STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2021-107
January 2021

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA

For the Fiscal Year Ended
June 30, 2020

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2019-20 fiscal year, Dr. Carol Probstfeld served as President of State College of Florida, Manatee-Sarasota, and the following individuals served as Members of the Board of Trustees:

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 Saleemah R. Reshamwala, and the audit was supervised by Rachel P. Sellers, 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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STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether State College of Florida, Manatee-Sarasota and its officers with administrative and stewardship responsibilities for College operations had:

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2020. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

AUDIT METHODOLOGY

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

AUDITOR GENERAL
STATE OF FLORIDA

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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

Report on the Financial Statements

We have audited the accompanying financial statements of State College of Florida, Manatee-Sarasota, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of State College of Florida, Manatee-Sarasota and of its discretely presented component unit as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2021, on our consideration of the State College of Florida, Manatee-Sarasota'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 State College of Florida, Manatee-Sarasota's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
January 14, 2021

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, 2020, 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, 2020, and June 30, 2019.

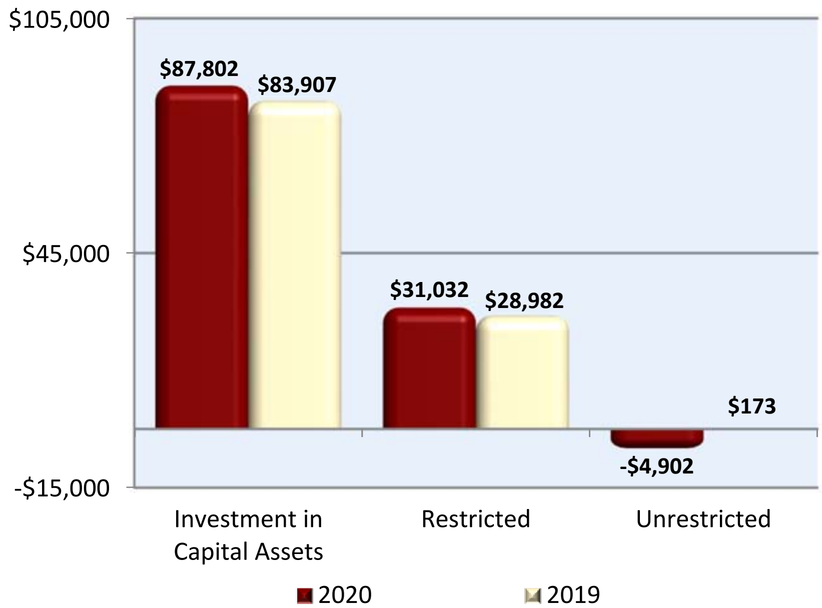
FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled $152.8 million at June 30, 2020. This balance reflects a $4.5 million, or 3 percent increase as compared to the 2018-19 fiscal year, resulting mainly from an increase in various capital projects and an increase in noncurrent restricted cash and cash equivalents. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources also increased by $3.6 million, or 10.2 percent, totaling $38.8 million at June 30, 2020, resulting from an increase in the College's net pension liability and an increase in accounts payable. As a result, the College's net position increased by $0.9 million, resulting in a year-end balance of $113.9 million.

The College's operating revenues totaled $21.3 million for the 2019-20 fiscal year, representing a 6.8 percent increase compared to the 2018-19 fiscal year due mainly to a $1.3 million increase in net student tuition and fees, resulting from a permanent change in reporting fee waivers as expenses versus netting against revenues. Operating expenses totaled $77.7 million for the 2019-20 fiscal year, representing an increase of 8.4 percent as compared to the 2018-19 fiscal year, due mainly to a $3 million increase in personnel services related to the Nursing Center for Excellence Program, an increase of $2.3 million in scholarships and waivers, resulting from a permanent change in reporting fee waivers as expenses versus netting against revenues, and a $0.7 million increase in materials and supplies, some of which was related to COVID-19 costs.

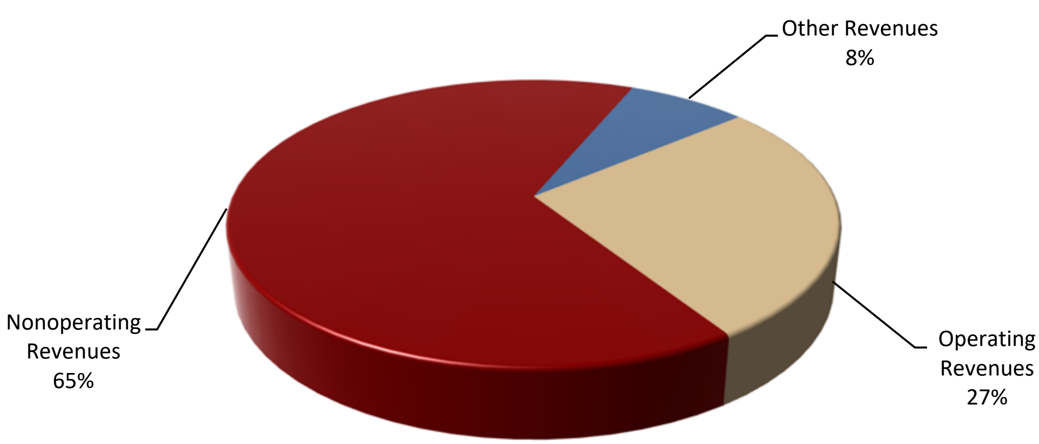
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2020, and June 30, 2019, is shown in the following graph:

Net Position
(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2019-20 fiscal year:

Total Revenues
2019-20 Fiscal Year



OVERVIEW OF FINANCIAL STATEMENTS

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

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

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	2020	2019
Assets		
Current Assets	$ 35,339	$ 35,395
Capital Assets, Net	87,802	83,907
Other Noncurrent Assets	21,201	19,344
Total Assets	144,342	138,646
Deferred Outflows of Resources	8,408	9,632
Liabilities		
Current Liabilities	7,703	6,273
Noncurrent Liabilities	28,485	26,255
Total Liabilities	36,188	32,528
Deferred Inflows of Resources	2,630	2,688
Net Position		
Investment in Capital Assets	87,802	83,907
Restricted	31,032	28,982
Unrestricted	(4,902)	173
Total Net Position	$ 113,932	$ 113,062

The increase of $5.7 million in the College's total assets is primarily due to an increase in capital projects and improvements and noncurrent restricted cash and cash equivalents. The increase of $3.7 million in the College's total liabilities is primarily due to an increase in the College's net pension liability and an increase in accounts payable. The above changes caused an increase of $0.9 million in total net position.

