

Report No. 2023-123  
February 2023

# STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

## DAYTONA STATE COLLEGE

For the Fiscal Year Ended  
June 30, 2022



Sherrill F. Norman, CPA  
Auditor General

## Board of Trustees and President

During the 2021-22 fiscal year, Dr. Tom LoBasso served as President of Daytona State College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Dr. Randall Howard, Chair	Volusia
Betty J. Holness, Vice Chair	Volusia
Robert C. "Bob" Davis	Volusia
Sarah Dougherty	Volusia
Randy Dye	Volusia
Lloyd J. Freckleton	Flagler
Robert W. Lloyd	Volusia
Garry R. Lubi	Flagler

Note: One Trustee position was vacant for the entire period.

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 Nicole E. Ryals, CPA, and the audit was supervised by Keith A. Wolfe, 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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**DAYTONA STATE COLLEGE**  
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## SUMMARY

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### SUMMARY OF REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Daytona 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 obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinion. In doing so we:

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks.
- Obtained an understanding of internal control relevant to the audit 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 College's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements.
- Concluded whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.
- Examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

### AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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Tallahassee, Florida 32399-1450



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

## INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of Daytona State College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Daytona State College and of its aggregate discretely presented component units as of June 30, 2022, 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.

We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Emphasis of Matter***

As discussed in Note 2. to the financial statements, the College adopted new accounting guidance Governmental Accounting Standards Board Statement No. 87, *Leases*, which is a change in accounting principle that addresses accounting and financial reporting for leases. This affects the comparability of amounts reported for the 2021-22 fiscal year with amounts reported for the 2020-21 fiscal year. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

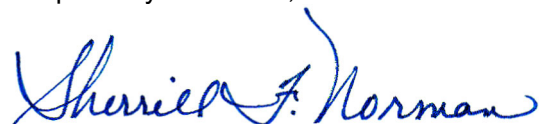
### ***Required Supplementary Information***

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**, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2023, on our consideration of the Daytona 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 College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
February 22, 2023

## 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, 2022, 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, 2022, and June 30, 2021.

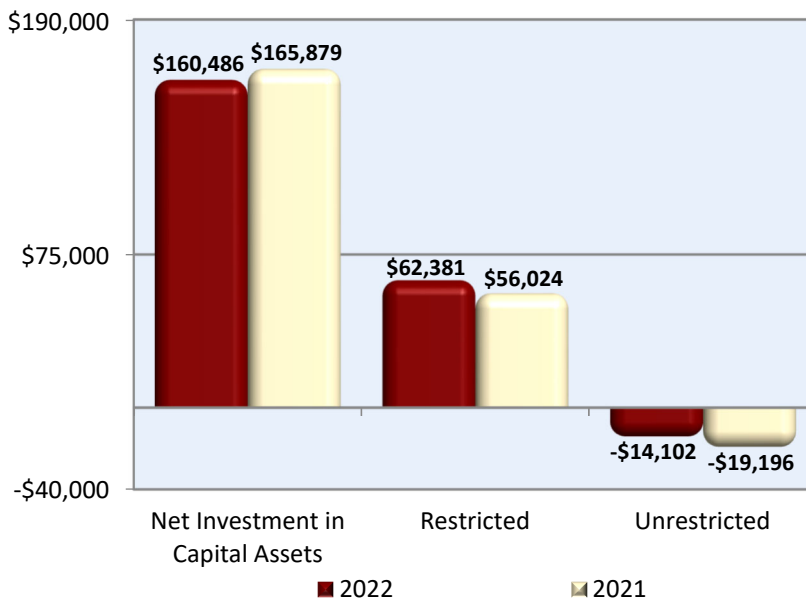
### FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$309.7 million at June 30, 2022. This balance reflects an increase of \$25.7 million, or 9 percent, as compared to the 2020-21 fiscal year, resulting from an increase in other noncurrent assets. While assets and deferred outflows of resources increased, liabilities and deferred inflows of resources also increased by \$19.6 million, or 24.1 percent, totaling \$101 million at June 30, 2022, compared to \$81.4 million at June 30, 2021. As a result, the College's net position increased by \$6.1 million, resulting in a year-end balance of \$208.8 million.

The College's operating revenues totaled \$26.4 million for the 2021-22 fiscal year, representing an 18.5 percent decrease compared to the 2020-21 fiscal year. Operating expenses totaled \$125.8 million for the 2021-22 fiscal year, representing an increase of 4.6 percent as compared to the 2020-21 fiscal year.

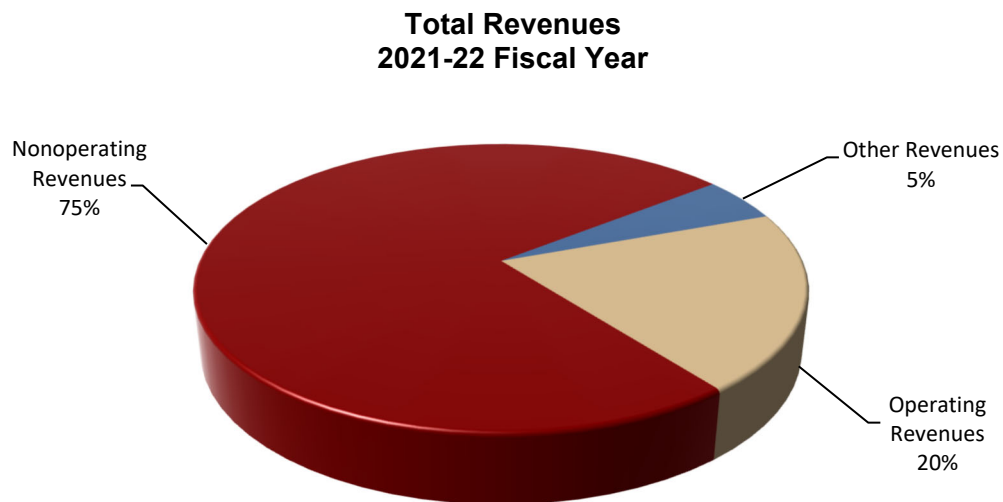
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2022, and June 30, 2021, is shown in the following graph:

**Net Position**  
(In Thousands)





The following chart provides a graphical presentation of College revenues by category for the 2021-22 fiscal year:



**OVERVIEW OF FINANCIAL STATEMENTS**

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

Information regarding these component units, including summaries of the discretely presented component units’ separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the College, excluding the discretely presented component units. The MD&A information for the discretely presented component units is included in their separately issued audit reports.

**The Statement of Net Position**

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

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

## Condensed Statement of Net Position at June 30

(In Thousands)

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current Assets	\$ 61,660	\$ 58,386
Capital Assets, Net	165,030	171,532
Other Noncurrent Assets	<u>70,155</u>	<u>37,713</u>
<b>Total Assets</b>	<u>296,845</u>	<u>267,631</u>
<b>Deferred Outflows of Resources</b>	<u>12,890</u>	<u>16,448</u>
<b>Liabilities</b>		
Current Liabilities	10,440	10,752
Noncurrent Liabilities	<u>34,663</u>	<u>65,017</u>
<b>Total Liabilities</b>	<u>45,103</u>	<u>75,769</u>
<b>Deferred Inflows of Resources</b>	<u>55,867</u>	<u>5,603</u>
<b>Net Position</b>		
Net Investment in Capital Assets	160,486	165,879
Restricted	62,381	56,024
Unrestricted	<u>(14,102)</u>	<u>(19,196)</u>
<b>Total Net Position</b>	<u>\$ 208,765</u>	<u>\$ 202,707</u>

The \$3.3 million increase in current assets was due to the receipt of \$3.2 million of Public Education Capital Outlay appropriations from the State in the current fiscal year. The \$32.4 million increase in other noncurrent assets was due to the implementation of GASB Statement No. 87, *Leases*, requiring the reporting of leases receivable which had a noncurrent portion of \$27.8 million, and a \$4.7 million increase in restricted cash and cash equivalents. The \$30.4 million decrease in noncurrent liabilities was primarily due to a \$30.1 million decrease in the long-term portion of net pension liability resulting from significant Florida Retirement System investment earnings as of the measurement date.

