STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2021-124
February 2021

FLORIDA SOUTHWESTERN STATE COLLEGE

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. Jeffrey S. Allbritten served as President of Florida SouthWestern State College 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 Barbara S. Coleman, CPA, and the audit was supervised by Ramon L. Bover, 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.

This report and other reports prepared by the Auditor General are available at:

FLAuditor.gov

Printed copies of our reports may be requested by contacting us at:

State of Florida Auditor General

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

FLORIDA SOUTHWESTERN STATE COLLEGE

TABLE OF CONTENTS

SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

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

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

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 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.

Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL
STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Phone: (850) 412-2722
Fax: (850) 488-6975

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 Florida SouthWestern State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 Florida SouthWestern State College Financing Corporation, a blended component unit, which represent 14 percent, 26 percent, 5 percent, and 3 percent, respectively, of the assets, liabilities, net position, and revenues reported for Florida SouthWestern State College. In addition, 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. The financial statements for the blended and discretely presented component units were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida SouthWestern State College 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2021, on our consideration of the Florida SouthWestern State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Florida SouthWestern State College's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
January 29, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

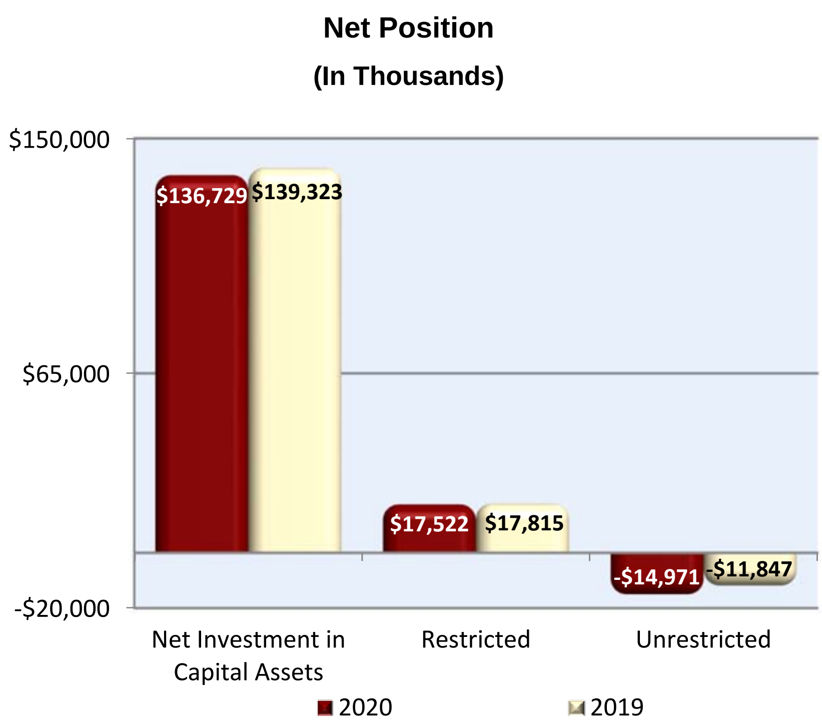
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2020, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are 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, which includes its blended component unit Florida SouthWestern State College Financing Corporation for the fiscal years ended March 31, 2020 and March 31, 2019.

FINANCIAL HIGHLIGHTS

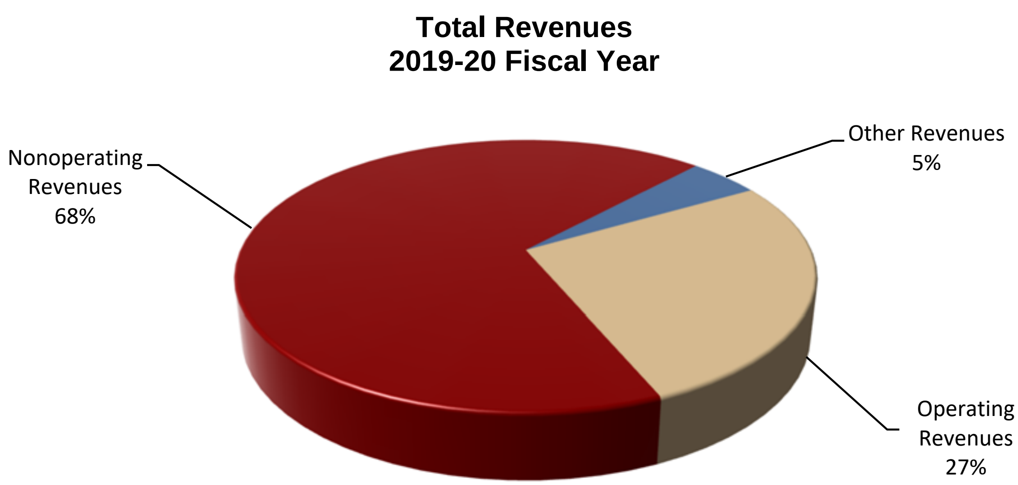
The College's assets and deferred outflows of resources totaled $224.1 million at June 30, 2020. This balance reflects a $4.8 million, or 2.1 percent, decrease as compared to the 2018-19 fiscal year, resulting from decreases in due from governmental agencies related to State capital appropriations and deferred outflow of resources related to the Florida Retirement System pension plan and the Health Insurance Subsidy pension plan. While assets and deferred outflows of resources decreased, liabilities and deferred inflows of resources increased by $1.2 million, or 1.5 percent, totaling $84.8 million at June 30, 2020, resulting from increases in the net pension liability. As a result, the College's net position decreased by $6 million, resulting in a year-end balance of $139.3 million.

The College's operating revenues totaled $29.9 million for the 2019-20 fiscal year, representing a 6.8 percent decrease compared to the 2018-19 fiscal year resulting from decreases in student tuition and auxiliary enterprises due to the impacts of COVID-19 during the last quarter of the fiscal year. Operating expenses totaled $117.1 million for the 2019-20 fiscal year, representing an increase of 2.8 percent as compared to the 2018-19 fiscal year resulting from increase in personnel services and contracted services.

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



The following chart provides a graphical presentation of College revenues by category for the 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 units. These component units include: Florida SouthWestern State College Foundation, Inc. (Foundation) and Florida SouthWestern State College Financing Corporation (Financing Corporation). Based on the application of the criteria for determining component units, the Financing Corporation is included within the College reporting entity as a blended component unit, and the Foundation is included within the College reporting entity as a discretely presented component unit.

Information regarding these component units, including a summary of the blended component unit's separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the College, excluding the discretely presented component unit. MD&A information for the discretely presented component unit is included in their separately issued audit report.