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

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

The following summarizes the College's activity for the 2019-20 and 2018-19 fiscal years:

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

(In Thousands)

	2019-20	2018-19
Operating Revenues	$ 21,284	$ 19,931
Less, Operating Expenses	77,695	71,694
Operating Loss	(56,411)	(51,763)
Net Nonoperating Revenues	51,403	46,283
Loss Before Other Revenues	(5,008)	(5,480)
Other Revenues	5,878	7,291
Net Increase In Net Position	870	1,811
Net Position, Beginning of Year	113,062	111,251
Net Position, End of Year	$ 113,932	$ 113,062

Operating Revenues

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

The following summarizes the operating revenues by source that were used to fund operating activities for the 2019-20 and 2018-19 fiscal years:

Operating Revenues
For the Fiscal Years

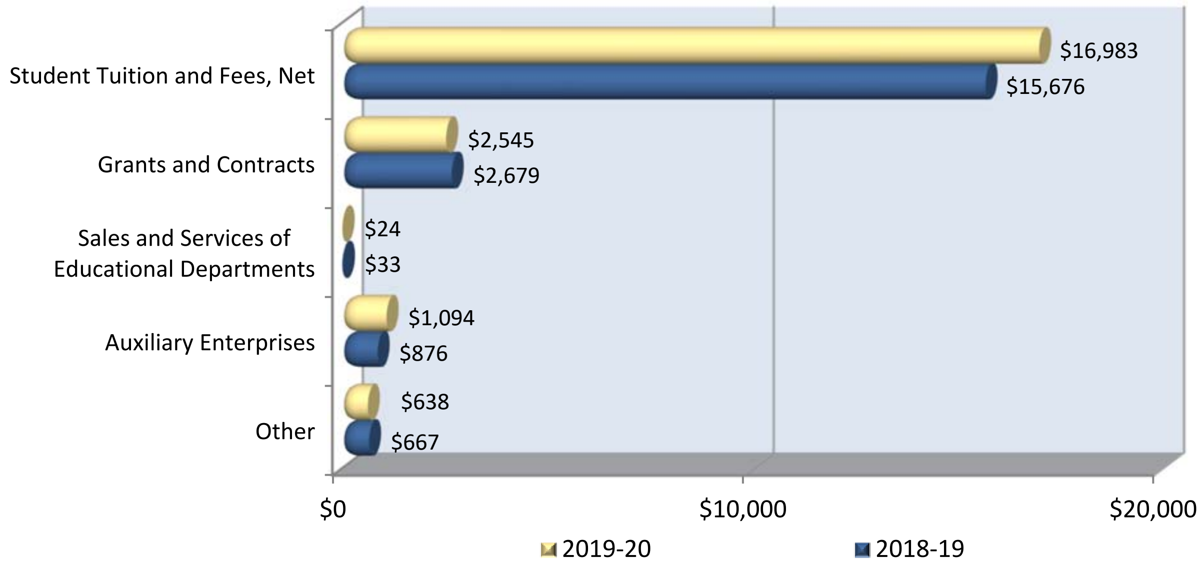
(In Thousands)

	2019-20	2018-19
Student Tuition and Fees, Net	$ 16,983	$ 15,676
Grants and Contracts	2,545	2,679
Sales and Services of Educational Departments	24	33
Auxiliary Enterprises	1,094	876
Other	638	667
Total Operating Revenues	$ 21,284	$ 19,931

The following chart presents the College's operating revenues for the 2019-20 and 2018-19 fiscal years:

Operating Revenues

(In Thousands)



For the 2019-20 fiscal year, College operating revenue increased $1.4 million over the 2018-19 fiscal year, due mainly to a $1.3 million increase in net student tuition and fees, resulting from a permanent change in reporting fee waivers as expenses versus netting against revenues.

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 2019-20 and 2018-19 fiscal years:

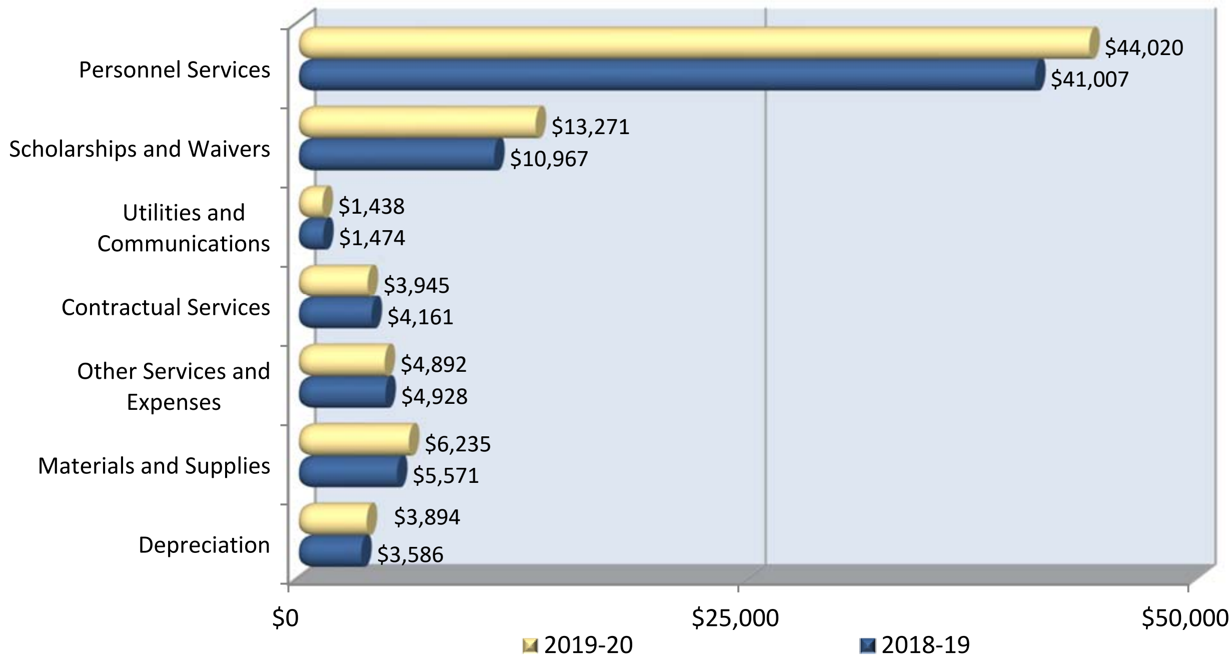
Operating Expenses
For the Fiscal Years

(In Thousands)

	2019-20	2018-19
Personnel Services	$ 44,020	$ 41,007
Scholarships and Waivers	13,271	10,967
Utilities and Communications	1,438	1,474
Contractual Services	3,945	4,161
Other Services and Expenses	4,892	4,928
Materials and Supplies	6,235	5,571
Depreciation	3,894	3,586
Total Operating Expenses	$ 77,695	$ 71,694

The following chart presents the College's operating expenses for the 2019-20 and 2018-19 fiscal years:

Operating Expenses
(In Thousands)



For the 2019-20 fiscal year, College operating expenses increased $6 million over the 2018-19 fiscal year, due mainly to a $3 million increase in personnel services including the non-recurring Nursing Center for Excellence, an increase of $2.3 million in scholarships and waivers, resulting from a permanent change in reporting fee waivers as expenses versus netting against revenues and a $0.7 million increase in materials and supplies, some of which was related to COVID-19 costs.

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 2019-20 and 2018-19 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2019-20	2018-19
State Noncapital Appropriations	$ 27,846	$ 25,239
Federal and State Student Financial Aid	17,204	15,220
Gifts and Grants	5,722	4,893
Investment Income	644	931
Gain (Loss) on Disposal of Capital Assets	(13)	1
Interest on Capital Asset-Related Debt	-	(1)
Net Nonoperating Revenues	$ 51,403	$ 46,283

Overall, nonoperating revenue increased by $5.1 million, primarily as a result of receiving a $2.2 million non-recurring State Noncapital Appropriation for the Nursing Center for Excellence, a $2 million increase in Federal and State Student Financial Aid and a $0.8 million increase in Gifts and Grants.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2019-20 and 2018-19 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2019-20	2018-19
State Capital Appropriations	$ 2,517	$ 5,238
Capital Grants, Contracts, Gifts, and Fees	3,361	2,053
Total	$ 5,878	$ 7,291

State Capital Appropriations decreased by $2.7 million as fewer new capital projects were funded in the 2019-20 fiscal year. Capital grants, contracts and gifts, and fees increased by $1.3 million due to an increase in Foundation funded projects.

The Statement of Cash Flows

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

The following summarizes the College's cash flows for the 2019-20 and 2018-19 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2019-20	**2018-19**
Cash Provided (Used) by:		
Operating Activities	$(51,271)	$(46,680)
Noncapital Financing Activities	50,746	45,369
Capital and Related Financing Activities	(238)	1,288
Investing Activities	644	931
Net Increase (Decrease) in Cash and Cash Equivalents	(119)	908
Cash and Cash Equivalents, Beginning of Year	44,564	43,656
Cash and Cash Equivalents, End of Year	$ 44,445	$ 44,564

Major sources of funds came from State noncapital appropriations ($27.8 million), State capital appropriations ($3.4 million), Federal and State student financial aid ($17.2 million), net student tuition and fees ($16.3 million), grants and contracts ($0.8 million), capital grants and gifts ($3.2 million), and noncapital gifts and grants ($5.7 million). Major uses of funds were for payments to employees and for employee benefits ($40.7 million), purchases of capital assets ($6.8 million), payments for scholarships ($13.3 million), and payments to suppliers ($14.9 million).

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

- The $4.6 million increase in cash used by operating activities is primarily the result of a $2.3 million increase in scholarships which is mainly due to a $2.7 million decrease in grants and contracts, a $1 million increase in tuition and fees, and a $0.9 million increase in salaries and benefits.
- The $5.4 million increase in cash provided by noncapital financing activities is primarily the result of a $2.6 million increase in State noncapital appropriation, a $2.1 million increase in Federal and State Student Financial Aid, and a $0.8 million increase in noncapital gifts and grants.

CAPITAL ASSETS AND CAPITAL EXPENSES AND COMMITMENTS

Capital Assets

At June 30, 2020, the College had $161.2 million in capital assets, less accumulated depreciation of $73.4 million, for net capital assets of $87.8 million. Depreciation charges for the current fiscal year totaled $3.9 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)

	2020	2019
Land	$ 4,831	$ 4,757
Artwork/Artifacts	40	40
Construction in Progress	7,197	15,973
Buildings	71,292	58,011
Other Structures and Improvements	2,552	2,853
Furniture, Machinery, and Equipment	1,890	2,263
Assets Under Capital Leases	-	10
Capital Assets, Net	$ 87,802	$ 83,907

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, 2020, were incurred on the following projects: Building 8 Renovation – Bradenton Campus ($1.9 million), Studio for Performing Arts – Bradenton Campus ($1.2 million), and the Science Building Renovation ($3.5 million). The College's construction commitments at June 30, 2020, are as follows:

	Amount (In Thousands)
Total Committed	$ 18,680
Completed to Date	7,197
Balance Committed	$ 11,483

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

For the 2020-21 fiscal year, the College did receive a $0.5 million or 2 percent increase in overall State funding for operations. However, since the College's economic condition is closely tied to that of the State of Florida, and given the negative economic growth linked to the COVID-19 pandemic, a decrease in State funding is anticipated. The College was recently informed by the Florida College System Chancellor's office that the Governor has authorized a holdback of operating appropriations which equates to a 6 percent holdback of program funds, student success incentive performance funds, and industry certifications. The College's 2020-21 fiscal year budget was prepared with an adequate amount of reserves to cover this potential decrease in State funding. Other than State appropriations, the College receives the majority of its other operating funds from student tuition and fees. While the 2020-21 fiscal year budget was based upon a 5 percent enrollment level decrease as compared to the prior fiscal year, the COVID-19 pandemic is expected to affect those enrollment levels even more. Despite the expected revenue reductions from the State and potential enrollment level declines, the College has adequate reserves coupled with budgetary reduction plans to help cover pandemic-related economic issues.

Additionally, the College was awarded $5,270,093 in Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funds which will continue to assist students in the form of emergency grant aid and also assist in enhancing online learning initiatives, cover certain technology needs, and address safety issues resulting from the pandemic so that all campuses can reopen safely for students and staff.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Finance and Administrative Services, State College of Florida, Manatee-Sarasota, 5840 26th Street West, Bradenton, Florida 34207.

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2020

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 15,498,850	$ 739,711
Restricted Cash and Cash Equivalents	7,749,104	-
Accounts Receivable, Net	2,860,225	6,000
Due from Other Governmental Agencies	6,637,283	-
Due from Component Unit	1,619,093	-
Inventories	15,105	-
Prepaid Expenses and Deposits	959,163	56,774
Total Current Assets	35,338,823	802,485
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	21,196,987	-
Investments	-	61,752,362
Depreciable Capital Assets, Net	75,733,794	-
Nondepreciable Capital Assets	12,067,882	-
Other Assets	4,307	2,618,570
Total Noncurrent Assets	109,002,970	64,370,932
TOTAL ASSETS	144,341,793	65,173,417
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	10,233	-
Pensions	8,398,266	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,408,499	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,170,325	24,896
Salary and Payroll Taxes Payable	3,082,365	-
Retainage Payable	417,345	-
Due to Other Governmental Agencies	50,505	-
Due to College	-	46,002
Unearned Revenue	107,714	74,271
Deposits Held for Others	557,225	-
Long-Term Liabilities - Current Portion:		
Special Termination Benefits Payable	95,940	-
Compensated Absences Payable	75,428	-
Other Postemployment Benefits Payable	10,233	-
Net Pension Liability	135,608	-
Total Current Liabilities	7,702,688	145,169

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Special Termination Benefits Payable	143,348	-
Compensated Absences Payable	3,018,691	-
Other Postemployment Benefits Payable	1,072,101	-
Net Pension Liability	24,251,521	-
Total Noncurrent Liabilities	28,485,661	-
TOTAL LIABILITIES	36,188,349	145,169
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	461,804	-
Pensions	2,168,221	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,630,025	-
NET POSITION		
Investment in Capital Assets	87,801,676	-
Restricted:		
Nonexpendable:		
Endowment	-	12,135,845
Expendable:		
Endowment	-	32,387,675
Grants and Loans	3,912,549	-
Scholarships	49,806	10,148,532
Capital Projects	27,069,921	-
Unrestricted	(4,902,034)	10,356,196
TOTAL NET POSITION	$ 113,931,918	$ 65,028,248

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

STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2020

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $6,504,790	$ 16,983,322	$ -
Federal Grants and Contracts	1,242,206	-
State and Local Grants and Contracts	400,801	-
Nongovernmental Grants and Contracts	901,594	2,512,888
Sales and Services of Educational Departments	24,259	-
Auxiliary Enterprises	1,093,962	-
Other Operating Revenues	638,163	744,609
Total Operating Revenues	21,284,307	3,257,497
EXPENSES		
Operating Expenses:		
Personnel Services	44,020,571	633,945
Scholarships and Waivers	13,271,480	1,686,954
Utilities and Communications	1,437,907	-
Contractual Services	3,945,282	78,427
Other Services and Expenses	4,891,732	1,360,913
Materials and Supplies	6,234,608	45,179
Depreciation	3,893,916	-
Total Operating Expenses	77,695,496	3,805,418
Operating Loss	(56,411,189)	(547,921)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	27,845,810	-
Federal and State Student Financial Aid	17,204,335	-
Gifts and Grants	5,721,837	-
Investment Income	644,117	1,195,103
Loss on Disposal of Capital Assets	(13,102)	-
Net Nonoperating Revenues	51,402,997	1,195,103
Income (Loss) Before Other Revenues	(5,008,192)	647,182
State Capital Appropriations	2,517,385	-
Capital Grants, Contracts, Gifts, and Fees	3,360,941	-
Total Other Revenues	5,878,326	-
Increase in Net Position	870,134	647,182
Net Position, Beginning of Year	113,061,784	64,381,066
Net Position, End of Year	$ 113,931,918	$ 65,028,248

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

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STATE COLLEGE OF FLORIDA, MANATEE-SARASOTA
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2020

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 16,311,090
Grants and Contracts	763,244
Payments to Suppliers	(14,857,125)
Payments for Utilities and Communications	(1,437,907)
Payments to Employees	(31,782,809)
Payments for Employee Benefits	(8,917,034)
Payments for Scholarships	(13,271,480)
Auxiliary Enterprises	1,102,224
Sales and Services of Educational Departments	24,259
Other Receipts	794,016
Net Cash Used by Operating Activities	(51,271,522)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	27,845,810
Federal and State Student Financial Aid	17,218,428
Federal Direct Loan Program Receipts	5,570,956
Federal Direct Loan Program Disbursements	(5,610,838)
Gifts and Grants	5,721,837
Net Cash Provided by Noncapital Financing Activities	50,746,193
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	3,354,944
Capital Grants and Gifts	3,198,803
Purchases of Capital Assets	(6,791,997)
Net Cash Used by Capital and Related Financing Activities	(238,250)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	644,117
Net Cash Provided by Investing Activities	644,117
Net Decrease in Cash and Cash Equivalents	(119,462)
Cash and Cash Equivalents, Beginning of Year	44,564,403
Cash and Cash Equivalents, End of Year	$ 44,444,941