### **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 2021-22 and 2020-21 fiscal years:

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

(In Thousands)

	<u>2021-22</u>	<u>2020-21</u>
Operating Revenues	\$ 26,379	\$ 32,386
Less, Operating Expenses	<u>125,848</u>	<u>120,262</u>
<b>Operating Loss</b>	(99,469)	(87,876)
Net Nonoperating Revenues	<u>98,886</u>	<u>90,618</u>
<b>Income (Loss) Before Other Revenues</b>	(583)	2,742
Other Revenues	<u>6,641</u>	<u>3,089</u>
<b>Net Increase In Net Position</b>	<u>6,058</u>	<u>5,831</u>
Net Position, Beginning of Year	202,707	196,875
Adjustment to Beginning Net Position (1)	<u>-</u>	<u>1</u>
<b>Net Position, Beginning of Year, as Restated</b>	<u>202,707</u>	<u>196,876</u>
<b>Net Position, End of Year</b>	<u>\$ 208,765</u>	<u>\$ 202,707</u>

(1) For the 2020-21 fiscal year, the College's beginning net position was increased due to a decrease of GASB Statement No. 68 in Employer Proportionate Share of Net Position Liability at Measurement Date as of June 30, 2019.

**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.

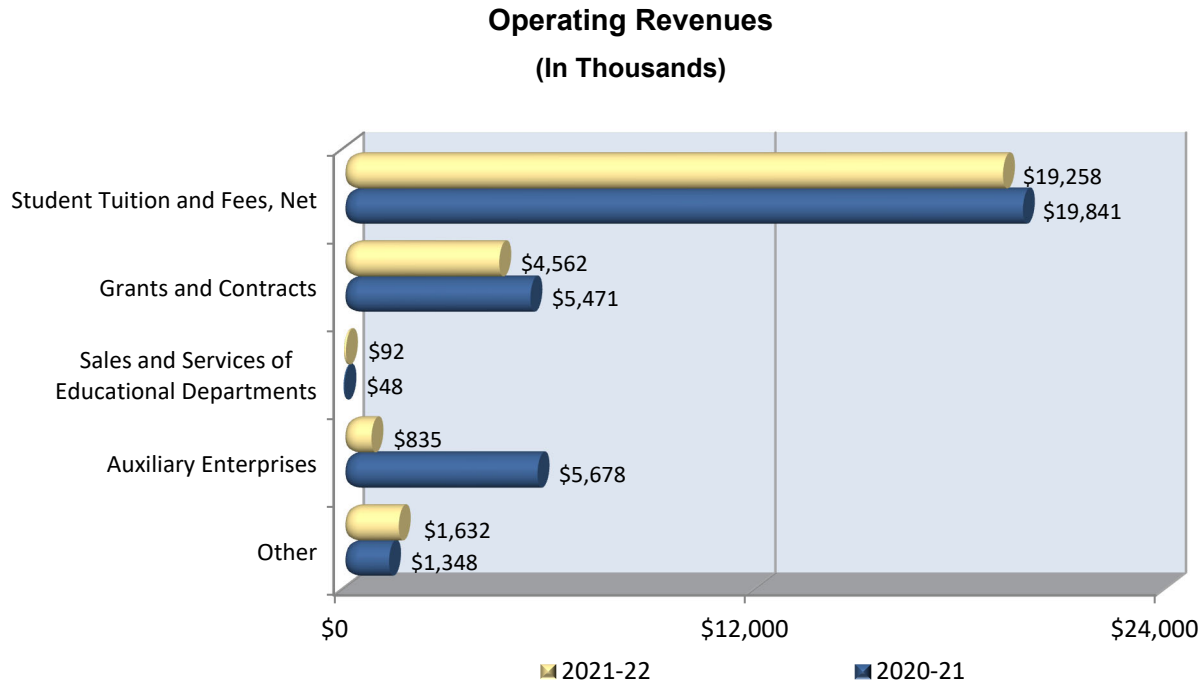
The following summarizes the operating revenues by source that were used to fund operating activities for the 2021-22 and 2020-21 fiscal years:

**Operating Revenues  
For the Fiscal Years**

(In Thousands)

	<u>2021-22</u>	<u>2020-21</u>
Student Tuition and Fees, Net	\$ 19,258	\$ 19,841
Grants and Contracts	4,562	5,471
Sales and Services of Educational Departments	92	48
Auxiliary Enterprises	835	5,678
Other	<u>1,632</u>	<u>1,348</u>
<b>Total Operating Revenues</b>	<u>\$ 26,379</u>	<u>\$ 32,386</u>

The following chart presents the College's operating revenues for the 2021-22 and 2020-21 fiscal years:



Operating revenues decreased by \$6 million primarily due to a \$4.8 million decrease in auxiliary services resulting from a signing fee received pursuant to a long-term lease agreement in the prior fiscal year, a decrease of \$0.8 million in Federal grants and contracts, and a \$0.6 million decrease in student tuition and fees.

**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 2021-22 and 2020-21 fiscal years:

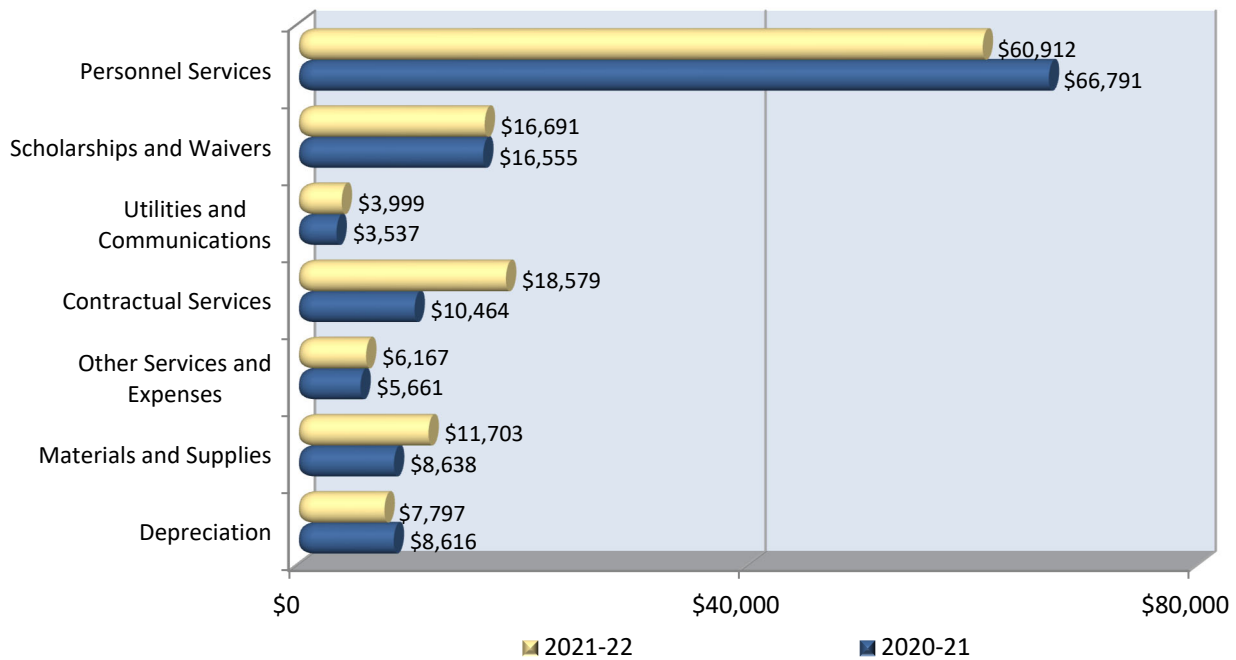
**Operating Expenses  
For the Fiscal Years**

(In Thousands)

	<u>2021-22</u>	<u>2020-21</u>
Personnel Services	\$ 60,912	\$ 66,791
Scholarships and Waivers	16,691	16,555
Utilities and Communications	3,999	3,537
Contractual Services	18,579	10,464
Other Services and Expenses	6,167	5,661
Materials and Supplies	11,703	8,638
Depreciation	7,797	8,616
<b>Total Operating Expenses</b>	<b>\$ 125,848</b>	<b>\$ 120,262</b>

The following chart presents the College’s operating expenses for the 2021-22 and 2020-21 fiscal years:

**Operating Expenses  
(In Thousands)**



Operating expenses increased by \$5.6 million primarily due to an \$8.1 million increase in Higher Education Emergency Relief Fund (HEERF) disbursements, a \$3.1 million increase in materials and supplies, and a \$5.9 million decrease in personnel expenses which is mainly attributed to a decrease in pension expense.

