

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

COLLEGE OF CENTRAL FLORIDA

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

	<u>County</u>
William "Bill" Edgar, Chair	Levy
Russell "Rusty" Branson, Vice Chair	Marion
Joyce Brancato	Levy
Gabriel "Gabe" Bullaro ^a	Marion
Robert "Bobbie" Durrance	Levy

^a Trustee position vacant from 4-1-22, through 6-30-22.

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

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

The team leader was John Davisson, CPA, and the audit was supervised by Denita K. Tyre, CPA.

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

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COLLEGE OF CENTRAL FLORIDA
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SUMMARY

SUMMARY OF REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

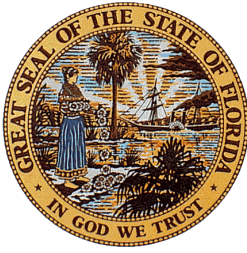
Our audit objectives were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinion. In doing so we:

- 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.
- Determined whether corrective action was taken for the finding included in our report No. 2022-175.

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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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 the College of Central Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 the College of Central Florida and of its discretely presented component unit 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 blended and discretely presented component units. The financial statements of The Appleton Cultural Center, Inc., the blended component unit, represent 1 percent or less of the assets, net position, revenues, and expenses reported for the College of Central Florida. The financial statements of the discretely presented component unit represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the blended and discretely presented component units, are based solely on the reports of the other auditors.

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.

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

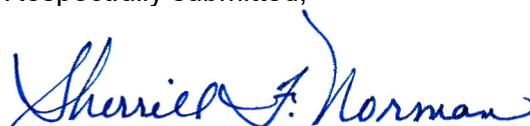
Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios**, **Schedule of the College's Proportionate Share of the Net Pension 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of the College of Central Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance

with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 30, 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, which includes its blended component unit, The Appleton Cultural Center, Inc. for fiscal years ended December 31, 2021, and December 31, 2020. The MD&A also includes the financial activity of the College of Central Florida Foundation, Inc. (discretely presented component unit) for the fiscal years ended December 31, 2021, and December 31, 2020.

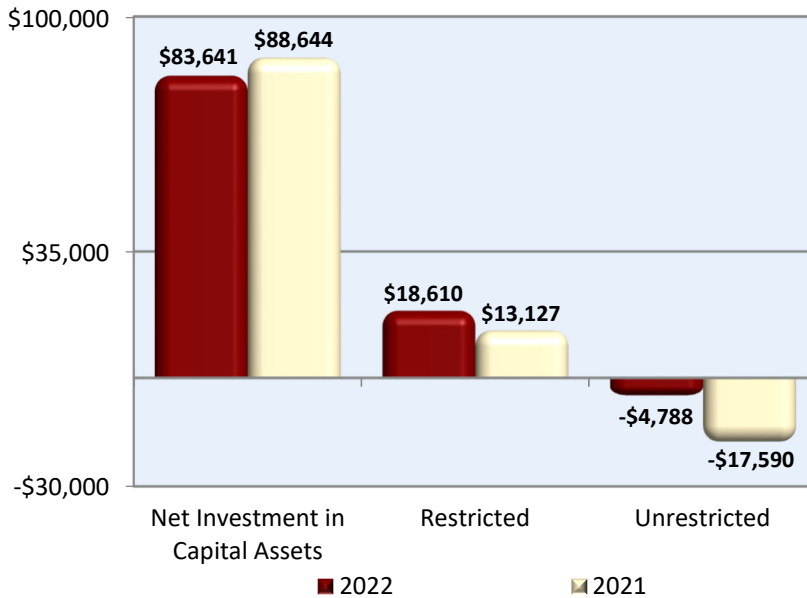
FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$141.1 million at June 30, 2022. This balance reflects a \$7.7 million, or 5.8 percent, increase as compared to the 2020-21 fiscal year, resulting primarily from an increase in construction in progress. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources decreased by \$5.6 million, or 11.3 percent, totaling \$43.7 million at June 30, 2022, primarily resulting from a \$16.6 million decrease in net pension liability and a \$12.5 million increase in the deferred inflows of resources for the Florida Retirement System (FRS) pension, and a \$1.6 million decrease in construction contracts payable. As a result, the College's net position increased by \$13.3 million, resulting in a year-end balance of \$97.5 million.

The College's operating revenues totaled \$13.3 million for the 2021-22 fiscal year, representing a \$1.5 million, or 10.1 percent, decrease compared to the 2020-21 fiscal year primarily due to a \$1.7 million decrease in grants and contracts. Operating expenses totaled \$72.3 million for the 2021-22 fiscal year. This reflects a \$3.8 million, or 5.6 percent, increase over to the 2020-21 fiscal year due primarily to an \$8.2 million increase in contractual services offset by a decrease of \$4.4 million in personnel services.

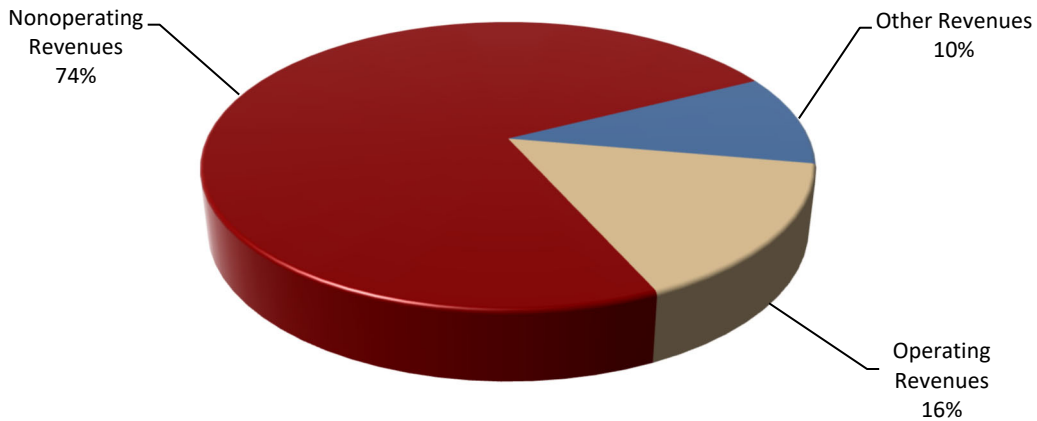
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2022, and June 30, 2021, is shown in the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