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (56,411,189)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,893,916
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(645,493)
Due from Other Governmental Agencies	(320,989)
Due to Other Governmental Agencies	50,405
Due from Component Unit	(1,570,369)
Inventories	2,144
Prepaid Expenses	(198,319)
Other Assets	630
Accounts Payable	483,937
Salaries and Payroll Taxes Payable	80,414
Unearned Revenue	18,158
Deposits Held for Others	104,818
Special Termination Benefits Payable	(23,664)
Compensated Absences Payable	316,492
Other Postemployment Benefits Payable	(447,254)
Net Pension Liability	2,230,014
Deferred Outflows of Resources Related to Other Postemployment Benefits	109,372
Deferred Inflows of Resources Related to Other Postemployment Benefits	388,985
Deferred Outflows of Resources Related to Pensions	1,114,295
Deferred Inflows of Resources Related to Pensions	(447,825)
NET CASH USED BY OPERATING ACTIVITIES	$ (51,271,522)
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITIES	
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (13,102)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 162,138

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 State College of Florida, Manatee-Sarasota, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education (SBE) rules. However, the Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and SBE rules. The College serves Manatee and Sarasota 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 Comprehensive Annual Financial Report by discrete presentation.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the State College of 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 September 30, 2019.

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

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

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

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

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, 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 computes its scholarship allowances by determining through its accounting records, the cash payments to students.

To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue.

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

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

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

At June 30, 2020, the College reported as cash equivalents $35,039,939 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 53 days as of June 30, 2020. 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, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

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

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
  - Computer Equipment – 3 years
  - Vehicles, Office Machines, and Educational Equipment – 5 years
  - Furniture – 7 years
  - Portables – 10 years
- Assets Under Capital Leases – 3 years

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

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

2. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	$ (11,645,544)
Auxiliary Funds	6,743,510
Total	$ (4,902,034)

3. Component Unit Investments

The College's component unit (Foundation) 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 measured on quoted prices for similar securities in active markets, and Level 3 inputs are significant unobservable inputs. As of September 30, 2019, investments held by the Foundation are reported at fair value as follows:

		Fair Value Measurements Using		
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
United States Treasury Securities	$ 677,720	$ 677,720	$ -	$ -
Obligations of United States Government				
Agencies and Instrumentalities	555,814	555,814	-	-
Bonds and Notes	894,409	894,409	-	-
Stocks and Other Equity Securities	3,150,621	3,150,621	-	-
Alternative Investments	11,959,723	-	-	11,959,723
Mutual Funds				
Domestic Equities	18,447,266	18,447,266	-	-
Inbternational Equities	13,409,511	13,409,511	-	-
Bonds and Notes	12,657,298	12,657,298	-	-
Total investments by fair value level	$ 61,752,362	$ 49,792,639	$ -	$ 11,959,723

4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a $284,000 allowance for doubtful accounts.

5. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of $5,193,940 of Public Education Capital Outlay allocations due from the State for construction of College facilities, $608,283 for dual enrollment contracts from county school districts, $516,789 for various Federal and State operating grants, and $268,955 for Federal Pell Grants, Supplemental Educational Opportunity Grants, Direct Loans and the State of Florida Bright Futures Program.

6. Due From and To Component Unit/College

The $1,619,093 amount reported due from component unit consists of amounts owed to the College by the Foundation for scholarships, student aid, and reimbursements. The College's financial statements are reported for the fiscal year ended June 30, 2020. The College's component unit financial statements are reported for the fiscal year ended September 30, 2019. Accordingly, the amount reported by the College as due from component unit on the statement of net position does not agree with the amount reported by the component unit as due to the College.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2020, is shown in the following table:

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 4,756,869	$ -	$ 73,916	$ -	$ 4,830,785
Artwork/Artifacts	39,661	-	-	-	39,661
Construction in Progress	15,973,438	-	7,412,167	16,188,169	7,197,436
Total Nondepreciable Capital Assets	$ 20,769,968	$ -	$ 7,486,083	$ 16,188,169	$ 12,067,882
Depreciable Capital Assets:					
Buildings	$ 99,309,020	$ -	$ 15,831,076	$ 262,030	$ 114,878,066
Other Structures and Improvements	23,578,715	-	357,091	-	23,935,806
Furniture, Machinery, and Equipment	10,284,986	59,840	315,427	332,014	10,328,239
Assets Under Capital Lease	59,840	(59,840)	-	-	-
Total Depreciable Capital Assets	133,232,561	-	16,503,594	594,044	149,142,111
Less, Accumulated Depreciation:					
Buildings	41,297,732	-	2,536,857	248,930	43,585,659
Other Structures and Improvements	20,725,965	-	658,037	-	21,384,002
Furniture, Machinery, and Equipment	8,021,781	59,840	689,049	332,014	8,438,656
Assets Under Capital Lease	49,867	(59,840)	9,973	-	-
Total Accumulated Depreciation	70,095,345	-	3,893,916	580,944	73,408,317
Total Depreciable Capital Assets, Net	$ 63,137,216	$ -	$ 12,609,678	$ 13,100	$ 75,733,794

(1) The class of property and related accumulated depreciation previously reported as assets under capital lease has been reclassified as furniture, machinery and equipment.