**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 2021-22 and 2020-21 fiscal years:

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

(In Thousands)

	2021-22	2020-21
State Noncapital Appropriations	\$ 53,908	\$ 51,534
Federal and State Student Financial Aid	37,738	30,183
Gifts and Grants	9,728	10,839
Investment Income	511	988
Net Unrealized Loss on Investments	(2,823)	(2,666)
Interest on Capital Asset-Related Debt	(176)	(260)
<b>Net Nonoperating Revenues</b>	<b>\$ 98,886</b>	<b>\$ 90,618</b>

Net nonoperating revenues increased by \$8.3 million predominately due to a \$7.9 million increase in HEERF disbursed to students.

**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 2021-22 and 2020-21 fiscal years:

**Other Revenues  
For the Fiscal Years**

(In Thousands)

	2021-22	2020-21
State Capital Appropriations	\$ 4,321	\$ 592
Capital Grants, Contracts, Gifts, and Fees	2,320	2,497
<b>Total</b>	<b>\$ 6,641</b>	<b>\$ 3,089</b>

Other revenues increased \$3.6 million primarily due to an approximate \$3.2 million appropriation received from the State as additional funding for the construction of a new academic building on the Deltona Campus.

**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 2021-22 and 2020-21 fiscal years:

**Condensed Statement of Cash Flows  
For the Fiscal Years**

(In Thousands)

	<b>2021-22</b>	<b>2020-21</b>
Cash Provided (Used) by:		
Operating Activities	\$ (92,691)	\$ (77,695)
Noncapital Financing Activities	101,817	87,996
Capital and Related Financing Activities	126	(3,231)
Investing Activities	(2,340)	(1,678)
<b>Net Increase in Cash and Cash Equivalents</b>	6,912	5,392
Cash and Cash Equivalents, Beginning of Year	72,679	67,287
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 79,591</b>	<b>\$ 72,679</b>

Major sources of funds came from State noncapital appropriations (\$53.9 million), Federal and State student financial aid (\$38.2 million), and net student tuition and fees (\$19.3 million). Major uses of funds were for payments to employees (\$49.8 million), payments to suppliers for goods and services (\$36.3 million), and payments for student scholarships (\$16.7 million).

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2022, the College had \$325 million in capital assets, less accumulated depreciation of \$160 million, for net capital assets of \$165 million. Depreciation charges for the current fiscal year totaled \$7.8 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>2022</b>	<b>2021</b>
Land	\$ 15,403	\$ 15,403
Artwork	412	412
Construction in Progress	523	3,153
Buildings	141,971	144,515
Other Structures and Improvements	4,094	4,845
Furniture, Machinery, and Equipment	2,627	3,204
<b>Capital Assets, Net</b>	<b>\$165,030</b>	<b>\$171,532</b>

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

## **Debt Administration**

As of June 30, 2022, the College had \$4.5 million in outstanding loans payable representing a decrease of \$1.1 million, or 19.5 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

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

(In Thousands)

	<u>2022</u>	<u>2021</u>
SBE Capital Outlay Bonds	\$ -	\$ 8
Loans Payable	4,545	5,645
<b>Total</b>	<b>\$ 4,545</b>	<b>\$ 5,653</b>

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2021-22 fiscal year, there were no bond sales and debt repayments totaled \$8,000. Additional information about the College's long-term debt is presented in the notes to financial statements.

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

The College's economic condition is closely tied to that of the State of Florida. Because of moderate economic growth that exceeded forecasts in the 2021-22 fiscal year, the State funding is anticipated to increase in the 2022-23 fiscal year. As such, the College received a \$4.1 million, or 7.8 percent, increase in overall State funding for operations in the 2022-23 fiscal year. Although the College continued to experience a decline in student enrollment in the 2021-22 fiscal year primarily resulting from the COVID-19 pandemic, the College anticipates enrollment to level off and potentially improve in the 2022-23 fiscal year. The College's current financial and capital plans, including the continued utilization of Federal stimulus HEERF, indicate there are adequate financial resources to maintain its present level of services in the short-term.

### **REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Finance/CFO, Daytona State College, 1200 West International Speedway Boulevard, Daytona Beach, Florida 32114.



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# BASIC FINANCIAL STATEMENTS

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

June 30, 2022

	College	Component Units
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 28,981,805	\$ 1,472,238
Restricted Cash and Cash Equivalents	8,232,382	1,191,850
Investments	-	1,315,381
Accounts Receivable, Net	2,265,839	150,000
Notes Receivable, Net	22,468	-
Leases Receivable	1,051,071	-
Due from Other Governmental Agencies	19,456,800	-
Due from Component Units/College	654,730	2,923,237
Prepaid Expenses	990,737	34,775
Deposits	4,494	-
<b>Total Current Assets</b>	<b>61,660,326</b>	<b>7,087,481</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	42,376,782	-
Investments	-	874,669
Restricted Investments	-	34,392,043
Leases Receivable	27,778,052	-
Depreciable Capital Assets, Net	148,692,577	13,161,219
Nondepreciable Capital Assets	16,337,959	-
Other Assets	-	139,755
<b>Total Noncurrent Assets</b>	<b>235,185,370</b>	<b>48,567,686</b>
<b>TOTAL ASSETS</b>	<b>296,845,696</b>	<b>55,655,167</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	732,095	-
Pensions	12,157,458	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>12,889,553</b>	<b>-</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	2,041,549	12,720
Salary and Payroll Taxes Payable	2,962,845	-
Retainage Payable	20,410	-
Due to Component Units/College	2,387,393	652,227
Unearned Revenue	255,878	19,290
Deposits Held for Others	277,907	-
Long-Term Liabilities - Current Portion:		
Loans Payable	1,145,000	272,637
Special Termination Benefits Payable	16,129	-
Compensated Absences Payable	1,192,459	-
Other Postemployment Benefits Payable	72,503	-
Net Pension Liability	67,499	-
<b>Total Current Liabilities</b>	<b>10,439,572</b>	<b>956,874</b>

	<u>College</u>	<u>Component Units</u>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Loans Payable	3,400,000	12,527,363
Special Termination Benefits Payable	523,947	-
Compensated Absences Payable	10,286,989	-
Other Postemployment Benefits Payable	627,879	-
Net Pension Liability	19,824,095	-
<b>Total Noncurrent Liabilities</b>	<u>34,662,910</u>	<u>12,527,363</u>
<b>TOTAL LIABILITIES</b>	<u>45,102,482</u>	<u>13,484,237</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	235,057	-
Pensions	26,803,392	-
Lease Agreements	28,829,123	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>55,867,572</u>	<u>-</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	160,485,466	361,219
Restricted:		
Nonexpendable:		
Endowment	17,211	19,512,465
Expendable:		
Grants and Loans	6,282,434	18,301,984
Scholarships	337,963	-
Capital Projects	55,687,483	-
Debt Service	56,259	872,384
Unrestricted	(14,101,621)	3,122,878
<b>TOTAL NET POSITION</b>	<u>\$ 208,765,195</u>	<u>\$ 42,170,930</u>

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

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**DAYTONA 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, 2022**

