STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2021-190
March 2021

GULF COAST 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. John R. Holdnak served as President of Gulf Coast State College and the following individuals served as Members of the Board of Trustees:

	County
James W. McKnight, Chair	Gulf
Thomas L. Lewis, Vice Chair	Bay
Donald R. Crisp	Bay
Elizabeth M. Kirvin	Franklin
Steve D. Millaway	Bay
Ralph C. Roberson	Gulf
Joe K. Tannehill Jr.	Bay
David P. Warriner	Gulf

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

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

The team leader was Juan A. Fernandez, CPA, and the audit was supervised by Shelly G. Curti, CPA.

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

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GULF COAST STATE COLLEGE

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SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements of Gulf Coast 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 Gulf Coast 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.

AUDITOR GENERAL
STATE OF FLORIDA

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Auditor General

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Gulf Coast 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 the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2021, on our consideration of the Gulf Coast 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 Gulf Coast State College's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

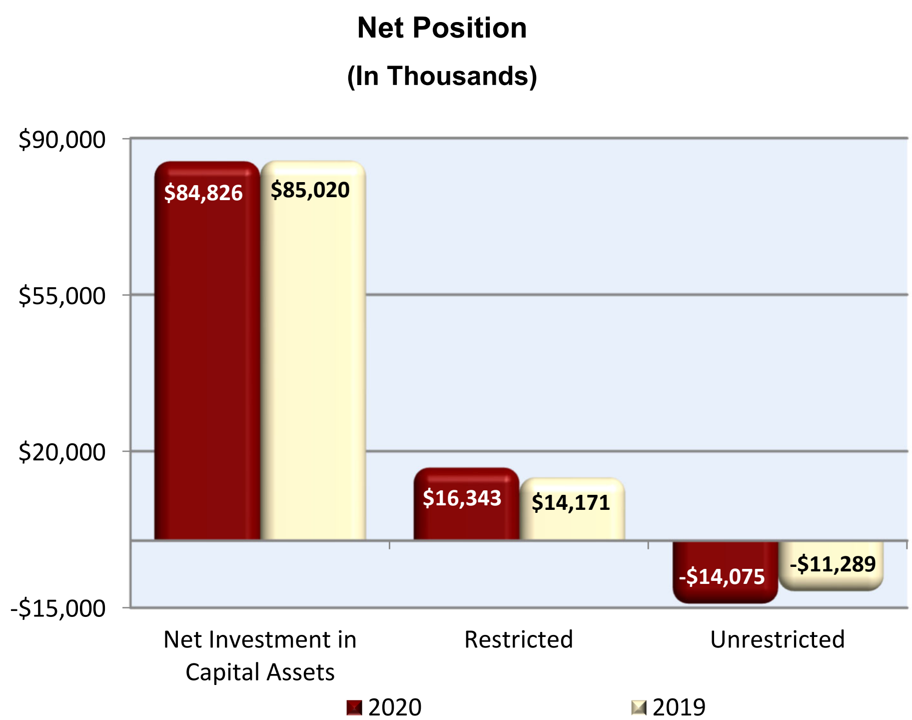
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2020, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2020, and June 30, 2019.