8. Unearned Revenue

Unearned revenue at June 30, 2020, includes grants and contracts, and student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2020, the College reported the following amounts as unearned revenue:

Description	Amount
Grants and Contracts	$ 2,241
Student Tuition and Fees	105,473
Total Unearned Revenue	$ 107,714

9. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2020, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Special Termination Benefits Payable	$ 262,952	$ 104,965	$ 128,629	$ 239,288	$ 95,940
Compensated Absences Payable	2,777,627	731,783	415,291	3,094,119	75,428
Other Postemployment Benefits Payable	1,529,588	136,014	583,268	1,082,334	10,233
Net Pension Liability	22,157,115	13,251,791	11,021,777	24,387,129	135,608
Total Long-Term Liabilities	$ 26,727,282	$ 14,224,553	$ 12,148,965	$ 28,802,870	$ 317,209

Special Termination Benefits Payable. On March 17, 1993, the Board of Trustees established the Retirement Incentive Program (Program) whereby employees meeting certain eligibility guidelines could receive benefits under the Program. For qualifying employees, the Program provides payment of 100 percent of the hospitalization coverage (or 100 percent Medicare Supplement) for a period of 5 years, payments for $5,000 Retiree Group Life through age 69, and 2.5 percent accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. The College recognized a Retirement Incentive Program payable of $218 as of June 30, 2020, for 1 participant who gave notice to retire under the Retirement Incentive Program. The Program terminated on June 30, 2006. Any otherwise eligible employee as of that date must have retired no later than June 30, 2006, to participate.

On September 21, 2005, the Board of Trustees established the Retirement Enhancement Program (Program) whereby employees meeting certain eligibility guidelines could receive benefits under the Program. For qualifying employees hired prior to October 1, 2005, the Program provides payment of hospitalization coverage (or equivalent Medicare Supplement) at the rate in effect on January 1, 2006, for a period of 5 years, payments for $5,000 Retiree Group Life for a period of 5 years, and 2.5 percent of accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. For new qualifying employees hired on or after October 1, 2005, the Program provides for payment of hospitalization coverage (or equivalent Medicare Supplement) at a rate in effect on January 1, 2006, for a period of 3 years, payment of $5,000 Retiree Group Life for a period of 3 years, and the standard sick leave payout per College rule. The College recognized a Retirement Enhancement Program payable of $239,070 at June 30, 2020, for 42 employees who gave notice to retire under the Retirement Enhancement Program

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, 2020, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $3,094,119. The current portion of the compensated absences liability, $75,428, 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.

<u>Other Postemployment Benefits Payable</u>. The College follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for other postemployment benefits administered by the Florida College System Risk Management Consortium (Consortium).

General Information about the OPEB Plan

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

Benefits Provided. The OPEB Plan provides healthcare and life insurance benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above. For qualifying employees hired prior to October 1, 2005, the Program provides payment of hospitalization coverage (or equivalent Medicare Supplement) at the rate in effect on January 1, 2006, for a period of 5 years, payments for $5,000 Retiree Group Life for a period of 5 years, and 2.5 percent of accumulated sick leave for every year of creditable service beyond 10 years, to a maximum of 20 additional years. For new qualifying employees hired on or after October 1, 2005, the Program provides for payment of hospitalization coverage (or equivalent Medicare Supplement) at a rate in effect on January 1, 2006, for a period of 3 years, payment of $5,000 Retiree Group Life for a period of 3 years, and the standard sick leave payout per College rule.

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	87
Inactive Employees Entitled to But Not Yet Receiving Benefits	20
Active Employees	421
Total	528

Total OPEB Liability

The College's total OPEB liability of $1,082,334 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

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

Inflation	2.60 percent
Real Wage Growth	0.65 percent
Wage Inflation	3.25 percent
Salary increases, including wage inflation	
Regular Employees	4.00-7.80 percent
Senior Management	4.70-7.10 percent
Discount rate-Municipal Bond Index Rate	
Prior Measurement Date	3.87 percent
Measurement Date	3.50 percent
Healthcare cost trend rates	
Pre-Medicare	7.00 percent for 2019, decreasing to an ultimate rate of 4.60 percent by 2026
Medicare	5.00 percent for 2019, decreasing to an ultimate rate of 4.60 percent by 2021

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

Mortality rates were based on the RP-2014 mortality tables, with adjustments for FRS experience and generational mortality improvements using Scale MP-2014.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013, adopted by the FRS.

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

Changes in the Total OPEB Liability

	Amount
Balance at 6/30/19	$ 1,529,588
Changes for the year:	
Service Cost at the end of the year (1)	79,438
Interest	56,576
Differences Between Expected and Actual Experience	(209,686)
Changes in Assumptions or Other Inputs	(236,910)
Benefit Payments	(136,672)
Net Changes	(447,254)
Balance at 6/30/20	$ 1,082,334

(1) Service cost includes interest for the year.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 percent in 2018 to 3.50 percent in 2019.

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 (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	$1,156,554	$1,082,334	$1,016,729

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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$1,043,689	$1,082,334	$1,136,290

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

For the fiscal year ended June 30, 2020, the College recognized OPEB expense of $78,403. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 189,386
Change of assumptions or other inputs	-	272,418
Transactions subsequent to the measurement date	10,233	-
Total	$ 10,233	$ 461,804

Of the total amount reported as deferred outflows of resources related to OPEB, $10,233 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2021	$ (57,611)
2022	(57,611)
2023	(57,611)
2024	(57,611)
2025	(57,611)
Thereafter	(173,749)
Total	$ (461,804)

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, 2020, the College's proportionate share of the net pension liabilities totaled $24,387,129. Note 10. includes a complete discussion of defined benefit pension plans.

10. 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. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The College's FRS and HIS pension expense totaled $4,588,483 for the fiscal year ended June 30, 2020.