	<u>College</u>	<u>Component Units</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$10,080,456	\$ 19,258,056	\$ -
Federal Grants and Contracts	3,557,626	-
State and Local Grants and Contracts	818,778	768,863
Nongovernmental Grants and Contracts	185,631	-
Sales and Services of Educational Departments	92,382	-
Auxiliary Enterprises	834,604	-
Other Operating Revenues	1,632,106	984,551
<b>Total Operating Revenues</b>	<u>26,379,183</u>	<u>1,753,414</u>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	60,911,792	397,839
Scholarships and Waivers	16,690,971	1,153,368
Utilities and Communications	3,999,087	4,516
Contractual Services	18,578,916	42,052
Other Services and Expenses	6,167,680	2,242,862
Materials and Supplies	11,702,750	8,301
Depreciation	7,797,387	-
<b>Total Operating Expenses</b>	<u>125,848,583</u>	<u>3,848,938</u>
<b>Operating Loss</b>	<u>(99,469,400)</u>	<u>(2,095,524)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	53,908,294	-
Federal and State Student Financial Aid	37,738,278	-
Gifts and Grants	9,728,194	1,246,395
Investment Income	511,070	242,532
Net Unrealized and Realized Gain (Loss) on Investments	(2,823,815)	3,199,315
Interest on Capital Asset-Related Debt	(176,073)	-
<b>Net Nonoperating Revenues</b>	<u>98,885,948</u>	<u>4,688,242</u>
<b>Income (Loss) Before Other Revenues</b>	<u>(583,452)</u>	<u>2,592,718</u>
State Capital Appropriations	4,321,689	-
Capital Grants, Contracts, Gifts, and Fees	2,319,700	-
<b>Total Other Revenues</b>	<u>6,641,389</u>	<u>-</u>
<b>Increase in Net Position</b>	<u>6,057,937</u>	<u>2,592,718</u>
Net Position, Beginning of Year	202,707,258	39,578,212
<b>Net Position, End of Year</b>	<u>\$ 208,765,195</u>	<u>\$ 42,170,930</u>

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

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

**For the Fiscal Year Ended June 30, 2022**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 19,275,514
Grants and Contracts	6,822,492
Payments to Suppliers	(36,300,598)
Payments for Utilities and Communications	(3,999,087)
Payments to Employees	(49,825,190)
Payments for Employee Benefits	(14,609,726)
Payments for Scholarships	(16,650,890)
Loans Issued to Students	(95,967)
Collection on Loans to Students	88,404
Auxiliary Enterprises	888,112
Sales and Services of Educational Departments	92,382
Other Receipts	1,623,769
	<b>(92,690,785)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	53,908,294
Federal and State Student Financial Aid	38,180,650
Federal Direct Loan Program Receipts	8,552,932
Federal Direct Loan Program Disbursements	(8,552,932)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	9,728,194
	<b>101,817,138</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	925,908
Capital Grants and Gifts	2,319,700
Purchases of Capital Assets	(1,835,738)
Principal Paid on Capital Debt	(1,108,000)
Interest Paid on Capital Debt	(176,073)
	<b>125,797</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	203
Investment Loss	(2,340,131)
	<b>(2,339,928)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>6,912,222</b>
Cash and Cash Equivalents, Beginning of Year	72,678,747
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 79,590,969</b>

	<u>College</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (99,469,400)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	7,797,387
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	317,692
Notes Receivable, Net	(7,563)
Leases Receivable	(28,829,124)
Due from Other Governmental Agencies	925,689
Due from Component Units	1,684,356
Prepaid Expenses	57,859
Accounts Payable	(337,065)
Salaries and Payroll Taxes Payable	598,253
Unearned Revenue	(24,942)
Deposits Held for Others	(8,338)
Special Termination Benefits Payable	39,773
Compensated Absences Payable	493,238
Other Postemployment Benefits Payable	382,550
Net Pension Liability	(30,134,306)
Deferred Outflows of Resources Related to Other Postemployment Benefits	(343,411)
Deferred Inflows of Resources Related to Other Postemployment Benefits	(33,775)
Deferred Outflows of Resources Related to Pensions	3,901,873
Deferred Inflows of Resources Related to Pensions	21,469,345
Deferred Inflows of Resources Related to Leases Receivable	28,829,124
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (92,690,785)</u></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 Daytona 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 Volusia and Flagler 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 Units.** Based on the application of the criteria for determining component units, the following component units are included within the College's reporting entity:

- The Daytona State College Foundation, Inc. (Foundation): This legally separate entity is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.
- Daytona State College Housing Corporation (Housing Corp): On September 19, 2019, the Housing Corp was formed as a nonprofit corporation under the laws of the State of Florida to assist in the achievement of the College's mission by receiving, investing, and administering real and personal property including, but not limited to, the construction and management of College dormitories for the benefit of students of the College. This 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 component units are also direct-support organizations, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, are financially accountable to the College. The Foundation and Housing Corp are managed independently, outside the College's budgeting process, and their powers generally are vested in a governing board pursuant to various State statutes. The Foundation and Housing Corp receive, hold, invest, and administer property, and make expenditures to or for the benefit of the College.

The component units are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's and Housing Corp's audited financial statements are available to the public and can be obtained from the Vice President of Finance/CFO, Daytona State College, 1200 West International Speedway Boulevard, Daytona Beach, Florida 32114. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year



ended December 31, 2021, and the Housing Corp's audited financial statements for the fiscal year ended June 30, 2022. Additional condensed financial statements for the College's component units are included in a subsequent note.

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

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

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

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

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, gifts and grants, and investment income (net of unrealized gains or losses on investments). Interest on capital asset-related

debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

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

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

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

College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by the Federal Deposit Insurance Corporation, 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, 2022, the College reported as cash equivalents at fair value \$74,080,531 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 4.). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.66 years and fair value factor of 0.9479 at June 30, 2022. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balance. The fair value factor is the ratio used to determine the fair

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

At June 30, 2022, the College reported as cash equivalents \$433,937 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 28 days as of June 30, 2022. 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, 2022, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

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

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

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

**Noncurrent Liabilities.** Noncurrent liabilities include loans payable, special termination benefits 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. Reporting Change**

The College implemented GASB Statement No. 87, *Leases*. This statement addresses accounting and financial reporting for leases by colleges. This statement requires the College to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, the lessee is required to recognize a lease liability and an intangible right to use the leased asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the College’s leasing activities.

**3. 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, other postemployment benefits payable, and net pension liabilities) in the current unrestricted funds.

<b>Fund</b>	<b>Net Position</b>
Current Funds - Unrestricted	\$ (28,375,544)
Auxiliary Funds	14,273,923
<b>Total</b>	<b>\$ (14,101,621)</b>

**4. 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 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.

**Component Units' Investments.** Investment decisions are made subject to guidelines established by the Foundation's Investment Committee and approved by the Foundation's Board of Directors. All deposits and investments are held at financial and brokerage institutions in the name of the Foundation.

The Foundation's investment and spending policy is set forth in a document approved by Daytona State College Foundation Investment Committee and approved by the Foundation's Board of Directors. The objectives of the policy fundamentally preserve and enhance Foundation resources both at present and in the future, as well as strive to provide a steady, growing income stream to support the Foundation's mission while sufficient reinvestment to protect endowments from inflation.

According to the Foundation's Investment Policy, endowment target allocations are 19 to 59 percent in domestic equities, 1 to 41 percent in international equities, 20 to 60 percent in fixed-income securities, and 0 to 20 percent in other income assets, other growth assets, Real Estate Investment Trust (REIT)/inflation hedges, and/or cash and cash equivalents. The Foundation contracts with a qualified investment manager to whom authority is delegated to invest and reinvest assets in accordance with the investment policy.

*Custodial credit risk – deposits:* Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the Foundation's and the Housing Corp's deposits may not be returned to them. At December 31, 2021, the Foundation's cash deposits with financial and brokerage institutions were \$367,080, all of which were insured up to respective Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) limits.

The Housing Corp's deposits include cash on hand and amounts held in the Corporation's demand accounts. At June 30, 2022, the carrying amount of the Corporation's deposits was \$2,243,448. Each demand account is insured by the FDIC up to \$250,000. Any balance in excess of FDIC insurance is covered by collateral held by the Corporation's custodial bank, which is pledged to a State trust fund that

provides security in accordance with the Florida Security for Public Deposits Act, Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act (Act) established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified public depository must pledge at least 50 percent of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125 percent, may be required, if deemed necessary under the conditions set forth in the Act.

Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the pool may assess participating financial institutions on a pro rata basis to fund any shortfall in the event of the failure of a member institution.

*Interest rate risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The Foundation's and the Housing Corp's policies for managing their exposure for changes in interest rate is through maintaining diversification of their investments and investment maturity dates to minimize the impact of downturns in the market.