**Net Position
(In Thousands)**



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

**Total Revenues
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, provide information on the College as a whole, present a long-term view of the College’s finances, and include the following entities:

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

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

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	College		Component Unit	
	6-30-22	6-30-21	12-31-21	12-31-20
Assets				
Current Assets	\$ 28,795	\$ 24,855	\$ 8,214	\$ 6,894
Capital Assets, Net	94,139	88,892	22,543	21,298
Other Noncurrent Assets	11,248	10,408	95,578	87,058
Total Assets	<u>134,182</u>	<u>124,155</u>	<u>126,335</u>	<u>115,250</u>
Deferred Outflows of Resources	<u>6,953</u>	<u>9,280</u>	-	-
Liabilities				
Current Liabilities	4,507	5,681	642	869
Noncurrent Liabilities	24,619	41,860	303	729
Total Liabilities	<u>29,126</u>	<u>47,541</u>	<u>945</u>	<u>1,598</u>
Deferred Inflows of Resources	<u>14,546</u>	<u>1,713</u>	<u>125</u>	<u>164</u>
Net Position				
Net Investment in Capital Assets	83,641	88,644	22,543	20,813
Restricted	18,610	13,127	83,466	75,484
Unrestricted	(4,788)	(17,590)	19,256	17,191
Total Net Position	<u>\$ 97,463</u>	<u>\$ 84,181</u>	<u>\$ 125,265</u>	<u>\$ 113,488</u>
Change in Net Position	<u>\$ 13,282</u>	15.8%	<u>\$ 11,777</u>	10.4%

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

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

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

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

(In Thousands)

	College		Component Unit	
	6-30-22	6-30-21	12-31-21	12-31-20
Operating Revenues	\$ 13,283	\$ 14,774	\$ 3,852	\$ 1,396
Less, Operating Expenses	72,301	68,489	903	4,421
Operating Income (Loss)	(59,018)	(53,715)	2,949	(3,025)
Net Nonoperating Revenues	63,542	49,307	5,714	7,852
Income (Loss) Before Other Revenues	4,524	(4,408)	8,663	4,827
Other Revenues	8,758	2,364	3,114	5,798
Net Increase (Decrease) In Net Position	13,282	(2,044)	11,777	10,625
Net Position, Beginning of Year	84,181	86,225	113,488	102,863
Net Position, End of Year	<u>\$ 97,463</u>	<u>\$ 84,181</u>	<u>\$ 125,265</u>	<u>\$ 113,488</u>

Operating Revenues

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

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

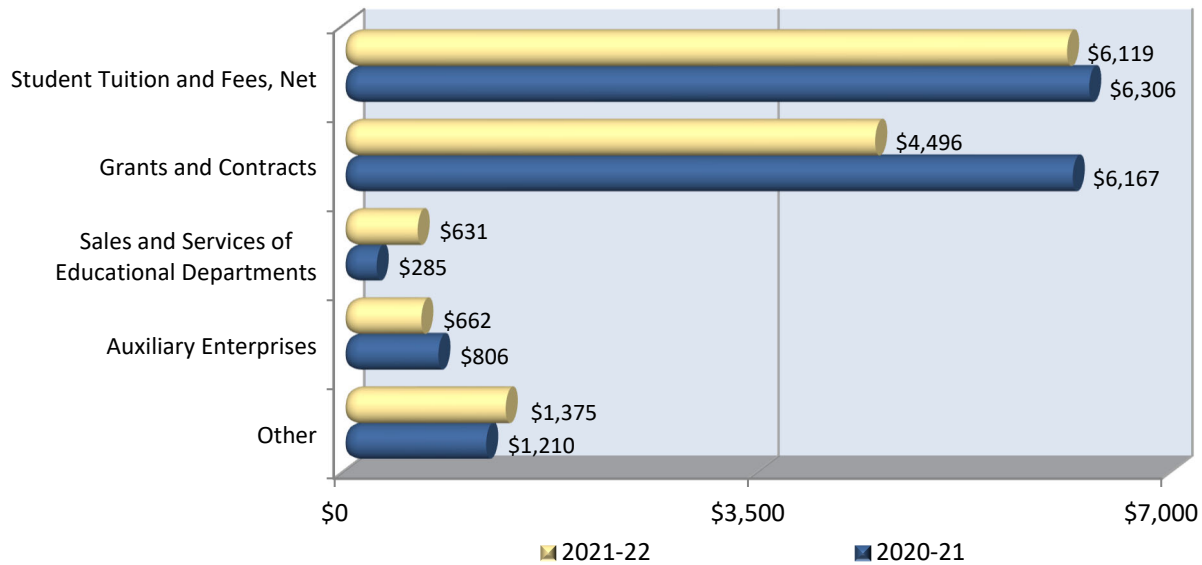
**Operating Revenues
For the Fiscal Years Ended**

(In Thousands)

	College		Component Unit	
	6-30-22	6-30-21	12-31-21	12-31-20
Student Tuition and Fees, Net	\$ 6,119	\$ 6,306	\$ -	\$ -
Grants and Contracts	4,496	6,167	-	-
Sales and Services of Educational Departments	631	285	-	-
Auxiliary Enterprises	662	806	3,852	1,396
Other	1,375	1,210	-	-
Total Operating Revenues	<u>\$ 13,283</u>	<u>\$ 14,774</u>	<u>\$ 3,852</u>	<u>\$ 1,396</u>

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

Operating Revenues
(In Thousands)