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	$ 26,265	$ 29,665
Capital Assets, Net	169,251	170,741
Other Noncurrent Assets	15,038	14,023
Total Assets	210,554	214,429
Deferred Outflows of Resources	13,505	14,409
Liabilities		
Current Liabilities	8,215	8,919
Noncurrent Liabilities	73,439	70,794
Total Liabilities	81,654	79,713
Deferred Inflows of Resources	3,125	3,834
Net Position		
Net Investment in Capital Assets	136,729	139,323
Restricted	17,522	17,815
Unrestricted	(14,971)	(11,847)
Total Net Position	$ 139,280	$ 145,291

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	$ 29,927	$ 32,117
Less, Operating Expenses	117,059	113,858
Operating Loss	(87,132)	(81,741)
Net Nonoperating Revenues	75,842	71,115
Loss Before Other Revenues	(11,290)	(10,626)
Other Revenues	5,279	6,090
Net Decrease In Net Position	(6,011)	(4,536)
Net Position, Beginning of Year	145,291	149,827
Net Position, End of Year	$ 139,280	$ 145,291

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

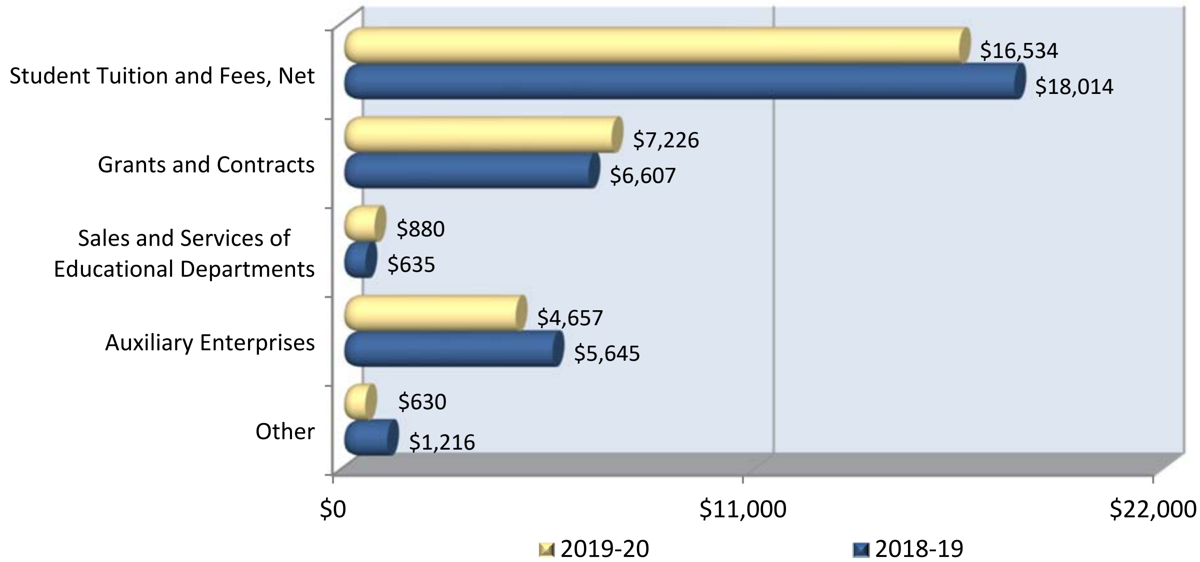
(In Thousands)

	2019-20	2018-19
Student Tuition and Fees, Net	$ 16,534	$ 18,014
Grants and Contracts	7,226	6,607
Sales and Services of Educational Departments	880	635
Auxiliary Enterprises	4,657	5,645
Other	630	1,216
Total Operating Revenues	$ 29,927	$ 32,117

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

Operating Revenues

(In Thousands)



College operating revenues decreased 6.8 percent compared to the 2018-19 fiscal year resulting from decreases in student tuition and auxiliary enterprises due to the impacts of COVID-19 during the last quarter of the fiscal year.

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

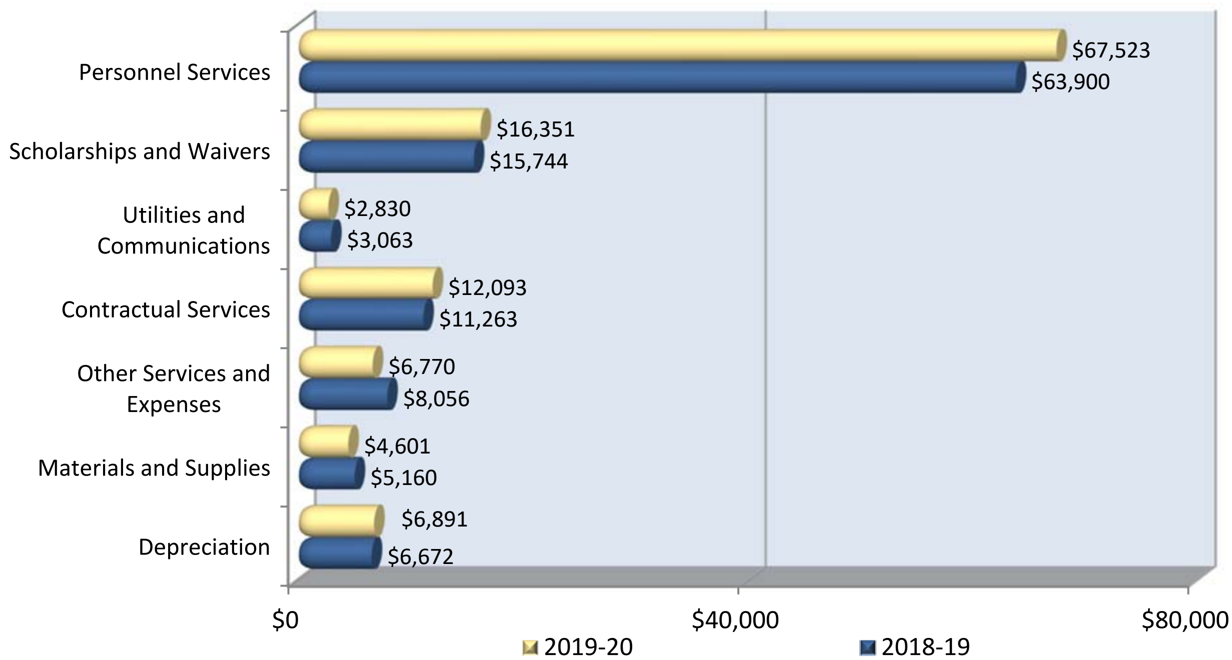
(In Thousands)

	2019-20	2018-19
Personnel Services	$ 67,523	$ 63,900
Scholarships and Waivers	16,351	15,744
Utilities and Communications	2,830	3,063
Contractual Services	12,093	11,263
Other Services and Expenses	6,770	8,056
Materials and Supplies	4,601	5,160
Depreciation	6,891	6,672
Total Operating Expenses	$ 117,059	$113,858

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

Operating Expenses

(In Thousands)



The operating expenses for the 2019-20 fiscal year were $117.1 million, an increase of 2.8 percent or $3.2 million compared to the 2018-19 fiscal year. Significant changes to operating expenses include increases in personnel services of $3.6 million primarily the result of pay increases, increases in health insurance and hiring of additional full-time faculty positions. Contractual services increased $830 thousand. Decreases represent savings in utilities, materials, supplies and other expenses totaling $2.1 million primarily related to the College shifting to remote operations due to COVID-19.

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	$ 39,346	$ 38,092
Federal and State Student Financial Aid	30,209	29,288
Gifts and Grants	6,154	3,756
Investment Income	424	469
Net Gain on Investments	275	167
Other Nonoperating Revenues	611	735
Interest on Capital Asset-Related Debt	(1,177)	(1,274)
Other Nonoperating Expenses	-	(118)
Net Nonoperating Revenues	$ 75,842	$ 71,115

College nonoperating revenues increased by $4.7 million, primarily due to Coronavirus Aid, Relief, and Economic Security (CARES) Act grant funds that were allocated to the College in response to COVID-19.

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	$ 814	$ 1,590
Capital Grants, Contracts, Gifts, and Fees	4,465	4,500
Total	$ 5,279	$ 6,090

The other revenues for the 2019-20 fiscal year were $5.3 million, a decrease of $0.8 million compared to the 2018-19 fiscal year. The significant change was primarily the result of a decrease in State Capital Appropriations.