FINANCIAL HIGHLIGHTS

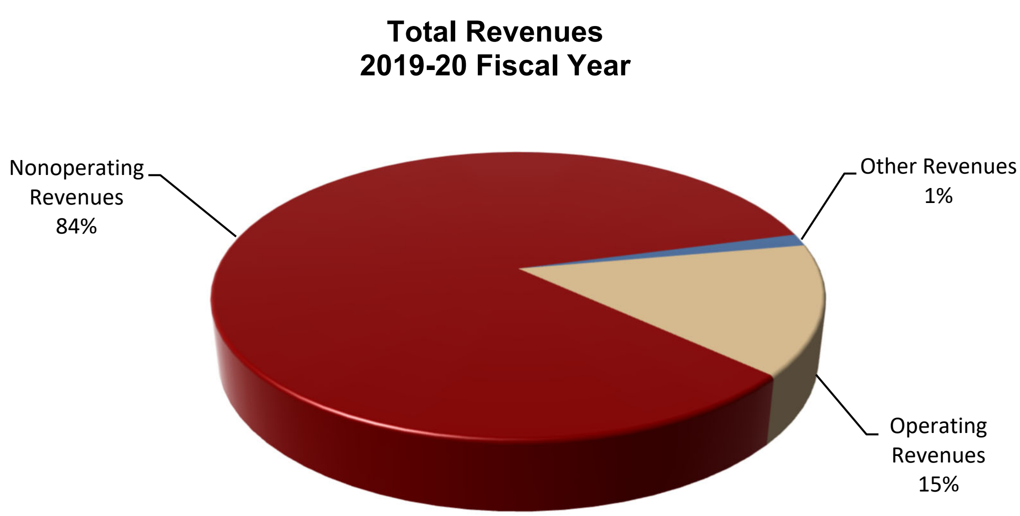
The College's assets and deferred outflows of resources totaled $120 million at June 30, 2020, which is comparable to the prior fiscal year; however, the change resulted from the following: $2.2 million increase in current assets – cash and cash equivalents, offset by a $1.6 million decrease in noncurrent assets – restricted cash and cash equivalents, and a $0.3 million decrease in nondepreciable capital assets. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources increased by $1 million, or 3.1 percent, totaling $32.9 million at June 30, 2020, resulting primarily from a $0.6 million decrease in current liabilities – accounts payable, and a $0.5 million decrease in deferred inflows of resources – pensions, offset by a $2.1 million increase in noncurrent liabilities – net pension liability. As a result, the College's net position decreased by $0.8 million, resulting in a year-end balance of $87.1 million.

The College's operating revenues totaled $11.6 million for the 2019-20 fiscal year, representing a 4.7 percent increase compared to the 2018-19 fiscal year. This change is mainly due to an increase in Federal grants and contracts of $0.8 million. Operating expenses totaled $80.3 million for the 2019-20 fiscal year, representing a $6 million increase, or 8.1 percent as compared to the 2018-19 fiscal year due primarily to a $4.1 million increase in materials and supplies, and a $1.8 million increase in contractual 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 unit, Gulf Coast State College Foundation, Inc. (Foundation). Based on the application of the criteria for determining component units, the Foundation is included within the College reporting entity as a discretely presented component unit.

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

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	2020	2019
Assets		
Current Assets	$ 20,920	$ 18,542
Capital Assets, Net	88,566	89,060
Other Noncurrent Assets	3,934	5,526
Total Assets	113,420	113,128
Deferred Outflows of Resources	6,618	6,728
Liabilities		
Current Liabilities	3,321	4,030
Noncurrent Liabilities	27,370	25,101
Total Liabilities	30,691	29,131
Deferred Inflows of Resources	2,253	2,823
Net Position		
Net Investment in Capital Assets	84,826	85,020
Restricted	16,343	14,171
Unrestricted	(14,075)	(11,289)
Total Net Position	$ 87,094	$ 87,902

Total assets are comparable to the prior fiscal year; however, current assets – cash and cash equivalents increased by $2.2 million, offset by a $1.6 million decrease in other noncurrent assets – restricted cash and cash equivalents, and a $0.3 million decrease in nondepreciable capital assets. Total liabilities increased by $1.6 million resulting primarily from a $0.6 million decrease in current liabilities – accounts payable, offset by a $2.1 million increase in noncurrent liabilities – net pension liability. In addition, deferred inflows of resources – pensions decreased by $0.5 million. The effect of increase in liabilities coupled with the decrease in deferred inflows of resources resulted in a decrease of $0.8 million in total net position.

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

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

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

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

(In Thousands)

	2019-20	2018-19
Operating Revenues	$ 11,563	$ 11,049
Less, Operating Expenses	80,322	74,280
Operating Loss	(68,759)	(63,231)
Net Nonoperating Revenues	66,868	52,785
Loss Before Other Revenues	(1,891)	(10,446)
Other Revenues	1,083	3,447
Net Decrease In Net Position	(808)	(6,999)
Net Position, Beginning of Year	87,902	94,901
Net Position, End of Year	$ 87,094	$ 87,902

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:

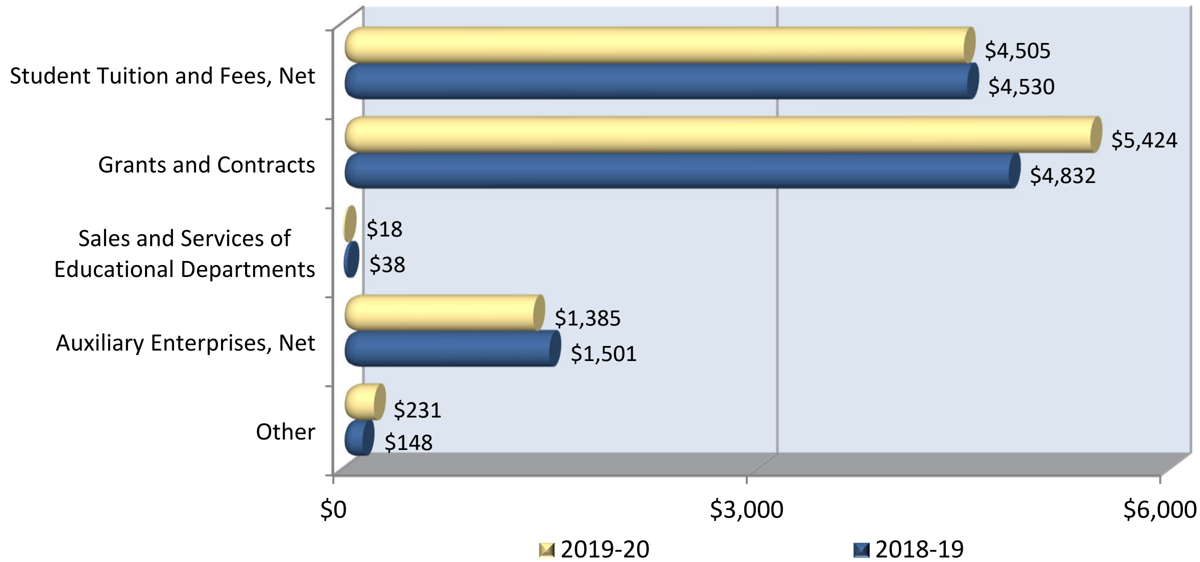
Operating Revenues
For the Fiscal Years

(In Thousands)

	2019-20	2018-19
Student Tuition and Fees, Net	$ 4,505	$ 4,530
Grants and Contracts	5,424	4,832
Sales and Services of Educational Departments	18	38
Auxiliary Enterprises, Net	1,385	1,501
Other	231	148
Total Operating Revenues	$ 11,563	$ 11,049

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

Operating Revenues
(In Thousands)



College operating revenue changes were the result of the following factors: a decrease in student tuition and fees, net offset by an increase in grants and contracts.

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:

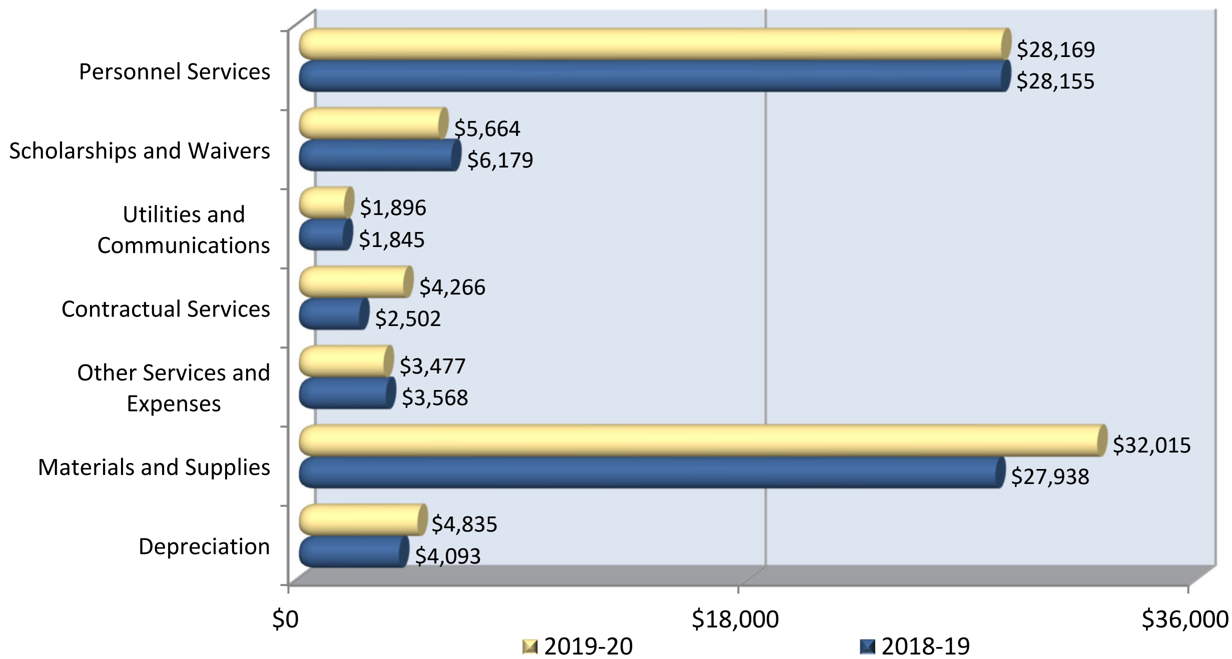
Operating Expenses
For the Fiscal Years
(In Thousands)