Operating Expenses

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

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

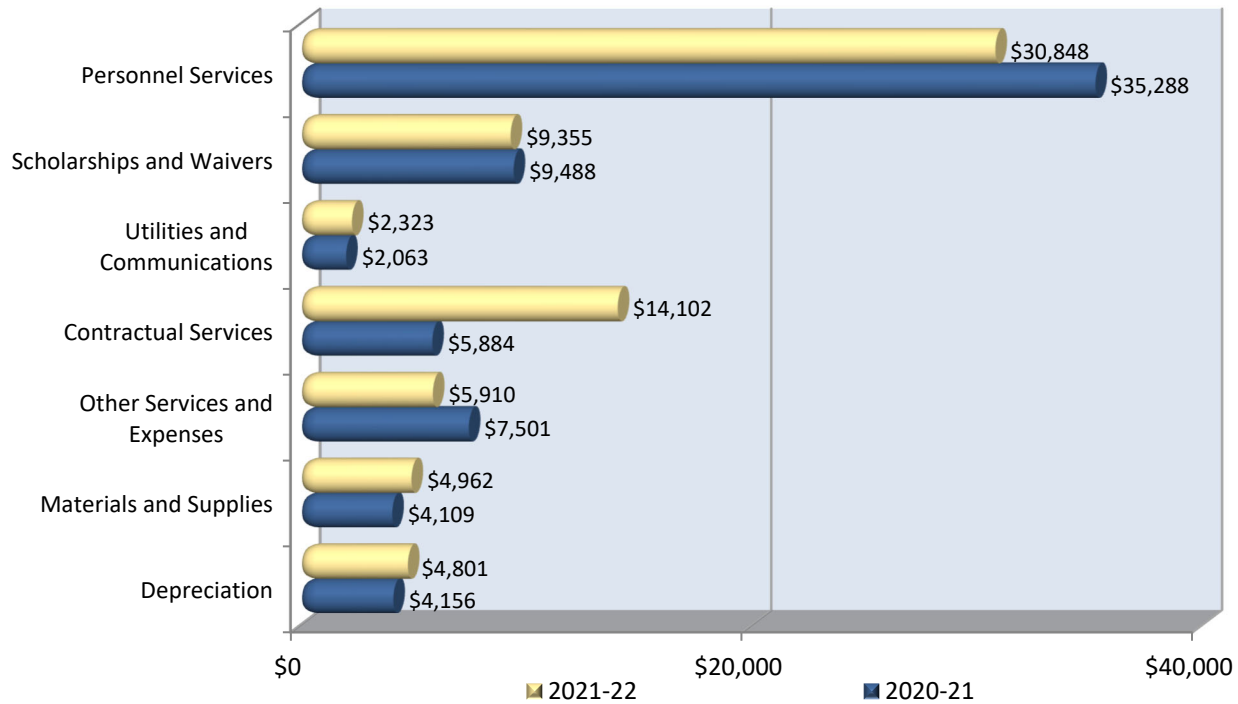
**Operating Expenses
For the Fiscal Years**

(In Thousands)

	College		Component Unit	
	6-30-22	6-30-21	12-31-21	12-31-20
Personnel Services	\$ 30,848	\$ 35,288	\$ -	\$ -
Scholarships and Waivers	9,355	9,488	903	743
Utilities and Communications	2,323	2,063	-	-
Contractual Services	14,102	5,884	-	-
Other Services and Expenses	5,910	7,501	-	3,678
Materials and Supplies	4,962	4,109	-	-
Depreciation	4,801	4,156	-	-
Total Operating Expenses	\$ 72,301	\$ 68,489	\$ 903	\$ 4,421

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

Operating Expenses
(In Thousands)



College operating expense changes were primarily the result of an increase in contractual services of \$8.2 million for a disbursement to students with Higher Education Emergency Relief Fund (HEERF) funds.

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)

	<u>2021-22</u>	<u>2020-21</u>
State Noncapital Appropriations	\$ 30,375	\$ 26,368
Federal and State Student Financial Aid	23,469	15,516
Gifts and Grants	9,672	7,292
Investment Income	251	309
Gain on Disposal of Capital Assets	16	1
Interest on Capital Asset-Related Debt	(241)	(179)
Net Nonoperating Revenues	<u>\$ 63,542</u>	<u>\$ 49,307</u>

The College's net nonoperating revenues increased by \$14.2 million when compared to the 2020-21 fiscal year due mainly to an increase in Federal and State student financial aid of \$8 million HEERF funds.

Other Revenues

This category is mainly composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2021-22 and 2020-21 fiscal years:

Other Revenues For the Fiscal Years		
(In Thousands)		
	2021-22	2020-21
State Capital Appropriations	\$ 6,543	\$ 153
Capital Grants, Contracts, Gifts, and Fees	1,549	1,693
Other Revenues	666	518
Total	\$ 8,758	\$ 2,364

Changes in other revenues were the result of a \$6.4 million increase in State capital appropriations.

The Statement of Cash Flows

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

The following summarizes the College's cash flows for the 2021-22 and 2020-21 fiscal years:

Condensed Statement of Cash Flows For the Fiscal Years		
(In Thousands)		
	2021-22	2020-21
Cash Provided (Used) by:		
Operating Activities	\$ (54,803)	\$ (45,595)
Noncapital Financing Activities	64,150	49,818
Capital and Related Financing Activities	(8,512)	6,986
Investing Activities	246	326
Net Increase in Cash and Cash Equivalents	1,081	11,535
Cash and Cash Equivalents, Beginning of Year	29,773	18,238
Cash and Cash Equivalents, End of Year	\$ 30,854	\$ 29,773

Major sources of funds came from net student tuition and fees (\$6 million), grants and contracts (\$6.2 million), State noncapital appropriations (\$30.4 million), Federal and State student financial aid (\$23.4 million), and State capital appropriations (\$1.7 million). Major uses of funds were for payments to suppliers (\$25.4 million), payments to employees and for employee benefits (\$32.8 million), payments for scholarships (\$9.4 million), and purchases of capital assets (\$11.2 million).

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

- The College's cash outflow from operating activities increased by \$9.2 million primarily due to a \$8.6 million increase in payments to suppliers.
- The College's cash inflow from noncapital financing activities increased by \$14.3 million due to a \$4 million increase in State noncapital appropriations, a \$2.4 million increase in gifts and grants, and a \$7.8 million increase in Federal and State student financial aid.
- The College's cash inflow from capital and related financing activities decreased by \$15.5 million primarily due to a \$10.1 million decrease in proceeds from capital debt, offset by a \$4 million increase in purchases of capital assets.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION
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Capital Assets

At June 30, 2022, the College had \$173.8 million in capital assets, less accumulated depreciation of \$79.7 million, for net capital assets of \$94.1 million. Depreciation charges for the current fiscal year totaled \$4.8 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)		
	2022	2021
Land	\$ 15,804	\$ 15,804
Construction in Progress	18,141	9,863
Buildings	54,521	57,602
Other Structures and Improvements	4,537	4,674
Furniture, Machinery, and Equipment	1,136	949
Capital Assets, Net	\$ 94,139	\$ 88,892

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2022, were incurred on the energy savings performance contract. The College's construction commitments at June 30, 2022, are as follows:

	Amount (In Thousands)
Total Committed	\$ 22,348
Completed to Date	<u>(18,141)</u>
Balance Committed	<u>\$ 4,207</u>

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

Debt Administration

As of June 30, 2022, the College had \$9.8 million in outstanding installment-purchase payable in long-term liabilities, representing a 2.7 percent decrease from the prior fiscal year.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College’s economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2022-23 fiscal year. The College’s current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Charles A. Prince, Jr., Vice President of Administration and Finance, College of Central Florida, 3001 SW College Road, Ocala, Florida 34474.

