River Academy in Fort Pierce at total annual rents of \$59,228 during the 2020-21 fiscal year.

In April 1993, the College entered into an agreement with the Foundation to lease 2.5 acres of land to the Foundation for the establishment of student housing. The agreement provided for a lease term of 99 years in consideration of a one-time payment of \$99 for the life of the lease.



## **OTHER REQUIRED SUPPLEMENTARY INFORMATION**

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total OPEB Liability</b>				
Service cost	\$ 152,086	\$ 126,309	\$ 129,920	\$ 140,413
Interest	129,502	111,144	102,599	88,176
Difference between expected and actual experience	-	221,635	-	-
Changes of assumptions or other inputs	209,297	350,046	(110,632)	(210,192)
Benefit Payments	(115,869)	(149,949)	(114,339)	(18,218)
<b>Net change in total OPEB liability</b>	<b>375,016</b>	<b>659,185</b>	<b>7,548</b>	<b>179</b>
Total OPEB Liability - beginning	3,605,394	2,946,209	2,938,661	2,938,482
<b>Total OPEB Liability - ending</b>	<b>\$ 3,980,410</b>	<b>\$ 3,605,394</b>	<b>\$ 2,946,209</b>	<b>\$ 2,938,661</b>
Covered-Employee Payroll	\$56,381,445	\$56,381,445	\$56,424,195	\$50,099,666
<b>Total OPEB Liability as a percentage of covered-employee payroll</b>	<b>7.06%</b>	<b>6.39%</b>	<b>5.22%</b>	<b>5.87%</b>

**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	0.105793270%	0.110230052%	0.117216269%	0.114096518%
College's proportionate share of the FRS net pension liability	\$ 45,853,399	\$ 37,961,695	\$ 35,306,148	\$ 33,748,984
College's covered payroll (2)	\$ 55,434,773	\$ 56,381,445	\$ 56,424,195	\$ 54,653,302
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	82.72%	67.33%	62.57%	61.75%
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	\$ 4,342,047	\$ 3,515,042	\$ 3,417,927	\$ 3,340,570
FRS contributions in relation to the contractually required contribution	<u>(4,342,047)</u>	<u>(3,515,042)</u>	<u>(3,417,927)</u>	<u>(3,340,570)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 54,356,206	\$ 55,434,773	\$ 56,381,445	\$ 56,424,195
FRS contributions as a percentage of covered payroll	7.99%	6.34%	6.06%	5.92%

(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>
0.115331804%	0.12362537%	0.124172421%	0.116832507%
\$ 29,121,371	\$ 15,967,875	\$ 7,576,344	\$ 20,112,074
\$ 53,429,522	\$ 52,413,012	\$ 50,924,935	\$ 48,550,130
54.50%	30.47%	14.88%	41.43%
84.88%	92.00%	96.09%	88.54%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 2,970,213	\$ 2,826,006	\$ 3,014,092	\$ 2,719,903
<u>(2,970,213)</u>	<u>(2,826,006)</u>	<u>(3,014,092)</u>	<u>(2,719,903)</u>
\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
\$ 54,653,302	\$ 53,429,522	\$ 52,413,012	\$ 50,924,935
5.43%	5.29%	5.75%	5.34%

**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	0.152147289%	0.160027058%	0.165109338%	0.163364659%
College's proportionate share of the HIS net pension liability	\$ 18,576,936	\$ 17,905,426	\$ 17,475,358	\$ 17,467,703
College's covered payroll (2)	\$ 55,434,773	\$ 56,381,445	\$ 56,424,195	\$ 54,653,302
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.51%	31.76%	30.97%	31.96%
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	\$ 864,823	\$ 876,754	\$ 888,615	\$ 895,392
HIS contributions in relation to the contractually required HIS contribution	<u>(864,823)</u>	<u>(876,754)</u>	<u>(888,615)</u>	<u>(895,392)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 54,356,206	\$ 55,434,773	\$ 56,381,445	\$ 56,424,195
HIS contributions as a percentage of covered payroll	1.59%	1.58%	1.58%	1.59%

(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>
0.166226524%	0.165712629%	0.163637400%	0.160220204%
\$ 19,373,013	\$ 16,900,082	\$ 15,300,528	\$ 13,949,275
\$ 53,429,522	\$ 52,413,012	\$ 50,924,935	\$ 48,550,130
36.26%	32.24%	30.05%	28.73%
0.97%	0.50%	0.99%	1.78%

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 864,573	\$ 852,320	\$ 633,457	\$ 560,568
<u>(864,573)</u>	<u>(852,320)</u>	<u>(633,457)</u>	<u>(560,568)</u>
\$ -	\$ -	\$ -	\$ -
\$ 54,653,302	\$ 53,429,522	\$ 52,413,012	\$ 50,924,935
1.58%	1.60%	1.21%	1.10%

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

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

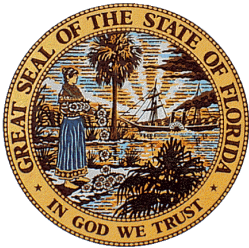
*Changes of Assumptions.* The Municipal Bond Index Rate decreased from 3.50 percent to 2.21 percent, and mortality, retirement, and termination rates, and salary increases were updated.

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

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

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

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



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 Indian River State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 28, 2022, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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

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

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 28, 2022