*Credit risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

*Concentration risk:* The Foundation's and the Housing Corp's investment policies discourage more than 5 percent of the portfolio's total assets taken at current value be invested in the securities of one issuer, other than the United States of America, its agencies or instrumentalities. The policies further discourage more than 40 percent of the portfolio's assets to be invested in the securities of the companies in any one industry.

**Fair Value Measurement.** The Foundation and the Housing Corp categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the inputs used in valuation and gives the highest priority to quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest level, Level 1, is given to unadjusted quoted prices in active markets and the lowest level, Level 3, to unobservable inputs that reflect the Foundation's and the Housing Corp's significant market assumptions. The three levels of the fair value hierarchy are as follows:

- Level 1 – Valuations based on unadjusted quoted market prices for identical assets or liabilities in active markets that the Foundation and the Housing Corp have the ability to access.
- Level 2 – Valuations based on pricing inputs that are other than quoted prices in active markets, which are either directly or indirectly observable. Examples include commingled funds which hold actively traded public securities, but whose valuations are determined only periodically, (typically monthly). Other examples include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; or valuations based on models where the significant inputs are observable (e.g., interest rates, yield curves,

prepayment speeds, credit risks, default rates, loss severities, etc.) or can be corroborated by observable market data.

- Level 3 – Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets and liabilities. Level 3 investments primarily comprise alternative investments that do not have a liquid market at the balance sheet date. Inputs used for Level 3 may include the original transaction price, recent transactions in the same or similar market, completed or pending third party transactions in the underlying investment or comparable issuers, and subsequent rounds of financing. When observable prices are not available, these investments are valued using one or more valuation techniques described below:
  - Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
  - Income Approach: This approach determines a valuation by discounting cash flows.
  - Cost Approach: This approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset.

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value (NAV).

The fair value hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The classification of assets and liabilities in the fair value hierarchy is not necessarily an indication of the risks or liquidity, but is based on the observability of the valuation inputs.

<b><u>Deposits and Investments</u></b>	<b><u>Average Maturity</u></b>	<b><u>Fair Value Level</u></b>	<b><u>Credit Quality (S&amp;P)</u></b>	<b><u>Fair Value</u></b>
<b>Daytona State College Foundation, Inc.</b>				
Cash and Cash Equivalents	N/A	N/A	N/A	\$ 420,640
Mutual Funds - Fixed Income	7.90 years	2	A	11,432,332
Mutual Funds - Equity	N/A	2	N/A	<u>23,834,380</u>
<b>Total Deposits and Investments of the Foundation</b>				<u>35,687,352</u>
<b>Housing Corp</b>				
Cash and Cash Equivalents	N/A	N/A	N/A	2,243,448
State Treasury Special Purpose Investment Accounts	2.66 years	3	AA-f	<u>1,315,381</u>
<b>Total Deposits and Investments of the Housing Corp</b>				<u>3,558,829</u>
<b>Total Deposits and Investments of the Component Units</b>				<u>\$39,246,181</u>

## 5. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a \$325,572 allowance for doubtful accounts.

## **6. Notes Receivable**

Notes receivable represent student loans made under the short-term loan program of \$22,745. Notes receivable are reported net of a \$277 allowance for doubtful notes.

## **7. Leases Receivable**

Leases receivable represent contracted arrangements for the use of the College's broadband channels, telecommunication towers, and land. The terms of the lease arrangements are determined by evaluating the non-cancelable term length, the optional term length, and assessing the likelihood with reasonable certainty the option to extend the term or terminate the agreement may occur. The term lengths range from 2 to 29 years. The College records leases receivable and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the interest rates charged to the lessee, which may be the interest rate implicit in the lease. During the 2021-22 fiscal year, the College recognized revenues related to these lease agreements totaling \$1,319,141. Deferred inflows of resources increased \$28,829,123 related to leases.

## **8. Due From Other Governmental Agencies**

The amount due from other governmental agencies consists of \$12,669,282 of Public Education Capital Outlay allocations due from the State for construction of College facilities, \$3,838,309 from Federal HEERF, and \$2,949,209 for contract and grant reimbursement due from third parties.

## **9. Due From and To Component Units/College**

The \$2,387,393 reported as due to component units consists of amounts owed by the College to the Foundation pursuant to an agreement to invest Foundation short-term cash on hand in the State Treasury SPIA and SBA Florida Prime investment accounts of the College. The \$654,730 reported as due from component units to the College consists of a \$646,229 receivable from the Housing Corp and \$8,501 for student assistance related to childcare services from the Foundation. The College's and Housing Corp's financial statements are reported for the fiscal year ended June 30, 2022. The Foundation's financial statements are reported for the fiscal year ended December 31, 2021. Accordingly, amounts reported by the College as due from and to component units on the statement of net position do not agree with amounts reported by the component units as due from and to the College.

## **10. Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2022, is shown in the following table:



<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 15,402,520	\$ -	\$ -	\$ 15,402,520
Artwork	412,022	-	-	412,022
Construction in Progress	3,153,116	625,461	3,255,160	523,417
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 18,967,658</b>	<b>\$ 625,461</b>	<b>\$ 3,255,160</b>	<b>\$ 16,337,959</b>
Depreciable Capital Assets:				
Buildings	\$ 239,471,650	\$ 3,255,160	\$ -	\$ 242,726,810
Other Structures and Improvements	35,444,466	-	-	35,444,466
Furniture, Machinery, and Equipment	21,922,382	670,346	899,673	21,693,055
Data Software	8,747,667	-	-	8,747,667
<b>Total Depreciable Capital Assets</b>	<b>305,586,165</b>	<b>3,925,506</b>	<b>899,673</b>	<b>308,611,998</b>
Less, Accumulated Depreciation:				
Buildings	94,956,381	5,799,263	-	100,755,644
Other Structures and Improvements	30,599,322	750,576	-	31,349,898
Furniture, Machinery, and Equipment	18,718,337	1,247,548	899,673	19,066,212
Data Software	8,747,667	-	-	8,747,667
<b>Total Accumulated Depreciation</b>	<b>153,021,707</b>	<b>7,797,387</b>	<b>899,673</b>	<b>159,919,421</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 152,564,458</b>	<b>\$ (3,871,881)</b>	<b>\$ -</b>	<b>\$ 148,692,577</b>

**Component Unit – Capital Assets.** The Housing Corp's capital asset activity for the fiscal year ended June 30, 2022, 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:				
Construction in Progress	\$ 3,083,426	\$ 10,077,793	\$ 13,161,219	\$ -
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 3,083,426</b>	<b>\$ 10,077,793</b>	<b>\$ 13,161,219</b>	<b>\$ -</b>
Depreciable Capital Assets:				
Buildings	\$ -	\$ 13,161,219	\$ -	\$ 13,161,219
<b>Total Depreciable Capital Assets</b>	<b>-</b>	<b>13,161,219</b>	<b>-</b>	<b>13,161,219</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ -</b>	<b>\$ 13,161,219</b>	<b>\$ -</b>	<b>\$ 13,161,219</b>

## 11. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2022, 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>
Loans Payable	\$ 5,645,000	\$ -	\$ 1,100,000	\$ 4,545,000	\$ 1,145,000
Bonds Payable	8,000	-	8,000	-	-
Special Termination Benefits Payable	500,303	55,902	16,129	540,076	16,129
Compensated Absences Payable	10,986,210	1,449,425	956,187	11,479,448	1,192,459
Other Postemployment Benefits Payable	317,832	435,233	52,683	700,382	72,503
Net Pension Liability	50,025,900	14,084,056	44,218,362	19,891,594	67,499
<b>Total Long-Term Liabilities</b>	<b>\$ 67,483,245</b>	<b>\$ 16,024,616</b>	<b>\$ 46,351,361</b>	<b>\$ 37,156,500</b>	<b>\$ 2,493,590</b>

**Component Unit – Long-Term Liabilities.** The Housing Corp's long-term liabilities activity for the fiscal year ended June 30, 2022, 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>
Loans Payable	\$ 12,800,000	\$ -	\$ -	\$ 12,800,000	\$ 272,637
<b>Total Long-Term Liabilities</b>	<b>\$ 12,800,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,800,000</b>	<b>\$ 272,637</b>

**Loans Payable.** Pursuant to Section 1001.64(38), Florida Statutes, the College obtained two loans to finance the cost of the acquisition and construction of various capital projects and equipment, including but not limited to, construction of the Hospitality Center, a physical plant, a shipping and receiving building, additional parking, and the demolition of a building. The College borrowed \$10 million on December 23, 2005, at a stated interest rate of 3.96 percent, and \$8 million on January 10, 2006, at a stated interest rate of 4.03 percent. Both loans mature on January 1, 2026, and principal and interest payments are due the end of each quarter. These loans are direct borrowings from a bank. The loans are not secured by any assets pledged as collateral. The loans contain provisions that in the event of default the bank may accelerate payment for all principal and interest due under the loans, and also allows for prepayment, which could result in a prepayment fee.