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BASIC FINANCIAL STATEMENTS

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

June 30, 2022

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 16,810,647	\$ 6,069,635
Restricted Cash and Cash Equivalents	3,090,110	-
Cash with Escrow Agent	586,565	-
Restricted Investments	160,436	-
Accounts Receivable	1,206,903	-
Due from Other Governmental Agencies	5,996,781	-
Due from Component Unit	132,709	-
Inventories	20,893	-
Prepaid Expenses	790,374	122,861
Other Assets	-	2,022,000
Total Current Assets	28,795,418	8,214,496
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	10,367,491	1,814,883
Restricted Investments	600,000	93,659,026
Due from Component Unit	280,343	-
Depreciable Capital Assets, Net	60,193,619	3,104,082
Nondepreciable Capital Assets	33,945,239	19,438,547
Other Assets	-	104,363
Total Noncurrent Assets	105,386,692	118,120,901
TOTAL ASSETS	134,182,110	126,335,397
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	313,272	-
Pensions	6,639,930	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,953,202	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,250,780	446,450
Salary and Payroll Taxes Payable	1,093,181	-
Retainage Payable	627,993	-
Due to Other Governmental Agencies	8,165	-
Unearned Revenue	483,992	37,647
Deposits Held for Others	298,361	52,462
Long-Term Liabilities - Current Portion:		
Loan Payable to College	-	100,000
Installment-Purchase Payable	432,051	-
Compensated Absences Payable	251,807	-
Other Postemployment Benefits Payable	22,558	-
Net Pension Liability	37,763	-
Other Long-Term Liabilities	-	6,100
Total Current Liabilities	4,506,651	642,659

	<u>College</u>	<u>Component Unit</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Loan Payable to College	-	280,343
Installment Purchase Payable	9,412,581	-
Compensated Absences Payable	3,500,908	-
Other Postemployment Benefits Payable	582,907	-
Net Pension Liability	11,122,399	-
Other Long-Term Liabilities	-	22,934
Total Noncurrent Liabilities	<u>24,618,795</u>	<u>303,277</u>
TOTAL LIABILITIES	<u>29,125,446</u>	<u>945,936</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	447,006	-
Pensions	14,099,417	-
Irrevocable Split-Interest Agreements	-	124,880
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,546,423</u>	<u>124,880</u>
NET POSITION		
Net Investment in Capital Assets	83,640,742	22,542,629
Restricted:		
Nonexpendable:		
Endowment	600,000	80,019,135
Expendable:		
Endowment	-	3,446,944
Grants and Loans	1,554,662	-
Scholarships	146,760	-
Capital Projects	16,308,975	-
Unrestricted	<u>(4,787,696)</u>	<u>19,255,873</u>
TOTAL NET POSITION	<u>\$ 97,463,443</u>	<u>\$ 125,264,581</u>

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

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COLLEGE OF CENTRAL FLORIDA
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2022

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$6,519,353	\$ 6,119,106	\$ -
Federal Grants and Contracts	2,200,927	-
State and Local Grants and Contracts	192,296	-
Nongovernmental Grants and Contracts	2,102,656	-
Sales and Services of Educational Departments	631,022	-
Auxiliary Enterprises	662,447	3,851,821
Other Operating Revenues	1,374,602	-
Total Operating Revenues	13,283,056	3,851,821
EXPENSES		
Operating Expenses:		
Personnel Services	30,848,386	-
Scholarships and Waivers	9,354,978	903,054
Utilities and Communications	2,322,988	-
Contractual Services	14,102,339	-
Other Services and Expenses	5,909,788	-
Materials and Supplies	4,961,425	-
Depreciation	4,801,187	-
Total Operating Expenses	72,301,091	903,054
Operating Income (Loss)	(59,018,035)	2,948,767
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	30,374,572	-
Federal and State Student Financial Aid	23,469,361	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	9,671,954	-
Investment Income	250,729	10,709,880
Other Nonoperating Revenues	-	1,521,586
Gain on Disposal of Capital Assets	15,687	-
Interest on Capital Asset-Related Debt	(240,607)	(28,620)
Other Nonoperating Expenses	-	(6,488,436)
Net Nonoperating Revenues	63,541,696	5,714,410
Income Before Other Revenues	4,523,661	8,663,177
State Capital Appropriations	6,543,115	-
Capital Grants, Contracts, Gifts, and Fees	1,548,928	1,392,689
Additions to Endowments	666,298	1,720,949
Total Other Revenues	8,758,341	3,113,638
Increase in Net Position	13,282,002	11,776,815
Net Position, Beginning of Year	84,181,441	113,487,766
Net Position, End of Year	\$ 97,463,443	\$ 125,264,581

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

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

For the Fiscal Year Ended June 30, 2022

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 6,032,613
Grants and Contracts	6,226,148
Payments to Suppliers	(25,393,227)
Payments for Utilities and Communications	(2,322,988)
Payments to Employees	(25,241,766)
Payments for Employee Benefits	(7,519,908)
Payments for Scholarships	(9,350,602)
Auxiliary Enterprises	765,255
Sales and Services of Educational Departments	631,022
Other Receipts	1,370,875
	(54,802,578)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	30,374,572
Federal and State Student Financial Aid	23,437,412
Federal Direct Loan Program Receipts	6,723,113
Federal Direct Loan Program Disbursements	(6,723,113)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	9,671,954
Private Gifts for Endowment Purposes	666,298
	64,150,236
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,653,744
Capital Grants and Gifts	1,548,928
Proceeds from Sale of Capital Assets	15,687
Purchases of Capital Assets	(11,215,959)
Principal Paid on Capital Debt and Leases	(274,843)
Interest Paid on Capital Debt and Leases	(239,413)
	(8,511,856)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	245,905
	1,081,707
Net Increase in Cash and Cash Equivalents	29,773,106
Cash and Cash Equivalents, Beginning of Year	29,773,106
	\$ 30,854,813
Cash and Cash Equivalents, End of Year	\$ 30,854,813