The Statement of Cash Flows

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

The following summarizes the College's cash flows for the 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	$(76,132)	$(72,717)
Noncapital Financing Activities	75,481	70,889
Capital and Related Financing Activities	1,836	157
Investing Activities	577	306
Net Increase (Decrease) in Cash and Cash Equivalents	1,762	(1,365)
Cash and Cash Equivalents, Beginning of Year	17,051	18,416
Cash and Cash Equivalents, End of Year	$ 18,813	$ 17,051

Major sources of funds came from State noncapital appropriations ($39.3 million), Federal and State student financial aid ($30.2 million), net student tuition and fees ($16.8 million), and Federal Direct Student Loan program receipts ($10.1 million). Major uses of funds were for payments to employees and for employee benefits ($62.1 million), to providers of goods and services ($26.1 million), and disbursements to students for Federal Direct Student Loans ($10.1 million).

The overall increase in cash was $1.8 million, or a 10.3 percent increase from the previous year.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the College had $283 million in capital assets, less accumulated depreciation of $113.7 million, for net capital assets of $169.3 million. Depreciation charges for the current fiscal year totaled $6.9 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	$ 4,141	$ 4,141
Art Collection	573	573
Construction in Progress	93	2,477
Buildings	248,021	241,941
Other Structures and Improvements	17,685	17,685
Furniture, Machinery, and Equipment	12,407	10,723
Total Capital Assets	282,920	277,540
Less, Accumulated Depreciation	(113,669)	(106,799)
Capital Assets, Net	$169,251	$170,741

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

Capital Expenses and Commitments

Construction commitments through June 30, 2020, included the following projects: Construct gazebo on the Collier Campus for $9,980 and the remodel of The Starbucks Café on Lee Campus for $155,138. The College's major construction commitments at June 30, 2020, are as follows:

	Amount
Total Committed	$ 165,118
Completed to Date	(93,393)
Balance Committed	$ 71,725

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

Debt Administration

As of June 30, 2020, the College had $32.5 million in outstanding bonds payable and loan payable representing a decrease of $2.3 million, or 6.7 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

	2020	2019
State Board of Education Capital Outlay Bonds	$ 943	$ 1,038
Department of Education Capital Improvement Revenue Bonds	9,445	10,200
Refunding Bank Loans	20,973	21,710
Loan Payable	1,161	1,894
Total	$ 32,522	$ 34,842

Additional information about the College's long-term debt is presented in the notes to financial statements.

Economic Factors That Will Affect the Future

The College's economic condition is closely tied to that of the State of Florida. Because of negative economic growth linked to the COVID-19 virus and increased demand for State resources, the prospect of decreased State funding is anticipated in the 2020-21 fiscal year. The College's current financial and capital plans indicate that there are adequate financial resources to maintain its present level of services in the short-term. The College expects to revise its budgets based upon student tuition and state resources available to fund operations in the next year.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Dr. Gina Doeble, CPA, Vice President of Administrative Services, Florida SouthWestern State College, 8099 College Parkway, Fort Myers, Florida 33919.

FLORIDA SOUTHWESTERN STATE COLLEGE
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	$ 4,757,849	$ 360,049
Restricted Cash and Cash Equivalents	5,565,336	-
Investments	6,547,928	750,000
Restricted Investments	1,451,161	-
Accounts Receivable, Net	2,967,132	482,600
Notes Receivable, Net	55,433	-
Due from Other Governmental Agencies	2,193,980	-
Due from Component Unit	239,335	-
Inventories	7,246	-
Prepaid Expenses	2,479,842	31,350
Total Current Assets	26,265,242	1,623,999
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	8,489,970	-
Investments	4,772,475	3,134,573
Restricted Investments	1,775,739	36,501,360
Depreciable Capital Assets, Net	164,443,240	-
Nondepreciable Capital Assets	4,807,316	-
Other Assets	-	766,635
Total Noncurrent Assets	184,288,740	40,402,568
TOTAL ASSETS	210,553,982	42,026,567
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	175,613	-
Pensions	13,328,933	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,504,546	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,306,229	305,039
Accrued Interest Payable	216,446	-
Salary and Payroll Taxes Payable	2,398,492	-
Retainage Payable	8,640	-
Due to Other Governmental Agencies	17,807	-
Due to Component Unit	18,129	-
Unearned Revenue	6,120	23,000
Deposits Held for Others	316,364	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	1,645,829	-
Loan Payable	767,184	-
Special Termination Benefits Payable	174,429	-
Compensated Absences Payable	96,705	-
Other Postemployment Benefits Payable	36,768	-
Net Pension Liability	205,512	-
Total Current Liabilities	8,214,654	328,039

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	29,715,169	-
Loan Payable	393,749	-
Unearned Revenue	-	67,779
Special Termination Benefits Payable	65,063	-
Compensated Absences Payable	5,124,532	-
Other Postemployment Benefits Payable	957,894	-
Net Pension Liability	37,182,323	-
Total Noncurrent Liabilities	73,438,730	67,779
TOTAL LIABILITIES	81,653,384	395,818
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	46,073	-
Pensions	3,079,088	-
TOTAL DEFERRED INFLOWS OF RESOURCES	3,125,161	-
NET POSITION		
Net Investment in Capital Assets	136,728,625	-
Restricted:		
Nonexpendable:		
Endowment	600,000	19,049,854
Expendable:		
Grants and Loans	4,551,886	-
Scholarships	1,158,024	16,584,863
Capital Projects	9,783,708	-
Debt Service	1,428,777	-
Unrestricted	(14,971,037)	5,996,032
TOTAL NET POSITION	$ 139,279,983	$ 41,630,749

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

FLORIDA SOUTHWESTERN STATE COLLEGE
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2020

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $19,965,723	$ 16,533,570	$ -
Federal Grants and Contracts	883,999	-
State and Local Grants and Contracts	3,532,131	-
Nongovernmental Grants and Contracts	2,809,360	2,665,885
Sales and Services of Educational Departments	880,073	-
Auxiliary Enterprises	4,657,259	-
Other Operating Revenues	630,224	-
Total Operating Revenues	29,926,616	2,665,885
EXPENSES		
Operating Expenses:		
Personnel Services	67,523,383	-
Scholarships and Waivers	16,350,911	2,528,901
Utilities and Communications	2,829,388	-
Contractual Services	12,092,647	623,465
Other Services and Expenses	6,770,263	1,012,856
Materials and Supplies	4,600,870	-
Depreciation	6,891,373	-
Total Operating Expenses	117,058,835	4,165,222
Operating Loss	(87,132,219)	(1,499,337)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	39,346,252	-
Federal and State Student Financial Aid	30,208,840	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	6,154,310	-
Investment Income	423,983	1,554,998
Net Gain (Loss) on Investments	275,783	(2,913,145)
Other Nonoperating Revenues	610,879	-
Interest on Capital Asset-Related Debt	(1,177,434)	-
Net Nonoperating Revenues (Expenses)	75,842,613	(1,358,147)
Loss Before Other Revenues	(11,289,606)	(2,857,484)
State Capital Appropriations	813,603	-
Capital Grants, Contracts, Gifts, and Fees	4,465,344	-
Increases in Permanent Endowments	-	33,775
Total Other Revenues	5,278,947	33,775
Decrease in Net Position	(6,010,659)	(2,823,709)
Net Position, Beginning of Year	145,290,642	44,454,458
Net Position, End of Year	$ 139,279,983	$ 41,630,749