	2019-20	2018-19
Personnel Services	$ 28,169	$ 28,155
Scholarships and Waivers	5,664	6,179
Utilities and Communications	1,896	1,845
Contractual Services	4,266	2,502
Other Services and Expenses	3,477	3,568
Materials and Supplies	32,015	27,938
Depreciation	4,835	4,093
Total Operating Expenses	$ 80,322	$ 74,280

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

Operating Expenses

(In Thousands)



College operating expense changes were the result of the following factors: increase in contractual services, and an increase in materials and supplies. The significant increase in contractual services was due to payments made to students for the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and the increase in materials and supplies was due to Hurricane Michael related expenses.

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	$ 22,975	$ 22,448
Federal and State Student Financial Aid	9,850	8,432
Gifts and Grants	2,494	74
Investment Income	124	144
Other Nonoperating Revenues	31,599	21,856
Interest on Capital Asset-Related Debt	(174)	(171)
Gain on Disposal of Capital Assets	-	2
Net Nonoperating Revenues	$ 66,868	$ 52,785

The primary change in net nonoperating revenues is the result of the following: an increase in gifts and grants which is attributed to a donated piece of property received by the College from the Department of Transportation, an increase in other nonoperating revenues attributed to insurance recoveries related to Hurricane Michael, and an increase in Federal and State student financial aid due to the award of the emergency Federal CARES Act grant to assist students.

Other Revenues

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

Other Revenues
For the Fiscal Years

(In Thousands)

	2019-20	2018-19
State Capital Appropriations	$ 133	$ 2,513
Capital Grants, Contracts, Gifts, and Fees	950	934
Total	$ 1,083	$ 3,447

The change in College other revenues is the result of a decrease in State capital appropriations, which primarily consists of Public Education Capital Outlay funds for the College's Science, Technology, Engineering, and Mathematics (STEM) building.

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	$ (61,831)	$ (58,558)
Noncapital Financing Activities	35,319	30,955
Capital and Related Financing Activities	27,104	19,786
Investing Activities	124	144
Net Increase (Decrease) in Cash and Cash Equivalents	716	(7,673)
Cash and Cash Equivalents, Beginning of Year	7,662	15,335
Cash and Cash Equivalents, End of Year	$ 8,378	$ 7,662

Major sources of funds came from State noncapital appropriations ($23 million), proceeds from sale of capital assets ($31.6 million), Federal and State student financial aid ($9.9 million), grants and contracts ($5.2 million), net student tuition and fees ($4.2 million), net auxiliary enterprises ($1.4 million), gifts and grants received for other than capital or endowment purposes ($2.5 million), and Federal Direct Student Loan program receipts ($2.1 million). Major uses of funds were for payments to suppliers ($39.6 million), payments to employees and for employee benefits ($25.7 million), payments for scholarships ($5.7 million), purchase of capital assets ($5 million), and disbursements to students for Federal Direct Student Loans ($2.1 million).

Changes in cash and cash equivalents were the result of the following factors: Hurricane Michael related expenses and insurance recoveries, parking lot renovations, and other capital expenditures.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the College had $157.9 million in capital assets, less accumulated depreciation of $69.4 million, for net capital assets of $88.5 million. Depreciation charges for the current fiscal year totaled $4.8 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2020	2019
Land	$ 5,132	$ 3,809
Construction in Progress	469	2,129
Buildings	72,495	74,275
Other Structures and Improvements	7,507	6,866
Furniture, Machinery, and Equipment	2,963	1,981
Capital Assets, Net	$ 88,566	$ 89,060