	<u>College</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (59,018,035)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	4,801,187
Changes in Assets, Liabilities, Deferred Outflows of Resources,	
and Deferred Inflows of Resources:	
Receivables, Net	29,292
Due from Other Governmental Agencies	1,141,768
Due from Component Unit	109,393
Due to Other Governmental Agencies	7,608
Inventories	13,701
Prepaid Expenses	(53,490)
Other Assets	17,521
Accounts Payable	(393,372)
Salaries and Payroll Taxes Payable	(202,630)
Unearned Revenue	483,992
Deposits Held for Others	(28,856)
Compensated Absences Payable	189,018
Other Postemployment Benefits Payable	(412,990)
Net Pension Liability	(16,647,178)
Deferred Outflows of Resources Related to Other Postemployment Benefits	49,478
Deferred Inflows of Resources Related to Other Postemployment Benefits	430,646
Deferred Outflows of Resources Related to Pensions	2,277,579
Deferred Inflows of Resources Related to Pensions	12,402,790
	<u>\$ (54,802,578)</u>
NET CASH USED BY OPERATING ACTIVITIES	
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES	
Unrealized gains on investments were recognized as an increase to investment	
income on the statement of revenues, expenses, and changes in net position, but	
are not cash transactions for the statement of cash flows.	\$ 36,138

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

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

The Center was audited by other auditors pursuant to Section 1004.70(6), Florida Statutes, and the audited financial statements are available to the public at the College. The financial data blended within the College's accompanying financial statements was derived from the Center's audited financial statements for the fiscal year ended December 31, 2021. Condensed financial statements for the College's blended component unit are shown in a subsequent note.

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2021.

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

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

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

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

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

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

contracts; and investment income (net of unrealized gains or losses on investments). Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

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

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

Cash and Cash Equivalents – College. The amounts reported as cash and cash equivalents consist of cash on hand, cash in demand accounts, cash with escrow agent, and cash invested with the State Treasury Special Purpose Investment Account (SPIA) and the State Board of Administration (SBA) Florida PRIME investment pools. For reporting cash flows, the College 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 (FDIC), 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 \$27,574,317 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 3.). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 2.66 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 \$1,240,240 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.

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

Cash deposits in excess of FDIC limits at individual financial institutions and cash held in money market accounts are uninsured. Management does not consider this risk significant. Certain investments are held in brokerage house investment accounts that are not insured by the FDIC. Cash and cash

equivalents, including cash and cash equivalents held in endowment, were held by depositories and the bank balances totaled \$7,884,518 at December 31, 2021.

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

- Buildings – 10 or 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, and Educational Equipment – 5 years
 - Furniture – 3 to 7 years

Capital Assets – Discretely Presented Component Unit. The Foundation’s land, buildings, and equipment are stated at cost except for donated property, which is stated at fair market value at the date of donation, and is net of accumulated depreciation of \$3,620,657. The Foundation depreciates buildings and equipment using the straight-line method over estimated lives ranging from 5 years for most equipment to 40 years for buildings.

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

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

2. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (10,290,587)
Auxiliary Funds	5,502,891
Total	\$ (4,787,696)

3. Investments

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

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

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

The Appleton Cultural Center, Inc.

The Center (blended component unit) categorizes the fair value measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant observable inputs, which is based on matrix pricing model, and Level 3 inputs are significant unobservable inputs and were evaluated using curve-based approach. Investments of the Center totaling \$760,436 are carried at fair market value measured with Level 2 inputs and consist of mutual funds invested in United States Government securities. As of December 31, 2021, the mutual fund carried a credit rating of AAA by Standard & Poor's and had a WAM of 4.41 years. A \$600,000 nonexpendable principal balance is maintained in the Center's State of Florida Cultural Endowment Fund while the remaining \$160,436 current portion is classified as restricted.

Discretely Presented Component Unit.

Investments of the Foundation at December 31, 2021, include endowed investments of \$91,682,945 in United States Government securities and corporate debt securities and equities, reported at fair value based on quoted market prices, and non-endowed investments of \$1,976,081 held for various unrestricted and restricted purposes, reported at fair value.

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

<u>Endowment Investment</u>	<u>Maturity (Years)</u>	<u>Credit Rating</u>	<u>Fair Value</u>
Edith Marie Appleton Endowment:			
Government/Corporate Bonds	5.51	AA	\$ 799,368
High Yield Bonds	5.02	B	321,108
Equities	(1)	(1)	3,812,149
Global Real Estate	(1)	(1)	86,816
Total Edith Marie Appleton Endowment			<u>5,019,441</u>
Arthur Appleton Endowment:			
Government/Corporate Bonds	5.51	AA	2,667,557
High Yield Bonds	5.02	B	1,071,574
Equities	(1)	(1)	12,645,037
Global Real Estate	(1)	(1)	289,721
Total Arthur Appleton Endowment			<u>16,673,889</u>
Other Endowment Investments:			
Investment Grade Fixed Income	5.55	AA	15,006,379
Non-Investment Grade Fixed Income	4.12	BB	3,367,039
Investment Bonds	9.95	BB	3,071,255
U.S. Equity Funds	(1)	(1)	20,940,061
Equities	(1)	(1)	22,866,161
Hedge Funds	(1)	(1)	4,738,720
Total Other Endowment Investments			<u>69,989,615</u>
Total Endowment Investments			<u>\$91,682,945</u>

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

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

<u>Investments</u>	<u>Weighted-Average Maturity or Duration (Years)</u>	<u>Credit Quality Rating</u>	<u>Fair Value</u>
Non-Endowed Investments:			
Investment Grade Fixed Income	4.86	AA	\$1,618,936
Non-Investment Grade Fixed Income	4.14	BB	200,632
Investment	9.95	BB	156,513
Total Non-Endowed Investments			<u>\$1,976,081</u>

The following risks apply to the Foundation's investments:

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

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

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

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

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of investment in a single issuer. Disclosure of any issuer of investments that in the aggregate is 5 percent or more of the portfolio is required to be disclosed as a concentration of credit risk. As of December 31, 2021, there were no concentrations of credit risk.