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

THIS PAGE INTENTIONALLY LEFT BLANK

FLORIDA SOUTHWESTERN STATE COLLEGE
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	$ 16,825,251
Grants and Contracts	7,354,980
Payments to Suppliers	(23,523,774)
Payments for Utilities and Communications	(2,528,968)
Payments to Employees	(49,004,434)
Payments for Employee Benefits	(13,111,309)
Payments for Scholarships	(16,350,911)
Loans Issued to Students	(16,511)
Collection on Loans to Students	5,147
Auxiliary Enterprises	2,717,952
Sales and Services of Educational Departments	880,073
Other Receipts	620,562
Net Cash Used by Operating Activities	(76,131,942)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	39,346,252
Federal and State Student Financial Aid	30,208,840
Federal Direct Loan Program Receipts	10,101,570
Federal Direct Loan Program Disbursements	(10,101,570)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	5,296,800
Other Nonoperating Receipts	628,748
Net Cash Provided by Noncapital Financing Activities	75,480,640
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	6,381,064
Capital Grants and Gifts	4,501,595
Purchases of Capital Assets	(5,528,045)
Principal Paid on Capital Debt and Leases	(2,320,015)
Interest Paid on Capital Debt and Leases	(1,197,799)
Net Cash Provided by Capital and Related Financing Activities	1,836,800
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	4,979,426
Purchases of Investments	(4,826,292)
Investment Income	423,778
Net Cash Provided by Investing Activities	576,912
Net Increase in Cash and Cash Equivalents	1,762,410
Cash and Cash Equivalents, Beginning of Year	17,050,745
Cash and Cash Equivalents, End of Year	$ 18,813,155

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (87,132,219)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,891,373
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	726,246
Notes Receivable	(11,364)
Prepaid Expenses	(537,415)
Due From Other Governmental Agencies	177,010
Due from Component Unit	(280,822)
Inventories	4,000
Salaries and Payroll Taxes	(49,195)
Accounts Payable	(316,601)
Unearned Revenue	(280,801)
Deposits Held for Others	(25,766)
Special Termination Benefits Payable	156,491
Compensated Absences Payable	352,704
Other Postemployment Benefits Payable	185,184
Net Pension Liability	4,383,006
Deferred Outflows of Resources Related to Other Postemployment Benefits	(126,282)
Deferred Inflows of Resources Related to Other Postemployment Benefits	(7,244)
Deferred Outflows of Resources Related to Pensions	461,130
Deferred Inflows of Resources Related to Pensions	(701,377)
NET CASH USED BY OPERATING ACTIVITIES	$ (76,131,942)

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 Florida SouthWestern State College, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education (SBE) rules. However, the Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and SBE rules. The College serves Charlotte, Collier, Glades, Hendry, and Lee 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.

Blended Component Unit. Based on the application of the criteria for determining component units, the Florida SouthWestern State College Financing Corporation (Financing Corporation), a legally separate entity, is included within the College's reporting entity as a blended component unit. The Financing Corporation is a not-for-profit Florida corporation under the provisions of Chapter 617, Florida Statutes, and is also a direct-support organization, as defined in Section 1004.70 Florida Statutes. The Financing Corporation 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 Financing Corporation was established to finance and/or operate parking, student housing, and other capital projects for the exclusive benefit of the College and its students. Due to the substantial economic relationship between the Financing Corporation and the College, the financial activities of the Financing Corporation are included in the College's financial statements. The financial data reported on the accompanying financial statements was derived from the Financing Corporation's audited financial statements for the fiscal year ended March 31, 2020.

The Financing Corporation is audited by other auditors, pursuant to Section 1004.70(6), Florida Statutes. The Financing Corporation's audited financial statements are available to the public at the College's administrative offices. Additionally, condensed financial statements for the Financing Corporation are shown in a subsequent note.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Florida SouthWestern State College Foundation, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board. The Foundation is also a direct-support organization, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, is financially accountable to the College. The Foundation is managed independently, outside the College's budgeting process, and its powers generally are vested in a governing board pursuant to various State statutes. The Foundation receives, holds, invests, and administers property, and makes expenditures to or for the benefit of the College.

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained at the College's administrative offices at 8099 College Parkway, Fort Myers, Florida 33919.

The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2020.

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

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

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

The College's component units use the economic resources measurement focus and accrual basis of accounting, and follow GASB standards of accounting and financial reporting.

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, 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 applied the "Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the College computes these amounts by allocating the cash payments to students, excluding payments for services, using a ratio of total aid to aid not considered third-party aid.

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, cash invested overnight in a money market mutual fund, and cash placed with State Treasury Special Purpose Investment Account (SPIA) and State Board of Administration (SBA) Florida PRIME investment pools. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less, that are not held solely for income or profit, to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury SPIA and SBA Florida PRIME investment pools to be cash equivalents.

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

At June 30, 2020, the College reported as cash equivalents at fair value $47,398 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 3.). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State

Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 0.43 years and fair value factor of 1.0291 at June 30, 2020. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balance. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2020, the College reported as cash equivalents $202,942 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, construction in progress, buildings, other structures and improvements, and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of $5,000 for tangible personal property and $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

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

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

2. 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
College:	
Current Funds - Unrestricted	$ (25,620,537)
Auxiliary Funds	3,480,650
Total College Net Position	(22,139,887)
Blended Component Unit - Financing Corporation	7,168,850
Total	$ (14,971,037)

3. Investments

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

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

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

The College's recurring fair value measurements as of June 30, 2020, are valued using significant observable inputs (Level 2 inputs):

- Federal Agencies of $2,431,872 and State and Municipal Bonds of $987,633 are valued using pricing models maximizing the use of observable inputs for similar securities (Level 2 inputs).
- Corporate Bonds of $976,213 and Foreign Obligation Bonds of $376,757 are valued using a matrix pricing model (Level 2 inputs).
- For the remainder investments, market prices are derived from closing bid prices as of the last business day of the month as supplied by ICE Data Services or Bloomberg. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated.

The College's investments at June 30, 2020, are reported as follows:

Investments by fair value level	Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
State Board of Administration Debt Service Accounts	$ 1,175,739	$ 1,175,739	$ -	$ -
State and Municipal Bonds	987,633	-	987,633	-
Obligations of United States Government Agencies and Instrumentalities	6,635,566	-	6,335,955	299,611
Foreign Obligations	376,757	-	376,757	-
Collateralized Mortgage Obligations	60,823	-	60,823	-
Short Term Investments	22,337	-	22,337	-
Corporate Bonds	4,601,592	-	4,524,506	77,086
Mutual Funds	686,856	-	686,856	-
Total investments by fair value level	$ 14,547,303	$ 1,175,739	$ 12,994,867	$ 376,697

State Board of Administration Debt Service Accounts. The College reported investments totaling $1,175,739 at June 30, 2020, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Other Investments. The College's other investments at June 30, 2020, totaling $13,371,564 consisted of state and municipal bonds of $987,633, obligations of United States agencies and instrumentalities of $6,635,566, foreign obligations of $376,757, collateralized mortgage obligations of $60,823, short-term investments of $22,337, and corporate bonds of $4,601,592 reported at fair value. The College also had investments at June 30, 2020, totaling $686,856 that consisted of mutual funds reported at fair value and are held as part of its endowments.

The following risks apply to these investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. Investments of non-operating funds ("core funds") shall have a term appropriate to the need for funds but should not exceed 3 years. The College utilizes "effective duration" as a measurement of interest rate risk and as of June 30, 2020, the effective duration on investments was 3 years. The College's investments in mutual funds at June 30, 2020, do not have reported maturities.