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2020, were incurred on the following projects: The STEM Education Center and parking lot renovation. The College's major construction commitments at June 30, 2020, are as follows:

	Amount (In Thousands)
Total Committed	$ 1,203
Completed to Date	(416)
Balance Committed	$ 787

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 $4.4 million in outstanding bonds and a note payable representing a decrease of $0.6 million, or 11.6 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
Florida Department of Education:		
Capital Improvement Revenue Bonds	$ 3,740	$ 4,040
Note Payable	670	946
Total	$ 4,410	$ 4,986

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2019-20 fiscal year, there were no bond sales and debt repayments totaled $0.6 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

Economic Factors That Will Affect the Future

For the 2020-21 fiscal year, the College did receive a slight increase in overall State funding for operations. However, since the College's economic condition is closely tied to that of the State of Florida and given the negative economic growth linked to the Coronavirus pandemic, a decrease in State funding is anticipated. The College was recently informed by the Florida College System Chancellor's office that the Governor has authorized a holdback of operating appropriations which equates to a 6 percent holdback of program funds, student success incentive performance funds, and industry certifications. The College's 2020-21 fiscal year budget was prepared with an adequate amount of reserves to cover this potential decrease in State funding. Other than State appropriations, the College receives the majority of its other operating funds from student tuition and fees. While the 2020-21 fiscal year budget was based upon a flat enrollment level as compared to the prior fiscal year, the Coronavirus pandemic is expected to affect those enrollment levels. Despite the expected revenue reductions from the State and potential enrollment level declines, the College has adequate reserves coupled with budgetary reduction plans to help cover pandemic-related economic issues. Additionally, the College was awarded $2,415,469 in Federal CARES Act funds which will continue to assist students in the form of emergency grant aid and also assist in enhancing online learning initiatives, cover certain technology needs, and address safety issues, resulting from the pandemic so that all campuses can reopen safely for students and staff. However, even with the decline in enrollment, the College's current financial and capital plans indicate that the financial resources from State funding will allow it to continue at the present level of service without a tuition increase for the 2020-21 fiscal year.

Requests for Information

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Administration and Finance, Gulf Coast State College, 5230 West Highway 98, Panama City, Florida 32401.

GULF COAST 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	$ 3,154,412	$ 285,957
Restricted Cash and Cash Equivalents	1,772,438	-
Restricted Investment	-	16,960,140
Accounts Receivable, Net	1,307,926	19,779
Pledges Receivable	-	30,000
Notes Receivable, Net	56,455	-
Due from Other Governmental Agencies	13,572,143	-
Inventories	442,133	-
Prepaid Expenses	608,603	-
Other Assets	6,360	42,721
Total Current Assets	20,920,470	17,338,597
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,451,246	-
Restricted Investments	465,859	14,483,763
Pledges Receivable	-	65,000
Depreciable Capital Assets, Net	82,965,159	-
Nondepreciable Capital Assets	5,600,924	-
Other Assets	16,242	-
Total Noncurrent Assets	92,499,430	14,548,763
TOTAL ASSETS	113,419,900	31,887,360
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	404,604	-
Pensions	6,213,302	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,617,906	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,126,596	89,531
Salary and Payroll Taxes Payable	1,131,014	-
Retainage Payable	34,978	-
Unearned Revenue	22,447	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	310,000	-
Note Payable	278,536	24,479
Compensated Absences Payable	288,260	-
Other Postemployment Benefits Payable	27,779	-
Net Pension Liability	101,421	-
Total Current Liabilities	3,321,031	114,010

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	3,430,000	-
Note Payable	391,931	31,181
Compensated Absences Payable	3,319,086	-
Other Postemployment Benefits Payable	1,986,396	-
Net Pension Liability	18,242,203	-
Total Noncurrent Liabilities	27,369,616	31,181
TOTAL LIABILITIES	30,690,647	145,191
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	226,857	-
Pensions	2,026,570	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,253,427	-
NET POSITION		
Net Investment in Capital Assets	84,826,083	-
Restricted:		
Nonexpendable:		
Endowment	-	14,483,763
Expendable:		
Grants and Loans	2,184,979	-
Scholarships	3,697	17,258,406
Capital Projects	14,153,648	-
Unrestricted	(14,074,675)	-
TOTAL NET POSITION	$ 87,093,732	$ 31,742,169