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

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

4. Accounts Receivable

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

5. Due From Other Governmental Agencies

The amount due from other governmental agencies consists of \$5.6 million of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$396,781 due from State and Federal agencies for grant expenditures.

6. Due From and To Component Unit

The College's financial statements are reported for the fiscal year ended June 30, 2022, and the financial statements of the Foundation (discretely presented component unit) are reported for the fiscal year ended December 31, 2021. Accordingly, on the statement of net position, the amount (current) due from component unit of \$132,709 reported by the College does not agree with the amount of loan payable to the College of \$100,000 reported by the Foundation. However, on the statement of net position, the amount (noncurrent) due from component unit reported by the College pursuant to a limited pledge agreement, as explained in Note 8., agrees with the amount (noncurrent) loan payable to the College reported by the Foundation of \$280,343. This is because any advances to the Foundation were completed before December 31, 2021.

7. 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>Adjustments (1)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:					
Land	\$ 15,803,849	\$ -	\$ -	\$ -	\$ 15,803,849
Construction in Progress	9,862,690	-	8,278,700	-	18,141,390
Total Nondepreciable Capital Assets	\$ 25,666,539	\$ -	\$ 8,278,700	\$ -	\$ 33,945,239
Depreciable Capital Assets:					
Buildings	\$ 112,366,413	\$ -	\$ -	\$ 3,599,906	\$ 108,766,507
Other Structures and Improvements	20,763,443	-	901,839	-	21,665,282
Furniture, Machinery, and Equipment	8,814,889	-	871,858	226,214	9,460,533
Total Depreciable Capital Assets	141,944,745	-	1,773,697	3,826,120	139,892,322
Less, Accumulated Depreciation:					
Buildings	54,764,756	808,447	2,272,357	3,599,906	54,245,654
Other Structures and Improvements	16,089,843	-	1,038,790	-	17,128,633
Furniture, Machinery, and Equipment	7,865,332	-	681,593	222,509	8,324,416
Total Accumulated Depreciation	78,719,931	808,447	3,992,740	3,822,415	79,698,703
Total Depreciable Capital Assets, Net	\$ 63,224,814	\$ (808,447)	\$ (2,219,043)	\$ 3,705	\$ 60,193,619

(1) Buildings were adjusted to account for the College's re-evaluation of the assets' salvage value.

Capital assets activity of the Foundation (discretely presented component unit) for the fiscal year ended December 31, 2021, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 805,491	\$ -	\$ -	\$ 805,491
Works of Art and Historical Treasures	17,240,367	1,392,689	-	18,633,056
Total Nondepreciable Capital Assets	\$ 18,045,858	\$ 1,392,689	\$ -	\$ 19,438,547
Depreciable Capital Assets:				
Buildings	\$ 6,652,745	\$ 32,205	\$ -	\$ 6,684,950
Furniture, Machinery, and Equipment	39,789	-	-	39,789
Total Depreciable Capital Assets	6,692,534	32,205	-	6,724,739
Less, Accumulated Depreciation:				
Buildings	3,401,062	179,806	-	3,580,868
Furniture, Machinery, and Equipment	39,789	-	-	39,789
Total Accumulated Depreciation	3,440,851	179,806	-	3,620,657
Total Depreciable Capital Assets, Net	\$ 3,251,683	\$ (147,601)	\$ -	\$ 3,104,082

8. Long-Term Liabilities

Long-term liabilities activity of the College 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>
Installment-Purchase Payable	\$ 10,119,475	\$ -	\$ 274,843	\$ 9,844,632	\$ 432,051
Compensated Absences Payable	3,563,697	388,422	199,404	3,752,715	251,807
Other Postemployment Benefits Payable	1,018,455	104,512	517,502	605,465	22,558
Net Pension Liability	27,807,340	6,412,569	23,059,747	11,160,162	37,763
Total Long-Term Liabilities	\$ 42,508,967	\$ 6,905,503	\$ 24,051,496	\$ 25,362,974	\$ 744,179

Long-term liabilities activities of the Foundation (discretely presented component unit) for the fiscal year ended December 31, 2021, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Enterprise Center Revenue Bonds	\$ 484,998	\$ -	\$ 484,998	\$ -	\$ -
Loan Payable to College	580,343	-	200,000	380,343	100,000
Other Long-Term Liabilities	43,367	-	14,333	29,034	6,100
Total Long-Term Liabilities	\$ 1,108,708	\$ -	\$ 699,331	\$ 409,377	\$ 106,100

Loan Payable to College – Foundation. On January 1, 1994, the College entered into a limited pledge agreement with the Foundation (discretely presented component unit) to assist the Foundation with unfunded debt service payments associated with the Foundation’s financing of a student housing facility. In December 2003, the Foundation legally obligated itself to the College in the form of an uncollateralized,

noninterest bearing advance for amounts provided by the College. During the Foundation's fiscal year ended December 31, 2021, the payable to the College was decreased \$200,000 for the payment made to the College from the Foundation for the repayment of the Loan.