FRS Pension Plan

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

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

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

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

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

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
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 2019-20 fiscal year were:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
FRS, Regular	3.00	8.47
FRS, Senior Management Service	3.00	25.41
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.60
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 $1,310,373 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the College reported a liability of $16,394,711 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The College's proportionate share of the net pension liability was based on the College's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the College's proportionate share was 0.047605611 percent, which was a decrease of 0.000832999 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of $3,992,482. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 972,417	$ 10,174
Change of assumptions	4,210,867	-
Net difference between projected and actual earnings on FRS Plan investments	-	907,041
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	251,975	390,528
College FRS contributions subsequent to the measurement date	1,310,373	-
Total	$ 6,745,632	$ 1,307,743

The deferred outflows of resources totaling $1,310,373, 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2021	$ 1,475,821
2022	401,842
2023	1,117,783
2024	873,901
2025	214,117
Thereafter	44,052
Total	$ 4,127,516

Actuarial Assumptions. The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.90 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. This is a change from the prior year mortality assumption which was based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2019, 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:

Asset Class	**Target Allocation** (1)	**Annual Arithmetic Return**	**Compound Annual (Geometric) Return**	**Standard Deviation**
Cash	1%	3.3%	3.3%	1.2%
Fixed Income	18%	4.1%	4.1%	3.5%
Global Equity	54%	8.0%	6.8%	16.5%
Real Estate (Property)	10%	6.7%	6.1%	11.7%
Private Equity	11%	11.2%	8.4%	25.8%
Strategic Investments	6%	5.9%	5.7%	6.7%
Total	100%			
Assumed inflation - Mean			2.6%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.90 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 2019 valuation was updated from 7.00 percent to 6.90 percent.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.90 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 (5.90 percent) or 1 percentage point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	**Current Discount Rate (6.90%)**	**1% Increase (7.90%)**
College's proportionate share of the net pension liability	$28,340,994	$16,394,711	$6,417,542

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 Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2020, the College reported a payable of $118,746 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2020.

<u>HIS Pension Plan</u>

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, 2020, 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, 2020, 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 $409,618 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the College reported a net pension liability of $7,992,418 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, and update procedures were used to determine liabilities as of June 30, 2019. The College's proportionate share of the net pension liability was based on the College's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the College's proportionate share was 0.071431035 percent, which was a decrease of 0.000064381 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of $596,001. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Change of assumptions	$ 925,447	$ 653,235
Net difference between projected and actual earnings on HIS Plan investments	5,157	-
Differences between expected and actual experience	97,077	9,786
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	215,335	197,457
College contributions subsequent to the measurement date	409,618	-
Total	$ 1,652,634	$ 860,478

The deferred outflows of resources totaling $409,618, 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	**Amount**
2021	$ 138,412
2022	126,015
2023	89,816
2024	(52,952)
2025	21,297
Thereafter	59,950
Total	$ 382,538

Actuarial Assumptions. The total pension liability at July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal bond rate	3.50 percent

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

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 3.50 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 2019 valuation was updated from 3.87 percent to 3.50 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 3.50 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 (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
College's proportionate share of the net pension liability	$9,123,755	$7,992,418	$7,050,142

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 Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2020, the College reported a payable of $17,744 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2020.

11. 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 Comprehensive Annual 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 2019-20 fiscal year were as follows:

Class	Percent of Gross Compensation
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, 2020, 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 $766,066 for the fiscal year ended June 30, 2020.

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, 3.56 percent to cover the unfunded actuarial liability of the FRS pension plan for a total of 8.71 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 $206,748 and employee contributions totaled $61,455 for the 2019-20 fiscal year.

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

The Local Annuity Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. The College contributes 12.49 percent of the employee's salary to the Local Annuity Program. Employees may make contributions toward the Local Annuity Program by way of salary reduction or by deduction of a percentage of the employee's gross compensation not to exceed the percentage contributed by the employer.

The College's contributions to the Local Annuity Program totaled $35,000 for the 2019-20 fiscal year, and there were no employee contributions for the 2019-20 fiscal year.

12. Construction Commitments

The College's construction commitments at June 30, 2020, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Building 8 Renovation - Bradenton Campus	$ 4,989,371	$ 1,864,416	$ 3,124,955
Studio for Performing Arts - Bradenton Campus	6,175,381	1,249,899	4,925,482
Science Building 25 Renovation	6,818,360	3,534,635	3,283,725
Other Projects (1)	697,753	548,486	149,267
Total	$ 18,680,865	$ 7,197,436	$ 11,483,429

(1) Individual projects with a current balance committed of less than $1 million at June 30, 2020.

13. 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 to February 29, 2020, and up to $110 million from March 1, 2020, 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.

14. 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:

Functional Classification	Amount
Instruction	$ 24,676,724
Academic Support	3,231,672
Student Services	7,242,132
Institutional Support	16,305,184
Operation and Maintenance of Plant	8,668,759
Scholarships and Waivers	13,271,480
Depreciation	3,893,916
Auxiliary Enterprises	405,629
Total Operating Expenses	$ 77,695,496

15. Current Unrestricted Funds

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

Statement of Current Unrestricted Funds Net Position

ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 15,576,430
Accounts Receivable, Net	2,560,983
Due from Other Governmental Agencies	636,505
Due from Component Unit	225
Inventories	15,105
Prepaid Expenses and Deposits	940,163
TOTAL ASSETS	19,729,411
DEFERRED OUTFLOWS OF RESOURCES	
Other Postemployment Benefits	10,233
Pensions	8,398,266
LIABILITIES	
Current Liabilities:	
Accounts Payable	1,627,815
Unearned Revenue	1,808
Deposits Held for Others	140,201
Special Termination Benefits Payable	95,940
Compensated Absences Payable	63,823
Other Postemployment Benefits Payable	10,233
Net Pension Liability	135,608
Total Current Liabilities	2,075,428
Noncurrent Liabilities:	
Special Termination Benefits Payable	143,348
Compensated Absences Payable	2,867,521
Other Postemployment Benefits Payable	1,072,101
Net Pension Liability	24,251,521
TOTAL LIABILITIES	30,409,919
DEFERRED INFLOWS OF RESOURCES	
Other Postemployment Benefits	461,804
Pensions	2,168,221
TOTAL NET POSITION	$ (4,902,034)