Annual requirements to amortize the outstanding loans as of June 30, 2022, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,145,000	\$ 164,487	\$ 1,309,487
2024	1,200,000	118,139	1,318,139
2025	1,240,000	69,497	1,309,497
2026	960,000	19,309	979,309
<b>Total</b>	<b>\$ 4,545,000</b>	<b>\$ 371,432</b>	<b>\$ 4,916,432</b>

**Component Unit Loans Payable.** In March 2021, the Housing Corp entered into an agreement with a bank for a \$12,800,000 loan for the construction of a student housing building. The semi-annual

payments are due June 30 and December 31, with interest payments commencing June 30, 2021, and principal payments commencing June 30, 2023. The loan is collateralized by net revenues to be received when the student housing building opens as anticipated in August 2022. The interest rate on the loan is 2.56 percent and the loan matures in June 2041. The outstanding balance at June 30, 2022, was \$12,800,000. Principal payments for the loan will begin in the 2022-23 fiscal year.

Annual requirements to amortize the outstanding loans as of June 30, 2022, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 272,637	\$ 327,680	\$ 600,317
2024	555,788	317,166	872,954
2025	570,107	302,847	872,954
2026	584,795	288,159	872,954
2027	599,862	273,092	872,954
2028-2032	3,239,248	1,125,520	4,364,768
2033-2037	3,678,588	686,181	4,364,769
2038-2041	3,298,975	192,840	3,491,815
<b>Total</b>	<b>\$ 12,800,000</b>	<b>\$ 3,513,485</b>	<b>\$ 16,313,485</b>

**Special Termination Benefits Payable.** The Board of Trustees established a severance pay plan for certain College administrative employees. The plan provided that an eligible employee's total benefit could not exceed an amount equal to twice the employee's annualized base pay determined as of the date of the employee's separation from service and the payment must be paid within 60 days of the separation date. The Board of Trustees, during its December 8, 2011, meeting, terminated further accrual of benefits under this plan after July 1, 2011. As of June 30, 2022, there were two remaining employees in the plan. Upon their separation, the two remaining employees will be paid their portion of the remaining plan liability, or \$189,568. During the 2021-22 fiscal year, there were no payments made from the Special Termination Benefits plan.

On December 8, 2011, the College Board of Trustees adopted a Deferred Compensation Plan (Compensation Plan) effective July 1, 2011. Under the Compensation Plan, the President is an eligible participant, and can determine, on a plan year by plan year basis, which other eligible employees could participate in the Compensation Plan. The Compensation Plan provides that an eligible employee's total benefit may not exceed an amount equal to twice the employee's annualized base pay determined as of the date the employee separates from service. Effective July 1, 2011, the former President of the College became eligible to participate in the Compensation Plan. The former President separated employment on June 30, 2015, and received a lump sum payment of \$19,250, and the first of ten annual \$16,129 payments, in the 2015-16 fiscal year. During the 2021-22 fiscal year, the College paid the seventh of the ten annual payments to the former President, and contributed \$55,901 to the Compensation Plan for the current President, an eligible participant in the Compensation Plan, effective July 1, 2016.

**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, 2022, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$11,479,448. The current portion of the compensated absences liability, \$1,192,459, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

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

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

*Employees Covered by Benefit Terms.* At June 30, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	38
Active Employees	795
<b>Total</b>	<u>833</u>

**Total OPEB Liability**

The College's total OPEB liability of \$700,382 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.4 percent
Salary increases	Regular Employees: 3.40-7.80 percent, including inflation Senior Management: 4.10-8.20 percent, including inflation
Discount rate	2.16 percent at current measurement date 2.21 percent at prior measurement date
Healthcare cost trend rates	Pre-Medicare: 7.00 percent for 2021, decreasing to an ultimate rate of 4.40 percent by 2032 Medicare: 5.125 percent for 2021, decreasing to an ultimate rate of 4.40 percent by 2025
Benefit-related costs	100 percent of projected health insurance premiums for retirees

The discount rate as of the current measurement date was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021, 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, 2021, valuation were based on a review of recent plan experience done concurrently with the June 30, 2021, valuation.

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

	<b>Amount</b>
<b>Balance at 6/30/21</b>	<b>\$ 317,832</b>
<b>Changes for the year:</b>	
Service Cost	19,793
Interest	6,883
Differences Between Expected and Actual Experience	137,896
Changes in Assumptions or Other Inputs	270,661
Benefit Payments	<u>(52,683)</u>
<b>Net Changes</b>	<b><u>382,550</u></b>
<b>Balance at 6/30/22</b>	<b><u><u>\$ 700,382</u></u></b>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21 percent in 2020 to 2.16 percent in 2021 due to the change in the Municipal Bond Rate.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.* The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were

calculated using a discount rate that is 1 percentage point lower (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	<u>1% Decrease (1.16%)</u>	<u>Current Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total OPEB liability	\$801,174	\$700,382	\$622,516

*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	\$591,552	\$700,382	\$848,924

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

For the fiscal year ended June 30, 2022, the College recognized OPEB expense of \$77,867. At June 30, 2022, 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	\$ 411,626	\$ -
Change of assumptions or other inputs	247,966	235,057
Transactions subsequent to the measurement date	72,503	-
<b>Total</b>	<u>\$ 732,095</u>	<u>\$ 235,057</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$72,503, 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, 2023. 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>
2023	\$ 51,191
2024	51,191
2025	51,191
2026	51,191
2027	50,885
Thereafter	168,886
<b>Total</b>	<b>\$ 424,535</b>

**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, 2022, the College's proportionate share of the net pension liabilities totaled \$19,891,594. Note 12. includes a complete discussion of defined benefit pension plans.

## **12. 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 negative pension expense totaled \$426,596 for the fiscal year ended June 30, 2022.

## **FRS Pension Plan**

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

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

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

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



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

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 2021-22 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	10.82
FRS, Senior Management Service	3.00	29.01
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	18.34
FRS, Reemployed Retiree	(2)	(2)

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

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

The College's contributions to the Plan totaled \$3,709,828 for the fiscal year ended June 30, 2022.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2022, the College reported a liability of \$6,481,521 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The College's proportionate share of the net pension liability was based on the College's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the College's proportionate share was

0.085804057 percent, which was an increase of 0.002855195 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the College recognized negative pension expense of \$766,691. 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	\$ 1,110,943	\$ -
Change of assumptions	4,434,978	-
Net difference between projected and actual earnings on FRS Plan investments	-	22,612,399
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	735,853	1,892,633
College FRS contributions subsequent to the measurement date	3,709,828	-
<b>Total</b>	<b>\$ 9,991,602</b>	<b>\$ 24,505,032</b>

The deferred outflows of resources totaling \$3,709,828, 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, 2023. 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>
2023	\$ (3,563,189)
2024	(3,888,665)
2025	(4,896,276)
2026	(6,021,580)
2027	146,452
<b>Total</b>	<b>\$ (18,223,258)</b>

*Actuarial Assumptions.* The total pension liability in the July 1, 2021, 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, 2021, 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%	2.1%	2.1%	1.1%
Fixed Income	20.0%	3.8%	3.7%	3.3%
Global Equity	54.2%	8.2%	6.7%	17.8%
Real Estate (Property)	10.3%	7.1%	6.2%	13.8%
Private Equity	10.8%	11.7%	8.5%	26.4%
Strategic Investments	3.7%	5.7%	5.4%	8.4%
<b>Total</b>	<u>100.0%</u>			
Assumed inflation - Mean			2.4%	1.2%

(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 2021 valuation was unchanged from the previous valuation.