Annual requirements to amortize the outstanding loan as of December 31, 2021, are as follows:

<u>Fiscal Year</u> <u>Ending December 31</u>	<u>Amount</u>
2022	\$ 100,000
2023	100,000
2024	180,343
Total	\$ 380,343

Installment-Purchase Payable. On September 25, 2020, the College entered into an installment purchase agreement for the purchase of equipment reported at \$10,119,475. The stated interest rate is 2.375 percent. Future minimum payments remaining under the installment-purchase agreement and the present value of the minimum payments as of June 30, 2022, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2023	\$ 662,074
2024	666,765
2025	666,765
2026	666,765
2027	666,765
2028-2032	3,333,826
2033-2037	3,333,826
2038-2041	2,164,286
Total Minimum Payments	12,161,072
Less, Amount Representing Interest	(2,316,440)
Present Value of Minimum Payments	\$ 9,844,632

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 \$3,752,715. The current portion of the compensated absences liability, \$251,807, 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 life insurance benefits. The College subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. The OPEB Plan contribution requirements and benefit terms of the College and the OPEB Plan members are established and may be amended by action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	46
Inactive Employees Entitled to But Not Yet Receiving Benefits	13
Active Employees	<u>364</u>
Total	<u><u>423</u></u>

Total OPEB Liability

The College’s total OPEB liability of \$605,465 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	2.40 percent
Real wage growth	0.85 percent
Wage inflation	3.25 percent
Salary increases, including inflation	
Regular Employees	3.40 percent – 7.80 percent
Senior Management	4.10 percent – 8.20 percent
Discount rate	
Prior Measurement Date	2.21 percent
Measurement Date	2.16 percent
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

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

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

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 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

	Amount
Balance at 6/30/21	<u>\$ 1,018,455</u>
Changes for the year:	
Service Cost	69,810
Interest	23,669
Differences Between Expected and Actual Experience	(482,804)
Changes in Assumptions or Other Inputs	11,033
Benefit Payments	<u>(34,698)</u>
Net Changes	<u>(412,990)</u>
Balance at 6/30/22	<u><u>\$ 605,465</u></u>

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.

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	\$700,672	\$605,465	\$532,208

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	\$503,868	\$605,465	\$743,707

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 \$88,914. 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	\$ 98,204	\$ 433,739
Change of assumptions or other inputs	193,288	13,267
Transactions subsequent to the measurement date	21,780	-
Total	<u>\$ 313,272</u>	<u>\$ 447,006</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$21,780 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the fiscal year ended June 30, 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	\$ (4,565)
2024	(4,565)
2025	(4,565)
2026	(4,443)
2027	(2,489)
Thereafter	<u>(134,887)</u>
Total	<u>\$ (155,514)</u>

Net Pension Liability. As a participating employer in the FRS, the College recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2022, the College's proportionate share of the net pension liabilities totaled \$11,160,162. Note 9. includes a complete discussion of defined benefit pension plans.

9. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

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

The College's FRS and HIS pension expense totaled \$353,614 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* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable

service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2021-22 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
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 \$1,847,398 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 \$3,657,855 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 0.048417816 percent, which was an increase of 0.002016788 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 \$97,886. 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	\$ 626,887	\$ -
Change of assumptions	2,253,964	-
Net difference between projected and actual earnings on FRS Plan investments	-	12,759,804
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	624,235	532,109
College FRS contributions subsequent to the measurement date	1,847,398	-
Total	\$ 5,352,484	\$ 13,291,913

The deferred outflows of resources totaling \$1,847,398, 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	\$ (1,766,743)
2024	(1,960,932)
2025	(2,592,517)
2026	(3,316,225)
2027	(150,410)
Total	\$ (9,786,827)

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%
Total	100.0%			
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	\$16,356,172	\$3,657,855	\$(6,958,187)

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 \$353,040 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

\$7,502,307 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 0.061160873 percent, which was a decrease of 0.001870279 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the College recognized pension expense of \$451,500. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 251,046	\$ 3,142
Change of assumptions	594,643	309,114
Net difference between projected and actual earnings on HIS Plan investments	7,821	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	80,896	495,248
College contributions subsequent to the measurement date	353,040	-
Total	\$ 1,287,446	\$ 807,504

The deferred outflows of resources totaling \$353,040, 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	\$ 40,136
2024	(62,733)
2025	38,792
2026	65,103
2027	38,787
Thereafter	6,817
Total	\$ 126,902

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	\$8,673,394	\$7,502,307	\$6,542,863

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

10. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements,

are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 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 \$788,685 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 \$78,920 and employee contributions totaled \$25,507 for the 2021-22 fiscal year.

11. Construction Commitments

The College’s construction commitments at June 30, 2022, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Health Sciences Building	\$ 3,366,807	\$ 3,366,807	\$ -
Dental Remodel	870,023	688,916	181,107
HS-Building 6 Remodel	5,991,915	2,276,125	3,715,790
ESPC Project (1)	12,119,474	11,809,542	309,932
Total	\$ 22,348,219	\$ 18,141,390	\$ 4,206,829

(1) Energy Savings Performance Contract (ESPC).

12. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to \$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.

13. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating

expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 18,926,033
Academic Support	3,357,643
Student Services	11,889,542
Institutional Support	13,487,993
Operation and Maintenance of Plant	10,069,119
Scholarships and Waivers	9,354,978
Auxiliary Enterprises	414,596
Depreciation	4,801,187
Total Operating Expenses	\$ 72,301,091

14. Blended Component Unit

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

Condensed Statement of Net Position

	Blended Component Unit		Total Primary Government
	The Appleton Cultural Center, Inc. 12-31-21	College 6-30-22	
Assets:			
Current Assets	\$ 160,436	\$ 28,634,982	\$ 28,795,418
Noncurrent Assets	600,000	104,786,692	105,386,692
Total Assets	760,436	133,421,674	134,182,110
Deferred Outflows of Resources	-	6,953,202	6,953,202
Liabilities:			
Current Liabilities	-	4,506,651	4,506,651
Noncurrent Liabilities	-	24,618,795	24,618,795
Total Liabilities	-	29,125,446	29,125,446
Deferred Inflows of Resources	-	14,546,423	14,546,423
Net Position:			
Net Investment in Capital Assets	-	83,640,742	83,640,742
Restricted - Nonexpendable	600,000	-	600,000
Restricted - Expendable	160,436	17,849,961	18,010,397
Unrestricted	-	(4,787,696)	(4,787,696)
Total Net Position	\$ 760,436	\$ 96,703,007	\$ 97,463,443

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

	Blended Component Unit		
	The Appleton Cultural Center, Inc. 12-31-21	College 6-30-22	Total Primary Government
Operating Revenues	\$ (22,372)	\$ 13,305,428	\$ 13,283,056
Depreciation Expense	-	(4,801,187)	(4,801,187)
Other Operating Expenses	(4,361)	(67,495,543)	(67,499,904)
Operating Loss	(26,733)	(58,991,302)	(59,018,035)
Nonoperating Revenues:			
Nonoperating Revenue	-	63,541,696	63,541,696
Other Revenues	-	8,758,341	8,758,341
Increase (Decrease) in Net Position	(26,733)	13,308,735	13,282,002
Net Position, Beginning of Year	787,169	83,394,272	84,181,441
Net Position, End of Year	\$ 760,436	\$ 96,703,007	\$ 97,463,443