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

GULF COAST 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 $4,231,086	$ 4,505,273	$ -
Federal Grants and Contracts	3,131,370	-
State and Local Grants and Contracts	108,000	-
Nongovernmental Grants and Contracts	2,184,922	-
Sales and Services of Educational Departments	18,057	-
Auxiliary Enterprises, Net of Scholarship Allowances of $514,246	1,384,663	-
Other Operating Revenues	230,793	776,181
Total Operating Revenues	11,563,078	776,181
EXPENSES		
Operating Expenses:		
Personnel Services	28,169,014	-
Scholarships and Waivers	5,664,492	1,373,969
Utilities and Communications	1,896,305	-
Contractual Services	4,265,681	-
Other Services and Expenses	3,476,746	1,383,831
Materials and Supplies	32,015,215	-
Depreciation	4,835,072	-
Total Operating Expenses	80,322,525	2,757,800
Operating Loss	(68,759,447)	(1,981,619)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	22,975,111	-
Federal and State Student Financial Aid	9,850,273	-
Gifts and Grants	2,493,905	-
Investment Income	124,002	358,795
Other Nonoperating Revenues	31,599,284	-
Interest on Capital Asset-Related Debt	(174,188)	-
Net Nonoperating Revenues	66,868,387	358,795
Loss Before Other Revenues	(1,891,060)	(1,622,824)
State Capital Appropriations	133,200	-
Capital Grants, Contracts, Gifts, and Fees	950,072	-
Total Other Revenues	1,083,272	-
Decrease in Net Position	(807,788)	(1,622,824)
Net Position, Beginning of Year	87,901,520	33,364,993
Net Position, End of Year	$ 87,093,732	$ 31,742,169

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

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GULF COAST 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	$ 4,180,451
Grants and Contracts	5,234,732
Payments to Suppliers	(39,583,603)
Payments for Utilities and Communications	(1,896,305)
Payments to Employees	(20,500,075)
Payments for Employee Benefits	(5,237,138)
Payments for Scholarships	(5,664,492)
Loans Issued to Students	(357,745)
Collection of Loans to Students	359,618
Auxiliary Enterprises, Net	1,384,663
Sales and Services of Educational Departments	18,057
Other Receipts	230,793
Net Cash Used by Operating Activities	(61,831,044)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	22,975,111
Federal and State Student Financial Aid	9,850,273
Federal Direct Loan Program Receipts	2,116,828
Federal Direct Loan Program Disbursements	(2,116,828)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	2,493,905
Net Cash Provided by Noncapital Financing Activities	35,319,289
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	314,827
Capital Grants and Gifts	950,072
Proceeds from Insurance Recoveries for Damaged Capital Assets	31,599,284
Purchases of Capital Assets	(5,010,318)
Principal Paid on Capital Debt	(575,707)
Interest Paid on Capital Debt	(174,188)
Net Cash Provided by Capital and Related Financing Activities	27,103,970
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	124,002
Net Increase in Cash and Cash Equivalents	716,217
Cash and Cash Equivalents, Beginning of Year	7,661,879
Cash and Cash Equivalents, End of Year	$ 8,378,096

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$(68,759,447)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	4,835,072
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Accounts Receivable, Net	(352,704)
Notes Receivables, Net	1,873
Due from Other Governmental Agencies	(180,685)
Deposits	18,476
Inventories	349,452
Prepaid Expenses and Other Assets	(87,097)
Accounts Payable	(91,624)
Salaries and Payroll Taxes Payable	125,165
Unearned Revenue	3,839
Compensated Absences Payable	154,895
Other Postemployment Benefits Payable	503,783
Net Pension Liability	2,107,521
Deferred Outflows of Resources Related to Pensions	468,220
Deferred Outflows of Resources Related to OPEB	(358,473)
Deferred Inflows of Resources Related to Pensions	(530,704)
Deferred Inflows of Resources Related to OPEB	(38,606)
NET CASH USED BY OPERATING ACTIVITIES	$(61,831,044)
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITIES	
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 2,231,623

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 Gulf Coast 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 Bay, Franklin, and Gulf Counties.

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the Vice President of Administration and Finance, Gulf Coast State College, 5230 West US Highway 98, Panama City, Florida 32401. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 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 unit uses the economic resources measurement focus and the accrual basis of accounting, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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, investment income, gifts and grants, and other nonoperating revenues such as insurance proceeds. Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

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

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash invested with the State Board of Administration (SBA) in Florida PRIME and the State Treasury Special Purpose Investment Account (SPIA) 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 $1,222,842 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 $549,466 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, 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, note payable, compensated absences payable, other postemployment benefits payable, and net pension liabilities that are not scheduled to be paid within the next fiscal year.