**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	\$28,985,798	\$6,481,521	\$(12,329,530)

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

## **HIS Pension Plan**

**Plan Description.** The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida

Legislature at any time. 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, 2022, 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, 2022, 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 \$649,409 for the fiscal year ended June 30, 2022.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2022, the College reported a net pension liability of \$13,410,073 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, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, and update procedures were used to determine the net pension liability as of June 30, 2021. The College's proportionate share of the net pension liability was based on the College's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the College's proportionate share was 0.109322705 percent, which was a decrease of 0.005950268 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the College recognized pension expense of \$340,095. 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	\$ 448,735	\$ 5,617
Change of assumptions	1,053,732	552,530
Net difference between projected and actual earnings on HIS Plan investments	13,980	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	-	1,740,213
College contributions subsequent to the measurement date	649,409	-
<b>Total</b>	<u>\$ 2,165,856</u>	<u>\$ 2,298,360</u>

The deferred outflows of resources totaling \$649,409, 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, 2023. 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>
2023	\$ (235,535)
2024	(332,944)
2025	(164,633)
2026	(25,765)
2027	(4,440)
Thereafter	(18,596)
<b>Total</b>	<u>\$ (781,913)</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
Municipal bond rate	2.16 percent

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

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 2.16 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 2021 valuation was updated from 2.21 percent to 2.16 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 2.16 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 (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	<u>1% Decrease (1.16%)</u>	<u>Current Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
College’s proportionate share of the net pension liability	\$15,503,344	\$13,410,073	\$11,695,106

*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, 2022, the College reported a payable of \$67,499 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2022.

### **13. 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 2021-22 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2022, 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 \$1,255,205 for the fiscal year ended June 30, 2022.

**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 4.19 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 9.34 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 \$212,413 and employee contributions totaled \$123,735 for the 2021-22 fiscal year.

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

The Local Annuity Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. The College contributes 12.34 percent of the employee's salary to the Local Annuity Program. Employees may make contributions toward the Local Annuity Program by way of salary reduction or by deduction of a percentage of the employee's gross compensation not to exceed the percentage contributed by the employer.

The College's contributions to the Local Annuity Program totaled \$122,371 for the 2021-22 fiscal year.

#### **14. Joint Participation Agreement**

Daytona State College entered into a joint participation agreement with Eastern Florida State College to provide for the transition of both Colleges to digital transmission capabilities for their respective public television stations. The Colleges agreed to submit a joint application for Federal funds that will be combined with funding from other sources to finance the project.

The joint participation agreement provides for conversion of master control facilities for each College, the installation of a joint-use digital antenna, and jointly leased tower space. The Colleges will equally share the lease payments and other obligations contained in the tower lease agreement. Also, the Colleges agreed to equally share the costs of maintenance and repairs of the equipment and facilities and common expenses relating to the joint-use of the lease tower, the digital antenna, the transmission lines, and other common equipment. In addition, the Colleges agreed to share any such engineering fees or consulting fees as may be necessary for the common benefit of the Colleges.

Daytona State College has been designated as the fiscal agent and, in accordance with the agreement, will act for the benefit of both Colleges. Daytona State College will serve as the owner of record of the digital antenna, transmission lines, and associated equipment acquired with various Federal and State grants.

#### **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 \$100 million 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.

## 16. 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	\$ 36,412,885
Public Services	1,451,218
Academic Support	7,271,132
Student Services	23,921,606
Institutional Support	18,133,111
Operation and Maintenance of Plant	13,579,499
Scholarships and Waivers	16,690,971
Depreciation	7,797,387
Auxiliary Enterprises	590,774
<b>Total Operating Expenses</b>	<b><u><u>\$ 125,848,583</u></u></b>

## 17. Discretely Presented Component Units

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

## Condensed Statement of Net Position

	Direct-Support Organizations		Total
	Daytona State College Foundation, Inc.	Daytona State College Housing Corporation	
	(1)	(2)	
<b>Assets:</b>			
Current Assets	\$ 3,528,652	\$ 3,558,829	\$ 7,087,481
Capital Assets, Net	-	13,161,219	13,161,219
Other Noncurrent Assets	35,406,467	-	35,406,467
<b>Total Assets</b>	<b>38,935,119</b>	<b>16,720,048</b>	<b>55,655,167</b>
<b>Liabilities:</b>			
Current Liabilities	18,623	938,251	956,874
Noncurrent Liabilities	-	12,527,363	12,527,363
<b>Total Liabilities</b>	<b>18,623</b>	<b>13,465,614</b>	<b>13,484,237</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	-	361,219	361,219
Restricted Nonexpendable	19,512,465	-	19,512,465
Restricted Expendable	18,301,984	872,384	19,174,368
Unrestricted	1,102,047	2,020,831	3,122,878
<b>Total Net Position</b>	<b>\$ 38,916,496</b>	<b>\$ 3,254,434</b>	<b>\$ 42,170,930</b>

(1) Amounts are for the fiscal year ended December 31, 2021.

(2) Amounts are for the fiscal year ended June 30, 2022.

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

	Direct-Support Organizations		Total
	Daytona State College Foundation, Inc.	Daytona State College Housing Corporation	
	(1)	(2)	
Operating Revenues	\$ 1,728,656	\$ 24,758	\$ 1,753,414
Operating Expenses	3,477,802	371,136	3,848,938
<b>Operating Loss</b>	<b>(1,749,146)</b>	<b>(346,378)</b>	<b>(2,095,524)</b>
<b>Net Nonoperating Revenues (Expenses)</b>	<b>5,071,656</b>	<b>(383,414)</b>	<b>4,688,242</b>
<b>Increase (Decrease) in Net Position</b>	<b>3,322,510</b>	<b>(729,792)</b>	<b>2,592,718</b>
Net Position, Beginning of Year	35,593,986	3,984,226	39,578,212
<b>Net Position, End of Year</b>	<b>\$ 38,916,496</b>	<b>\$ 3,254,434</b>	<b>\$ 42,170,930</b>

(1) Amounts are for the fiscal year ended December 31, 2021.

(2) Amounts are for the fiscal year ended June 30, 2022.

## **18. Current Unrestricted Funds**

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

## Statement of Current Unrestricted Funds Net Position

### ASSETS

#### Current Assets:

Cash and Cash Equivalents	\$ 28,981,805
Accounts Receivable, Net	2,039,232
Leases Receivable	1,051,071
Due from Other Governmental Agencies	128,710
Due from Other Funds	3,936,845
Due from Component Units	80,064
Prepaid Expenses	870,135
Deposits	4,494

<b>Total Current Assets</b>	<b>37,092,356</b>
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#### Noncurrent Assets:

Leases Receivable	27,778,052
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<b>TOTAL ASSETS</b>	<b>64,870,408</b>
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### DEFERRED OUTFLOWS OF RESOURCES

Other Postemployment Benefits	732,095
Pensions	12,157,458

<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>12,889,553</b>
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### LIABILITIES

#### Current Liabilities:

Accounts Payable	950,588
Due to Component Unit	3,678
Salary and Payroll Taxes Payable	2,363,676
Unearned Revenue	64,568
Current Portion of Long-Term Liabilities	
Special Termination Benefits Payable	16,129
Compensated Absences Payable	1,192,459
Other Postemployment Benefits Payable	72,503
Net Pension Liability	67,499

<b>Total Current Liabilities</b>	<b>4,731,100</b>
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#### Noncurrent Liabilities:

Special Termination Benefits Payable	523,947
Compensated Absences Payable	10,286,989
Other Postemployment Benefits Payable	627,879
Net Pension Liability	19,824,095

<b>TOTAL LIABILITIES</b>	<b>35,994,010</b>
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### DEFERRED INFLOWS OF RESOURCES

Other Postemployment Benefits	235,057
Pensions	26,803,392
Lease Agreements	28,829,123

<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>55,867,572</b>
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<b>TOTAL NET POSITION</b>	<b>\$(14,101,621)</b>
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**Statement of Current Unrestricted Funds Revenues,  
Expenses, and Changes in Net Position**