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

REVENUES	
Operating Revenues:	
Student Tuition and Fees (1)	$ 20,569,179
Sales and Services of Educational Departments	24,259
Auxiliary Enterprises	1,091,612
Other Operating Revenues	673,830
Total Operating Revenues	22,358,880
EXPENSES	
Operating Expenses:	
Personnel Services	38,875,114
Scholarships and Waivers	1,459,860
Utilities and Communications	1,398,983
Contractual Services	2,278,919
Other Services and Expenses	3,842,490
Materials and Supplies	2,935,411
Total Operating Expenses	50,790,777
Operating Loss	(28,431,897)
NONOPERATING REVENUES	
State Noncapital Appropriations	27,845,810
Gifts and Grants	1,599,324
Investment Income	264,241
Total Nonoperating Revenues	29,709,375
Income Before Other Revenues and Expenses	1,277,478
Transfers to/from Other Funds	(6,351,986)
Decrease in Net Position	(5,074,508)
Net Position, Beginning of Year	172,474
Net Position, End of Year	$ (4,902,034)

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

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

	2019	2018	2017
Total OPEB Liability			
Service cost	$ 79,438	$ 80,458	$ 84,471
Interest	56,576	53,069	46,775
Difference between expected and actual experience	(209,686)	-	(3,063)
Changes of assumptions or other inputs	(236,910)	(30,087)	(56,392)
Benefit Payments	(136,672)	(127,969)	(142,252)
Net change in total OPEB liability	(447,254)	(24,529)	(70,461)
Total OPEB Liability - beginning	1,529,588	1,554,117	1,624,578
Total OPEB Liability - ending	$ 1,082,334	$ 1,529,588	$ 1,554,117
Covered-Employee Payroll	$ 21,218,541	$ 21,456,488	$ 21,456,488
Total OPEB Liability as a percentage of covered-employee payroll	**5.10%**	**7.13%**	**7.24%**

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

	2019 (1)	2018 (1)	2017 (1)	2016 (1)
College's proportion of the FRS net pension liability	0.047605611%	0.048438610%	0.046557966%	0.046860018%
College's proportionate share of the FRS net pension liability	$ 16,394,711	$ 14,589,960	$ 13,771,534	$ 11,832,191
College's covered payroll (2)	$ 26,041,469	$ 25,882,975	$ 25,200,557	$ 25,307,019
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	62.96%	56.37%	54.65%	46.75%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.61%	84.26%	83.89%	84.88%

(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

	2020 (1)	2019 (1)	2018 (1)	2017 (1)
Contractually required FRS contribution	$ 1,310,373	$ 1,476,117	$ 1,380,461	$ 1,212,018
FRS contributions in relation to the contractually required contribution	(1,310,373)	(1,476,117)	(1,380,461)	(1,212,018)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 26,724,338	$ 26,041,469	$ 25,882,975	$ 25,200,557
FRS contributions as a percentage of covered payroll	4.90%	5.67%	5.33%	4.81%

(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.

2015 (1)	**2014** (1)	**2013** (1)
0.050122319%	0.051729462%	0.049115172%
$ 6,473,970	$ 3,156,258	$ 8,454,907
$ 23,869,764	$ 23,897,709	$ 24,494,086
27.12%	13.21%	34.52%
92.00%	96.09%	88.54%

2016 (1)	**2015** (1)	**2014** (1)
$ 1,142,756	$ 1,222,025	$ 1,133,095
(1,142,756)	(1,222,025)	(1,133,095)
$ -	$ -	$ -
$ 25,307,019	$ 23,869,764	$ 23,897,709
4.52%	5.12%	4.74%

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

	2019 (1)	**2018** (1)	**2017** (1)	**2016** (1)
College's proportion of the HIS net pension liability	0.071431035%	0.071495416%	0.070143514%	0.072255548%
College's proportionate share of the HIS net pension liability	$ 7,992,418	$ 7,567,155	$ 7,500,068	$ 8,421,085
College's covered payroll (2)	$ 23,908,927	$ 23,368,637	$ 25,200,557	$ 25,307,019
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.43%	32.38%	29.76%	33.28%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.63%	2.15%	1.64%	0.97%

(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

	2020 (1)	**2019** (1)	**2018** (1)	**2017** (1)
Contractually required HIS contribution	$ 409,618	$ 396,888	$ 387,721	$ 371,220
HIS contributions in relation to the contractually required HIS contribution	(409,618)	(396,888)	(387,721)	(371,220)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 24,675,821	$ 23,908,927	$ 23,368,637	$ 25,200,557
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.47%

(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.

2015 (1)	2014 (1)	2013 (1)
0.069465990%	0.071007249%	0.072933436%
$ 7,084,438	$ 6,639,351	$ 6,349,815
$ 23,869,764	$ 23,897,709	$ 24,494,086
29.68%	27.78%	25.92%
0.50%	0.99%	1.78%

2016 (1)	2015 (1)	2014 (1)
$ 366,231	$ 265,542	$ 243,247
(366,231)	(265,542)	(243,247)
$ -	$ -	$ -
$ 25,307,019	$ 23,869,764	$ 23,897,709
1.45%	1.11%	1.02%

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

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

Changes of Assumptions. The Municipal Bond Index Rate decreased from 3.87 percent to 3.50 percent, and health care cost trends assumptions were updated.

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

Changes of Assumptions. The long-term expected rate of return was decreased from 7.00 percent to 6.90 percent, and the active member mortality assumption was updated. Mortality rates were based on the PUB-2010 base table projected generationally with Scale MP-2018 instead of the Generational RP-2000 with Projection Scale BB tables used in the prior year.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 3.87 percent to 3.50 percent.

Sherrill F. Norman, CPA
Auditor General

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The President of the Senate, the Speaker of the
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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 State College of Florida, Manatee-Sarasota, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 14, 2021, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
January 14, 2021