As a means of managing its exposure to fair-value losses arising from increasing interest rates, the Financing Corporation has established a target duration of its fixed-income portfolio to be between 1.5 and 3 years. As of March 31, 2020, the fair value of the Financing Corporation's investment portfolio was $4,890,094. The portion attributed to fixed income investments totaled $4,772,475 and was available by percentage of its portfolio as follows:

Investment Maturities	Percentage of Portfolio
Less than 1 year	22.60
1-3 years	77.40
Total	100.00

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy does not address credit risk. The College's investments in Federal agency obligations and collateralized mortgage obligations at June 30, 2020, were rated at least Aaa by Standard & Poor's and Moody's at June 30, 2020. The College's investments in mutual funds at June 30, 2020 were unrated.

It is the Financing Corporation's policy that the fixed income portfolio must be rated at A or higher for corporate bond investments and AA or higher for all other investments by any of the three rating services. At March 31, 2020, the Financing Corporation's fixed income investments were rated as follows:

Rating	Percentage of Portfolio
AAA	60.24
AA	28.36
A	11.40
Total	100.00

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

The College's investment policy pursuant to Section 218.415(18), Florida Statutes, requires securities, with the exception of certificates of deposits, be held with a third-party custodian; and all securities purchased by, and all collateral obtained by the College should be properly designated as an asset of the College.

The securities must be held in an account separate and apart from the assets of the financial institution. A third-party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and is doing business in the State of Florida. Certificates of deposit will be placed in the provider's safekeeping department for the term of the deposit.

As of June 30, 2020, the College's Federal agency obligations were held with a third-party custodian as required by the College's investment policy.

The Financing Corporation utilizes the services of investment managers, FineMark National Bank and Trust, for its investments. The investments held by the investment manager are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Financing Corporation's name.

The Money Market Mutual Fund account, in the amount of $117,619, is not insured through either the FDIC or Chapter 280. Investments in these money market mutual funds are not categorized as to custodial credit risk as they are not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributable to the magnitude of the College's investments in a single issuer. The College's investment policy has established asset allocation and issuer limits on the following investments which are designed to reduce concentration of credit risk of the College's investment portfolio. A maximum of 100 percent of available funds may be invested in intergovernmental pools, money market mutual funds, United States government securities; and in United States government agencies; 75 percent of available funds may be invested in Federal agencies and instrumentalities; 50 percent of available funds may be invested in corporate bonds, non-negotiable certificates of deposit and savings accounts, and commercial paper; 40 percent of available funds may be invested in repurchase agreements; 25 percent of available funds may be invested in supranational, municipal bonds, agency mortgage-backed securities, asset-backed securities, and Florida local government surplus funds trust funds (Florida PRIME); and 20 percent of available funds may be invested in fixed-income mutual funds.

The Financing Corporation policy limits investments to United States Treasuries, government agency debt including agency mortgage-backed securities, taxable municipal bonds, and corporate bonds. The maximum exposure to A and AA rated bonds is 25 percent and 25 percent, respectively, of the portfolio's fair value. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S Government are not considered to have credit risk and do not have purchase limitations. Management of the Financing Corporation believes the concentration of credit risk with respect to its investments is mitigated by investing through the use of a national investment manager in U.S. Treasuries, government agencies, highly rated corporate bonds, municipal bonds, and widely traded mutual funds.

Component Unit Investments.

The 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, and Level 3 inputs are significant unobservable inputs.

The investments held by the Foundation at March 31, 2020, primarily consisted of mutual funds and are reported at fair value. Mutual funds equities and bonds are valued based on prices quoted in the active markets and are categorized as Level 1 in the fair value hierarchy. Hedge funds are categorized as Level 2 in the fair value hierarchy.

The investments held by the Foundation at March 31, 2020, are reported as follows:

Investments by fair value level	Amount	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds:				
Hedge	$ 8,761,575	$ -	$ 8,761,575	$ -
Equities	29,630,777	29,630,777	-	-
Bonds	1,243,581	1,243,581	-	-
Real Estate	750,000	-	-	750,000
Total Component Unit Investments	$ 40,385,933	$ 30,874,358	$ 8,761,575	$ 750,000

Investments Held in Trust: As of March 31, 2020, the Foundation's investments held in trust of $67,779 are offset by a liability (unearned revenue) until such time as the restrictive conditions are met.

The following risks apply to the Foundation investments:

Interest Rate Risk: As a means of managing its exposure to fair-value losses arising from increasing interest rates, the Foundation has established a target for the duration of its fixed-income portfolio to be between 3 and 7 years.

As of March 31, 2020, the maturities of the Foundation's fixed income investments of $12,567,028 by percentage of its portfolio, are presented in the following table:

Investment Maturities	Percentage of Portfolio
Less than 1 year	10.00
1 - 3 years	10.00
3 - 5 years	32.00
5 - 7 years	48.00
Total	100.00

Investments held by the Foundation are part of large mutual funds and are not individual securities held by the Foundation. Therefore, it is not possible to disclose maturities by actual security held.

Credit Risk: The investments held by the Foundation are part of large mutual funds and therefore it is not possible to isolate credit risk by actual security held, but rather by mutual fund total.

It is the Foundation's policy that the investment grade portion of the fixed-income portfolio must be rated "BBB" or better, or a comparable rating by Moody's or Standard & Poor's rating services, respectively. The high-yield portion of the fixed-income portfolio will consist of below investment grade securities. There is no bottom limit on the ratings of the high-yield portfolio.

The Foundation's fixed-income investments at March 31, 2020 were rated as follows:

Rating	Percentage of Portfolio
Aaa	42.00
Aa	5.00
A	12.00
Baa	18.00
Ba and below	23.00
Total	100.00

Custodial Credit Risk: The Foundation utilizes the services of investment managers. The investments held by these managers are uninsured and unregistered, with the securities held by the counterparty's trust department or agent in the Foundation's name. There were no losses during the period due to default by counterparties to investment transactions.

Concentration of Credit Risk: The Foundation's policies state that the non-United States investment grade portion of the fixed-income portfolio must consist of securities of non-United States issuers located in at least three non-United States countries. The Foundation's policies do not specifically limit the debt of securities maturity dates.

The investments held in trust include various types of investments that are not insured. These investments are subject to market and economic factors that may result in loss of Foundation principal.

4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a $683,854 allowance for doubtful accounts.

5. Notes Receivable

Notes receivable represent student loans made under the short-term loan program of $58,020. Notes receivable are reported net of a $2,587 allowance for doubtful notes.

6. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of $815,604 of Coronavirus Aid, Relief, and Economic Security (CARES) Act funding due from the Federal government, $414,484 due from the Florida Prepaid College Fund, and $311,426 due from the Federal government for reimbursement of grant expenditures.

7. Due From and To Component Unit/College

The amount due from component unit consists of amounts owed to the College by the Florida SouthWestern State College Foundation, Inc. (Foundation) for scholarships and student aid. The $18,129 reported as due to component unit consists of amounts owed by the College to the Foundation pursuant to an agreement to support the Foundation's operations. 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 March 31,2020. Accordingly, amounts reported by the College as due from and to component unit on the statement of net position do not agree with amounts reported by the component unit as due from and to the College.

8. Capital Assets

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

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 4,140,830	$ -	$ -	$ 4,140,830
Artwork	573,093	-	-	573,093
Construction in Progress	2,477,360	93,393	2,477,360	93,393
Total Nondepreciable Capital Assets	$ 7,191,283	$ 93,393	$ 2,477,360	$ 4,807,316
Depreciable Capital Assets:				
Buildings	$ 241,941,126	$ 6,079,760	$ -	$ 248,020,886
Other Structures and Improvements	17,685,230	-	-	17,685,230
Furniture, Machinery, and Equipment	10,723,386	1,704,538	21,520	12,406,404
Total Depreciable Capital Assets	270,349,742	7,784,298	21,520	278,112,520
Less, Accumulated Depreciation:				
Buildings	84,298,031	5,455,756	-	89,753,787
Other Structures and Improvements	13,715,894	558,833	-	14,274,727
Furniture, Machinery, and Equipment	8,785,502	876,784	21,520	9,640,766
Total Accumulated Depreciation	106,799,427	6,891,373	21,520	113,669,280
Total Depreciable Capital Assets, Net	$ 163,550,315	$ 892,925	$ -	$ 164,443,240

9. Unearned Revenue

Unearned revenue at June 30, 2020, consists of student dorm fees of $6,120 paid to the Financing Corporation that was not received prior to fiscal year end related to subsequent accounting periods.