Condensed Statement of Cash Flows

	Blended Component Unit		
	The Appleton Cultural Center, Inc. 12-31-21	College 6-30-22	Total Primary Government
Net Cash Provided (Used) by:			
Operating Activities	\$ 9,405	\$ (54,811,983)	\$ (54,802,578)
Noncapital Financing Activities	-	64,150,236	64,150,236
Capital and Related Financing Activities	-	(8,511,856)	(8,511,856)
Investing Activities	(9,405)	255,310	245,905
Net Increase in Cash and Cash Equivalents	-	1,081,707	1,081,707
Cash and Cash Equivalents, Beginning of Year	100	29,773,006	29,773,106
Cash and Cash Equivalents, End of Year	\$ 100	\$ 30,854,713	\$ 30,854,813

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 69,810	\$ 56,186	\$ 28,455	\$ 28,667	\$ 221,084
Interest	23,669	33,844	19,836	17,976	15,293
Difference between expected and actual experience	(482,804)	-	148,139	-	-
Changes of assumptions or other inputs	11,033	35,085	234,267	(9,689)	(17,959)
Benefit Payments	(34,698)	(34,581)	(30,393)	(28,320)	(32,226)
Net change in total OPEB liability	(412,990)	90,534	400,304	8,634	186,192
Total OPEB Liability - beginning	1,018,455	927,921	527,617	518,983	524,082
Total OPEB Liability - ending	\$ 605,465	\$ 1,018,455	\$ 927,921	\$ 527,617	\$ 710,274
Covered-Employee Payroll	\$ 17,404,837	\$ 17,708,513	\$ 17,708,513	\$ 18,345,342	\$ 17,918,365
Total OPEB Liability as a percentage of covered-employee payroll	3.48%	5.75%	5.24%	2.88%	3.96%

**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	0.048417816%	0.046401028%	0.047760312%	0.049091976%
College's proportionate share of the FRS net pension liability	\$ 3,657,855	\$ 20,110,890	\$ 16,447,987	\$ 14,786,758
College's covered payroll (2)	\$ 22,514,996	\$ 22,759,760	\$ 22,411,336	\$ 22,149,225
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	16.25%	88.36%	73.39%	66.76%
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	\$ 1,847,398	\$ 1,480,704	\$ 1,455,947	\$ 1,496,907
FRS contributions in relation to the contractually required contribution	<u>(1,847,398)</u>	<u>(1,480,704)</u>	<u>(1,455,947)</u>	<u>(1,496,907)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 22,117,688	\$ 22,514,996	\$ 22,759,760	\$ 22,411,336
FRS contributions as a percentage of covered payroll	8.35%	6.58%	6.40%	6.68%

(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>
0.047529748%	0.051305639%	0.055016381%	0.051934163%	0.048830117%
\$ 14,058,982	\$ 12,954,714	\$ 7,106,103	\$ 3,168,748	\$ 8,405,836
\$ 21,851,774	\$ 22,807,049	\$ 23,014,311	\$ 21,522,050	\$ 22,593,907
64.34%	56.80%	30.88%	14.72%	37.20%
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>
\$ 1,399,082	\$ 1,240,947	\$ 1,398,855	\$ 1,341,346	\$ 1,134,579
<u>(1,399,082)</u>	<u>(1,240,947)</u>	<u>(1,398,855)</u>	<u>(1,341,346)</u>	<u>(1,134,579)</u>
\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
\$ 22,149,225	\$ 21,851,774	\$ 22,807,049	\$ 23,014,311	\$ 21,522,050
6.32%	5.68%	6.13%	5.83%	5.27%

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

	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
College's proportion of the HIS net pension liability	0.061160873%	0.063031152%	0.064544800%	0.065467818%
College's proportionate share of the HIS net pension liability	\$ 7,502,307	\$ 7,696,450	\$ 7,221,917	\$ 6,929,187
College's covered payroll (2)	\$ 21,676,758	\$ 21,894,017	\$ 21,628,840	\$ 21,387,590
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	34.61%	35.15%	33.39%	32.40%
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	\$ 353,040	\$ 359,834	\$ 366,818	\$ 359,039
HIS contributions in relation to the contractually required HIS contribution	<u>(353,040)</u>	<u>(359,834)</u>	<u>(366,818)</u>	<u>(359,039)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 21,267,470	\$ 21,676,758	\$ 21,894,017	\$ 21,628,840
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.68%	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>
0.063877649%	0.068424178%	0.069100414%	0.065385575%	0.069790609%
\$ 6,830,101	\$ 7,974,554	\$ 7,047,155	\$ 6,113,711	\$ 6,076,190
\$ 21,111,407	\$ 21,965,149	\$ 21,971,078	\$ 20,483,450	\$ 21,448,007
32.35%	36.31%	32.07%	29.85%	28.33%
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>
\$ 355,034	\$ 338,039	\$ 350,646	\$ 264,145	\$ 223,989
<u>(355,034)</u>	<u>(338,039)</u>	<u>(350,646)</u>	<u>(264,145)</u>	<u>(223,989)</u>
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 21,387,590	\$ 21,111,407	\$ 21,965,149	\$ 21,971,078	\$ 20,483,450
1.66%	1.60%	1.60%	1.20%	1.09%

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

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

Changes of Assumptions. Changes of assumptions since the prior measurement date are as follows:

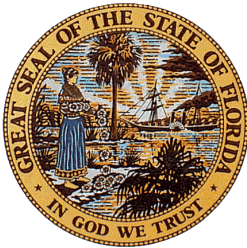
- The discount rate changed from 2.21 percent in 2020 to 2.16 percent in 2021.
- In 2021, the ultimate healthcare cost trend rate decreased from 4.6 to 4.4 percent.

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 College of Central Florida, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 March 30, 2023, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and discretely presented component units, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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
March 30, 2023

PRIOR AUDIT FOLLOW-UP

The College had taken corrective action for the finding included in our report No. 2022-175.