**REVENUES**

Operating Revenues:

Student Tuition and Fees (1)	\$ 26,325,236
State and Local Grants and Contracts	30,515
Nongovernmental Grants and Contracts	10,469
Sales and Services of Educational Departments	77,383
Auxiliary Enterprises	746,927
Other Operating Revenues	<u>1,632,106</u>
<b>Total Operating Revenues</b>	<u><b>28,822,636</b></u>

**EXPENSES**

Operating Expenses:

Personnel Services	56,477,560
Scholarships and Waivers	633,389
Utilities and Communications	3,929,819
Contractual Services	3,247,305
Other Services and Expenses	3,805,284
Materials and Supplies	<u>5,665,065</u>
<b>Total Operating Expenses</b>	<u><b>73,758,422</b></u>
<b>Operating Loss</b>	<u><b>(44,935,786)</b></u>

**NONOPERATING REVENUES (EXPENSES)**

State Noncapital Appropriations	53,908,294
Gifts and Grants	4,691,385
Investment Income	360,691
Net Loss on Investments	(602,927)
Interest on Capital Asset-Related Debt	<u>(25,754)</u>

**Net Nonoperating Revenues** 58,331,689

**Income Before Other Revenues,  
Expenses, Gains, or Losses** 13,395,903

Transfers to Other Funds (8,301,648)

**Increase in Net Position** 5,094,255

Net Position, Beginning of Year (19,195,876)

**Net Position, End of Year** \$ (14,101,621)

- (1) Student tuition and fees revenues are reported net of scholarship allowances on the statement of revenues, expenses, and changes in net position. However, scholarship allowances are not reflected in the student tuition and fees revenues for the purposes of this disclosure.

**19. Related Party Transactions**

On October 16, 2019, the College entered into a lease agreement with the buyer of condominiums previously owned by the Foundation that terminated on May 31, 2021. As part of the lease, the College and Foundation executed a "Lease Property Agreement" in which the parties agreed that the Foundation shall at all times retain a 100 percent interest in the lease. The lease was extended from June 1, 2021,

through May 31, 2022. Through the Foundation, the College pays a monthly amount of \$34,755 for the 31 units leased. After the termination of this lease agreement on May 31, 2022, the College no longer leases these units.

## **OTHER REQUIRED SUPPLEMENTARY INFORMATION**

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

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total OPEB Liability</b>					
Service cost	\$ 19,793	\$ 21,128	\$ 14,271	\$ 14,044	\$ 13,952
Interest	6,883	15,711	9,480	9,498	8,431
Difference between expected and actual experience	137,896	-	424,912	-	-
Changes of assumptions or other inputs	270,661	(113,877)	(211,690)	2,175	3,204
Benefit Payments	(52,683)	(65,206)	(43,301)	(51,758)	(26,276)
<b>Net change in total OPEB liability</b>	<b>382,550</b>	<b>(142,244)</b>	<b>193,672</b>	<b>(26,041)</b>	<b>(689)</b>
Total OPEB Liability - beginning	317,832	460,076	266,404	292,445	293,134
<b>Total OPEB Liability - ending</b>	<b>\$ 700,382</b>	<b>\$ 317,832</b>	<b>\$ 460,076</b>	<b>\$ 266,404</b>	<b>\$ 292,445</b>
Covered-Employee Payroll	\$ 37,841,090	\$ 39,057,492	\$ 39,057,492	\$ 47,691,228	\$ 42,266,180
<b>Total OPEB Liability as a percentage of covered-employee payroll</b>	<b>1.85%</b>	<b>0.81%</b>	<b>1.18%</b>	<b>0.56%</b>	<b>0.69%</b>

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

	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
College's proportion of the FRS net pension liability	0.085804057%	0.082948862%	0.086891143%	0.092879752%
College's proportionate share of the FRS net pension liability	\$ 6,481,521	\$ 35,951,258	\$ 29,924,100	\$ 27,975,863
College's covered payroll (2)	\$ 42,908,939	\$ 44,361,540	\$ 44,522,211	\$ 46,180,205
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	15.11%	81.04%	67.21%	60.58%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	96.40%	78.85%	82.61%	84.26%

- (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>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>
Contractually required FRS contribution	\$ 3,709,828	\$ 3,291,595	\$ 2,462,067	\$ 2,718,207
FRS contributions in relation to the contractually required contribution	<u>(3,709,828)</u>	<u>(3,291,595)</u>	<u>(2,462,067)</u>	<u>(2,718,207)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 43,238,881	\$ 42,908,939	\$ 44,361,540	\$ 44,522,211
FRS contributions as a percentage of covered payroll	8.58%	7.67%	5.55%	6.11%

- (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>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.097474826%	0.102985790%	0.113629190%	0.122606733%	0.113149274%
\$ 28,832,399	\$ 26,003,993	\$ 14,676,734	\$ 7,480,814	\$ 19,478,026
\$ 47,378,975	\$ 48,237,861	\$ 49,461,726	\$ 52,046,719	\$ 52,177,541
60.85%	53.91%	29.67%	14.37%	37.33%
83.89%	84.88%	92.00%	96.09%	88.54%

<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 2,680,544	\$ 2,554,620	\$ 2,511,473	\$ 2,770,376	\$ 2,685,608
<u>(2,680,544)</u>	<u>(2,554,620)</u>	<u>(2,511,473)</u>	<u>(2,770,376)</u>	<u>(2,685,608)</u>
\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
\$ 46,180,205	\$ 47,378,975	\$ 48,237,861	\$ 49,461,726	\$ 52,046,680
5.80%	5.39%	5.21%	5.60%	5.16%

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

	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
College's proportion of the HIS net pension liability	0.109322705%	0.115272973%	0.119161828%	0.124619126%
College's proportionate share of the HIS net pension liability	\$ 13,410,073	\$ 14,074,642	\$ 13,333,016	\$ 13,189,828
College's covered payroll (2)	\$ 38,705,635	\$ 40,016,198	\$ 39,843,251	\$ 40,718,278
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	34.65%	35.17%	33.46%	32.39%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	3.56%	3.00%	2.63%	2.15%

(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>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>
Contractually required HIS contribution	\$ 649,409	\$ 642,514	\$ 664,269	\$ 661,398
HIS contributions in relation to the contractually required HIS contribution	<u>(649,409)</u>	<u>(642,514)</u>	<u>(664,269)</u>	<u>(661,398)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 39,121,027	\$ 38,705,635	\$ 40,016,198	\$ 39,843,251
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%

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

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

<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.130472045%	0.136392329%	0.141810273%	0.152163695%	0.155689929%
\$ 13,950,674	\$ 15,895,961	\$ 14,462,417	\$ 14,227,677	\$ 13,554,855
\$ 41,622,453	\$ 42,112,067	\$ 43,051,270	\$ 45,252,275	\$ 45,267,404
33.52%	37.75%	33.59%	31.44%	29.94%
1.64%	0.97%	0.50%	0.99%	1.78%

<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 675,923	\$ 690,933	\$ 699,098	\$ 542,087	\$ 521,262
<u>(675,923)</u>	<u>(690,933)</u>	<u>(699,098)</u>	<u>(542,087)</u>	<u>(521,262)</u>
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 40,718,278	\$ 41,622,453	\$ 42,112,067	\$ 43,051,270	\$ 45,252,275
1.66%	1.66%	1.66%	1.26%	1.15%

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

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

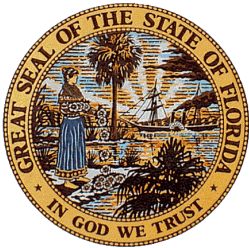
*Changes of Assumptions.* The long-term expected rate of return, using the Municipal Bond Index Rate, decreased from 2.21 percent at the prior measurement date to 2.16 percent at the current measurement date. In 2021, the ultimate healthcare cost trend rate decreased from 4.60 percent to 4.40 percent.

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

*Changes of Assumptions.* In 2021, the maximum amortization period was decreased to 20 years for all current and future amortization bases.

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

*Changes of Assumptions.* In 2021, the municipal rate used to determine total pension liability decreased from 2.21 percent to 2.16 percent.



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 Daytona State College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 22, 2023, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Report on 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 or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
February 22, 2023