10. Long-Term Liabilities

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 32,947,633	$ -	$ 1,586,635	$ 31,360,998	$ 1,645,829
Loan Payable	1,894,312	-	733,379	1,160,933	767,184
Special Termination Benefits Payable	93,524	206,990	61,022	239,492	174,429
Compensated Absences Payable	4,868,504	1,172,216	819,483	5,221,237	96,705
Other Postemployment Benefits Payable	809,478	234,403	49,219	994,662	36,768
Net Pension Liability	33,004,829	21,821,074	17,438,068	37,387,835	205,512
Total Long-Term Liabilities	$ 73,618,280	$ 23,434,683	$ 20,687,806	$ 76,365,157	$ 2,926,427

Bonds Payable. Various bonds were issued to finance capital outlay projects of the College. The following is a description of the bonded debt issues:

- SBE Capital Outlay Bonds. The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.
- Capital Improvement Revenue Bonds, Series 2010A. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Section 1009.23(11), Florida Statutes, by the Series 2010A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2010A bonds. The Series 2010A bonds constitute the first series of bonds to be issued pursuant to a Master Authorizing Resolution. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all colleges participating in any series of bonds then outstanding. The Series 2010A bonds will share the lien of such additional bonds on the Series 2010A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The bonds were issued for new construction and renovation and remodeling of educational facilities.

The College had the following bonds payable at June 30, 2020:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2014A, Refunding	$ 144,000	3.0 - 5.0	2025
Series 2017A, Refunding	799,000	3.0 - 5.0	2028
Florida Department of Education			
Capital Improvement Revenue Bonds:			
Series 2010A	9,445,000	4.0 - 4.375	2031
Total	$ 10,388,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2020, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds Principal	Interest	Total
2021	887,000	432,660	1,319,660
2022	924,000	396,160	1,320,160
2023	968,000	358,110	1,326,110
2024	1,013,000	318,210	1,331,210
2025	1,046,000	276,410	1,322,410
2026-2030	4,425,000	661,885	5,086,885
2031	1,125,000	49,219	1,174,219
Total	$ 10,388,000	$ 2,492,654	$ 12,880,654

Bonds Payable – Financing Corporation. On December 21, 2017, the Financing Corporation issued the Series 2017A, Series 2017B and Series 2017C Refunding Bank Loans in the par amounts of $10,000,000, $10,000,000 and $2,879,067, respectively. The notes were issued for the purpose of refunding the outstanding 2010 Industrial Development Revenue Bond. The final maturity of the refunding notes is October 1, 2040, with interest rates of 3 percent, 2.96 percent, and 3 percent, respectively. The refunding notes are subject to mandatory redemption at the option of the holder on or after December 21, 2027, upon written notice provided during the period of commencing 90 days prior to the call date and ending 90 days following the call date. The refunding notes are subject to mandatory redemption 180 days from the receipt of the notice from the holder.

The following is a schedule for future debt service requirements:

Fiscal Year Ending June 30	LCDA Industrial Development Revenue Bonds		
	Principal	**Interest**	**Total**
2021	$ 758,829	$ 619,949	$ 1,378,778
2022	781,708	597,149	1,378,857
2023	805,259	573,661	1,378,920
2024	829,504	549,466	1,378,970
2025	854,495	524,543	1,379,038
2026-2030	4,674,517	2,221,768	6,896,285
2031-2035	5,422,269	1,475,903	6,898,172
2036-2040	6,021,142	610,831	6,631,973
2041	825,275	16,436	841,711
Total	$ 20,972,998	$ 7,189,706	$ 28,162,704

Tenant revenues collected are pledged first to be used for debt service. The total amount of rental revenues recorded during 2020 was $2,555,298.

Under the terms of the refunding notes, the Financing Corporation was required to fund the "debt service reserve fund". This was funded from the existing debt service reserve that had been established for the refunded bonds and $1,414,435 is reported in restricted cash and cash equivalents.

Loan Payable. On September 29, 2016 the College entered into a short-term loan as authorized under Section 1001.64(38), Florida Statutes, with The Suncoast Credit Union. The loan is for the purpose of providing a non-revolving line of credit of $3,100,000, at a variable interest rate of Prime minus 0.25 percent with a minimum rate of 3.25 percent in order to provide the necessary funds for the construction and completion of the new on-campus 75,000 square foot, 3,300 seat sports arena and convocation facility to be known as the "Suncoast Arena" at the Lee campus. The loan agreement contains a provision, that in the event of default, outstanding amounts become immediately due if the College is unable to make payments.

Interest Rate: The rate of interest shall be equal to the Wall Street Journal Prime Rate minus 0.25 percent, to be adjusted on the 15th day of each quarter; provided, however, that the interest rate shall never be less than the initial interest rate at closing. All interest charged on the loan shall be based on a 365 or 366, as applicable, day year for the actual number of days elapsed.

Equal quarterly payments on the 15th day of each quarter of principal and interest based on the outstanding principal balance, bearing interest at the interest rate, with the payment calculated on a quarterly amortization schedule over 51 months; provided, however, that upon any adjustment in the interest rate as the result of any quarterly change in the Wall Street Journal Prime Rate, the quarterly payment may be adjusted by the lender to reflect the new interest rate and the remaining term of the original amortization schedule. The entire outstanding principal balance and all accrued interest shall be due in full at the end of the 51 months, September 28, 2021. The loan may be prepaid in whole or in part at any time without penalty or premium. Annual requirements to amortize the outstanding loan as of June 30, 2020, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	$ 767,184	$ 24,696	$ 791,880
2022	393,749	2,110	395,859
Total	$ 1,160,933	$ 26,806	$ 1,187,739

Special Termination Benefits Payable. The College reported a special termination benefits payable of $239,492 as of June 30, 2020, for 9 employees who gave notice to retire under the Retirement Incentive Program, of which $174,429 represents the current portion.

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 $5,221,237. The current portion of the compensated absences liability, $96,705, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

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

General Information about the OPEB Plan

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

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	40
Inactive Employees Entitled to But Not Yet Receiving Benefits	12
Active Employees	621
Total	673

Total OPEB Liability

The College's total OPEB liability of $994,662 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 4.50 percent by 2026
Medicare	5.00 percent for 2019, decreasing to an ultimate rate of 4.50 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, and withdrawal used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period January 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	$ 809,478
Changes for the year:	
Service Cost	48,407
Interest	30,383
Differences Between Expected and Actual Experience	69,363
Changes in Assumptions or Other Inputs	86,250
Benefit Payments	(49,219)
Net Changes	185,184
Balance at 6/30/20	$ 994,662

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 due to a change in the Municipal Bond Rate.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (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	$1,110,481	$994,662	$897,882

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	$971,072	$994,662	$1,018,328

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 $88,482. 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	$ 61,889	$ -
Change of assumptions or other inputs	76,956	46,073
Transactions subsequent to the measurement date	36,768	-
Total	$ 175,613	$ 46,073

Of the total amount reported as deferred outflows of resources related to OPEB, $36,768 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	$ 9,692
2022	9,692
2023	9,692
2024	9,692
2025	9,692
Thereafter	44,312
Total	$ 92,772

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 $37,387,835. Note 11. includes a complete discussion of defined benefit pension plans.

11. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

Essentially all regular employees of the College are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. 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 $7,438,459 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.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

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

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

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

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
Special Risk Class	3.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2019-20 fiscal year were:

Class	Percent of Gross Salary Employee	Employer (1)
FRS, Regular	3.00	8.47
FRS, Senior Management Service	3.00	25.41
FRS, Special Risk	3.00	25.48
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 $2,106,683 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 $25,275,462 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 0.073392811 percent, which was an increase of 0.00102251 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of $6,402,150. 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	$ 1,499,160	$ 15,686
Change of assumptions	6,491,826	-
Net difference between projected and actual earnings on FRS Plan investments	-	1,398,370
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	504,963	339,101
College FRS contributions subsequent to the measurement date	2,106,683	-
Total	$ 10,602,632	$ 1,753,157

The deferred outflows of resources totaling $2,106,683, 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	$ 2,516,083
2022	724,648
2023	1,739,694
2024	1,313,203
2025	352,203
Thereafter	96,961
Total	$ 6,742,792

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 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%	5.9%	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	$43,692,858	$25,275,462	$9,893,822

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 $250,658 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 $620,100 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 $12,112,373 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, 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, 2018, the College's proportionate share was 0.108252512 percent, which was an increase of 0.00237194 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of $1,036,309. 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
Net difference between expected and actual economic experience	$ 147,118	$ 14,831
Change of assumptions	1,402,498	989,967
Net difference between projected and actual earnings on HIS Plan investments	7,816	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	548,769	321,133
College contributions subsequent to the measurement date	620,100	-
Total	$ 2,726,301	$ 1,325,931

The deferred outflows of resources totaling $620,100, 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	$ 342,841
2022	278,510
2023	132,857
2024	(79,097)
2025	(10,279)
Thereafter	115,438
Total	$ 780,270

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	$13,826,894	$12,112,373	$10,684,370

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 $44,394 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2020.

12. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State's 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
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 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 $1,076,876 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 $190,876 and employee contributions totaled $111,105 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 14 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 $192,623 for the 2019-20 fiscal year.

13. Other Termination Benefits

The College provides an Internal Revenue Service (IRS) approved Code Section 401(a) pre-tax program for termination pay that permits the College to disburse termination pay in a tax-advantage manner for both the College and the employee. Contributions are limited by IRS regulation. All employees in designated classes whose combined vacation and/or sick leave payout is in excess of $5,000 are mandated to participate in this program.

The College deferred $456,674 in salaries for 16 employees during the 2019-20 fiscal year for other termination benefits.

14. Savings Incentive Plan

Effective January 1, 1994, the Board approved a Savings Incentive Plan as provided by Section 403(b) of the Internal Revenue Service guidelines. The College may make a matching employer contribution in an amount to be determined annually by the Board at its discretion. During the 2019-20 fiscal year, the College matched one dollar for every dollar deferred by the employee up to the first 3 percent of employee compensation. Each employee is fully vested upon enrollment in the plan, and is allowed to direct the investment of his or her account to any one of the various groups and insurance companies approved for investment by the College. During the 2019-20 fiscal year, the College contributed $425,699 as matching funds under the plan.

15. Construction Commitments

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

Project Description	Total Commitment	Completed to Date	Balance Committed
Starbucks Café	$ 155,138	$ 86,395	$ 68,743
Collier Gazebo	9,980	6,998	2,982
Total	$ 165,118	$ 93,393	$ 71,725

16. 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 health and hospitalization, dental, life, fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

17. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

Functional Classification	Amount
Instruction	$ 37,469,380
Academic Support	7,755,083
Student Services	16,259,674
Institutional Support	17,571,651
Operation and Maintenance of Plant	13,028,111
Scholarships and Waivers	16,350,911
Depreciation	6,891,373
Auxiliary Enterprises	1,732,652
Total Operating Expenses	$ 117,058,835

18. Blended Component Unit

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

Condensed Statement of Net Position

	Florida SouthWestern State College Financing Corporation	College	Eliminations	Total Primary Government
Assets:				
Other Current Assets	$ 4,421,697	$ 21,843,867	$ (322)	$ 26,265,242
Capital Assets, Net	18,066,011	151,184,545	-	169,250,556
Other Noncurrent Assets	6,380,610	8,657,574	-	15,038,184
Total Assets	28,868,318	181,685,986	(322)	210,553,982
Deferred Outflows of Resources	-	13,504,546	-	13,504,546
Liabilities:				
Other Current Liabilities	1,085,407	7,129,569	(322)	8,214,654
Noncurrent Liabilities	20,214,169	53,224,561	-	73,438,730
Total Liabilities	21,299,576	60,354,130	(322)	81,653,384
Deferred Inflows of Resources	-	3,125,161	-	3,125,161
Net Position:				
Net Investment in Capital Assets	399,892	136,328,733	-	136,728,625
Restricted - Nonexpendable	-	600,000	-	600,000
Restricted - Expendable	-	16,922,395	-	16,922,395
Unrestricted	7,168,850	(22,139,887)	-	(14,971,037)
Total Net Position	$ 7,568,742	$ 131,711,241	$ -	$ 139,279,983

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

	Florida SouthWestern State College Financing Corporation	College	Eliminations	Total Primary Government
Operating Revenues	$ 2,555,298	$ 27,371,318	$ -	$ 29,926,616
Depreciation Expense	(625,706)	(6,265,667)	-	(6,891,373)
Other Operating Expenses	(1,390,225)	(108,777,237)	-	(110,167,462)
Operating Income (Loss)	539,367	(87,671,586)	-	(87,132,219)
Nonoperating Revenues (Expenses):				
Nonoperating Revenue	803,613	76,216,434	-	77,020,047
Interest Expense	(644,503)	(532,931)	-	(1,177,434)
Net Nonoperating Revenues	159,110	75,683,503	-	75,842,613
Other Revenues	-	5,278,947	-	5,278,947
Increase (Decrease) in Net Position	698,477	(6,709,136)	-	(6,010,659)
Net Position, Beginning of Year	6,870,265	138,420,377	-	145,290,642
Net Position, End of Year	$ 7,568,742	$ 131,711,241	$ -	$ 139,279,983

Condensed Statement of Cash Flows

	Florida SouthWestern State College Financing Corporation	College	Eliminations	Total Primary Government
Net Cash Provided (Used) by:				
Operating Activities	$ 1,197,007	$ (77,328,949)	$ -	$ (76,131,942)
Noncapital Financing Activities	646,156	74,834,484	-	75,480,640
Capital and Related Financing Activities	(1,388,461)	3,225,261	-	1,836,800
Investing Activities	87,976	488,936	-	576,912
Net Increase in Cash and Cash Equivalents	542,678	1,219,732	-	1,762,410
Cash and Cash Equivalents, Beginning of Year	5,385,586	11,665,159	-	17,050,745
Cash and Cash Equivalents, End of Year	$ 5,928,264	$ 12,884,891	$ -	$ 18,813,155

19. 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

	College
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 4,756,249
Investments	6,547,928
Accounts Receivable, Net	2,667,105
Notes Receivable, Net	53,703
Due from Other Governmental Agencies	824,036
Due from Component Unit	239,335
Prepaid Expenses	2,377,301
Total Current Assets	17,465,657
Noncurrent Assets:	
Investments	4,772,475
TOTAL ASSETS	22,238,132
DEFERRED OUTFLOWS OF RESOURCES	
Other Postemployment Benefits	175,613
Pensions	13,328,933
TOTAL DEFERRED OUTFLOWS OF RESOURCES	13,504,546
LIABILITIES	
Current Liabilities:	
Accounts Payable	1,145,734
Accrued Interest Payable	208,508
Salary and Payroll Taxes Payable	2,269,109
Due to Other Governmental Agencies	17,807
Due to Component Unit	18,129
Unearned Revenue	6,120
Deposits Held for Others	188,129
Long-Term Liabilities - Current Portion:	
Special Termination Benefits Payable	174,429
Compensated Absences Payable	96,705
Other Postemployment Benefits Payable	36,768
Net Pension Liability	205,512
Total Current Liabilities	4,366,950
Noncurrent Liabilities:	
Special Termination Benefits Payable	65,063
Compensated Absences Payable	5,016,324
Other Postemployment Benefits Payable	957,894
Net Pension Liability	37,182,323
Total Noncurrent Liabilities	43,221,604
TOTAL LIABILITIES	47,588,554
DEFERRED INFLOWS OF RESOURCES	
Other Postemployment Benefits	46,073
Pensions	3,079,088
TOTAL DEFERRED INFLOWS OF RESOURCES	3,125,161
TOTAL NET POSITION	$ (14,971,037)

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

REVENUES	
Operating Revenues:	
Student Tuition and Fees (1)	$ 32,993,454
State and Local Grants and Contracts	3,532,131
Sales and Services of Educational Departments	880,073
Auxiliary Enterprises, Net	4,657,259
Other Operating Revenues	97,885
Total Operating Revenues	42,160,802
EXPENSES	
Operating Expenses:	
Personnel Services	62,327,210
Scholarships and Waivers	1,861,806
Utilities and Communications	2,757,823
Contractual Services	7,039,008
Other Services and Expenses	3,848,656
Materials and Supplies	1,964,083
Total Operating Expenses	79,798,586
Operating Loss	(37,637,784)
NONOPERATING REVENUES	
State Noncapital Appropriations	34,070,152
Investment Income	367,701
Net Gain on Investment	194,883
Net Nonoperating Revenues	34,632,736
Loss Before Other Revenues and Expenses	(3,005,048)
Capital Appropriations and Grants	12,564
Transfers to/from Other Funds	(131,331)
Decrease in Net Position	(3,123,815)
Net Position, Beginning of Year	(11,847,222)
Net Position, End of Year	$ (14,971,037)

(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.

20. Related Party Transactions

College and Blended Component Unit. Nonoperating revenues totaling $596,156 were received from the College during the year ended March 31, 2020 and consisted of funds assigned to the Financing Corporation from College auxiliary operations, from two contracts for Educational Broadband Services (EBS) excess capacity use and royalties and from two charter school building leases. The assigned funds totaled $358,656 from EBS royalties and $237,500 from the charter school leases.

Financing Corporation personnel are employed by the College. The Financing Corporation paid the College $78,000 to reimburse the College for the estimated salaries and related payroll taxes and benefits of its staff assigned to the Financing Corporation. Additionally, the Financing Corporation paid the College $150,000 to reimburse the College for student housing services at LightHouse Commons.

The Financing Corporation paid the College $50,174 to reimburse the College for other expenses related to the operation of LightHouse Commons.

College and Discretely Presented Component Unit. Foundation personnel are employed by the College. The Foundation reimburses the College for the actual cost of these respective employees' salaries and the related payroll taxes and benefits. During the year ended March 31, 2020, the College billed the Foundation $518,984 including payables of $67,304.

The Foundation also paid the College $1,682,087 for scholarships and other academic costs during the year ended March 31, 2020.

The Foundation's office space, phone, internet, furniture, and utilities are provided by the College. The fair value of the office space of $36,981 has been recorded as (in-kind) donated facilities income and rent expense. No amounts have been recorded for the other occupancy costs, as no objective basis to do so has been determined.

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

	2019	2018	2017
Total OPEB Liability			
Service cost	$ 48,407	$ 49,114	$ 51,739
Interest	30,383	28,197	24,843
Difference between expected and actual experience	69,363	-	-
Changes of assumptions or other inputs	86,250	(22,739)	(42,080)
Benefit Payments	(49,219)	(73,665)	(62,085)
Net change in total OPEB liability	185,184	(19,093)	(27,583)
Total OPEB Liability - beginning, as Restated	809,478	828,571	856,154
Total OPEB Liability - ending	$ 994,662	$ 809,478	$ 828,571
Covered-Employee Payroll	$ 33,614,422	$ 33,095,233	$ 33,095,233
Total OPEB Liability as a percentage of covered-employee payroll	**2.96%**	**2.45%**	**2.50%**

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	0.073392811%	0.072370301%	0.074003300%	0.072446979%
College's proportionate share of the FRS net pension liability	$ 25,275,462	$ 21,798,310	$ 21,889,680	$ 18,292,919
College's covered payroll (2)	$ 41,127,091	$ 39,280,944	$ 39,506,069	$ 38,039,195
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	61.46%	55.49%	55.41%	48.09%
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	$ 2,106,683	$ 2,275,707	$ 2,062,495	$ 1,926,488
FRS contributions in relation to the contractually required contribution	(2,106,683)	(2,275,707)	(2,062,495)	(1,926,488)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 42,711,883	$ 41,127,091	$ 39,280,944	$ 39,506,069
FRS contributions as a percentage of covered payroll	4.93%	5.53%	5.25%	4.88%

(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.

	2015 (1)	2014 (1)	2013 (1)
	0.075076834%	0.069878863%	0.065525694%
	$ 9,697,180	$ 4,263,638	$ 11,279,888
	$ 36,761,312	$ 34,166,397	$ 33,051,575
	26.38%	12.48%	34.13%
	92.00%	96.09%	88.54%

	2016 (1)	2015 (1)	2014 (1)
	$ 1,103,705	$ 1,830,437	$ 1,530,644
	(1,103,705)	(1,830,437)	(1,530,644)
	$ -	$ -	$ -
	$ 38,039,195	$ 36,761,312	$ 34,166,397
	2.90%	4.98%	4.48%

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	0.108252512%	0.105880572%	0.110269798%	0.108921509%
College's proportionate share of the HIS net pension liability	$ 12,112,373	$ 11,206,519	$ 11,790,556	$ 12,694,351
College's covered payroll (2)	$ 36,211,807	$ 34,604,354	$ 39,506,069	$ 38,039,195
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.45%	32.38%	29.84%	33.37%
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	$ 620,100	$ 601,116	$ 574,193	$ 583,580
HIS contributions in relation to the contractually required HIS contribution	(620,100)	(601,116)	(574,193)	(583,580)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 37,345,556	$ 36,211,807	$ 34,604,354	$ 39,506,069
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.48%

(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)
0.107019063%	0.101425459%	0.099636556%
$ 10,914,261	$ 9,483,528	$ 8,674,672
$ 36,761,312	$ 34,166,398	$ 33,051,575
29.69%	27.76%	26.25%
0.50%	0.99%	1.78%

2015 (1)	**2015** (1)	**2014** (1)
$ 558,292	$ 409,093	$ 347,450
(558,292)	(409,093)	(347,450)
$ -	$ -	$ -
$ 38,039,195	$ 36,761,312	$ 34,166,397
1.47%	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 at the prior measurement date to 3.50 percent at the current measurement date.

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.

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

AUDITOR GENERAL
STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Florida SouthWestern State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 29, 2021, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and discretely presented component units, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 29, 2021