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

2. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	$ (18,182,888)
Auxiliary Funds	4,108,213
Total	$ (14,074,675)

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.

All of the College's recurring fair value measurements as of June 30, 2020, are valued using quoted market prices (Level 1 inputs).

State Board of Administration Debt Service Accounts. The College reported investments totaling $465,859 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.

Component Unit Investments. The College's component unit investments at June 30, 2020, are reported as follows:

		Fair Value Measurements Using	
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Unobservable Inputs (Level 3)**
Cash Equivalents	$ 209,663	$ 209,663	$ -
Fixed Income	8,017,118	8,017,118	-
Public Equity	17,931,106	17,931,106	-
Alternative Assets	4,435,048	1,719,551	2,715,497
Total investment by fair value level	30,592,935	$ 27,877,438	$ 2,715,497
Investments measured at the net asset value (NAV)			
Secondary Partners	738,281		
Total investments measured at NAV	738,281		
Total investments measured at fair value	$ 31,331,216		

Real estate donated to the Foundation in 1981 was recorded on its books at $47,687 which was believed to be a conservative value as of the date of donation. The value was not established by an appraisal or other objective basis. Real estate donated to the Foundation in 2018 was recorded at its appraised value of $65,000.

4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a $295,931 allowance for doubtful accounts.

5. Notes Receivable

Notes receivable represent student loans made under the College's short-term loan program. Notes receivable are reported net of a $54,409 allowance for doubtful notes.

6. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of $11,332,382 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

7. 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	$ 3,808,643	$ 1,323,319	$ -	$ 5,131,962
Construction in Progress	2,129,122	1,704,888	3,365,048	468,962
Total Nondepreciable Capital Assets	$ 5,937,765	$ 3,028,207	$ 3,365,048	$ 5,600,924
Depreciable Capital Assets:				
Buildings	$ 120,219,014	$ 908,304	$ -	$ 121,127,318
Other Structures and Improvements	13,478,078	1,639,692	62,845	15,054,925
Furniture, Machinery, and Equipment	14,282,826	2,130,249	219,143	16,193,932
Total Depreciable Capital Assets	147,979,918	4,678,245	281,988	152,376,175
Less, Accumulated Depreciation:				
Buildings	45,943,661	2,688,790	-	48,632,451
Other Structures and Improvements	6,612,435	997,983	62,845	7,547,573
Furniture, Machinery, and Equipment	12,301,836	1,148,299	219,143	13,230,992
Total Accumulated Depreciation	64,857,932	4,835,072	281,988	69,411,016
Total Depreciable Capital Assets, Net	$ 83,121,986	$ (156,827)	$ -	$ 82,965,159

8. 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	$ 4,040,000	$ -	$ 300,000	$ 3,740,000	$ 310,000
Note Payable	946,174	-	275,707	670,467	278,536
Compensated Absences Payable	3,452,451	373,855	218,960	3,607,346	288,260
Other Postemployment Benefits Payable	1,510,392	549,914	46,131	2,014,175	27,779
Net Pension Liability	16,236,103	10,649,337	8,541,816	18,343,624	101,421
Total Long-Term Liabilities	$ 26,185,120	$ 11,573,106	$ 9,382,614	$ 28,375,612	$ 1,005,996

Bonds Payable. The Florida Department of Education issued Capital Improvement Revenue Bonds, Series 2010A, as authorized by Article VII, Section 11(d) of the Florida Constitution, Sections 215.57 through 215.83 and Section 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 third 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 equipment and renovation and remodeling of education facilities.

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

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
Florida Department of Education			
Capital Improvement Revenue Bonds:			
Series 2010A	$ 3,740,000	4.00 - 4.375	2030

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

Fiscal Year Ending June 30	Capital Improvement Revenue Bonds Principal	Interest	Total
2021	$ 310,000	$ 153,850	$ 463,850
2022	325,000	141,450	466,450
2023	335,000	128,450	463,450
2024	350,000	115,050	465,050
2025	365,000	101,050	466,050
2026-2030	2,055,000	269,656	2,324,656
Total	$ 3,740,000	$ 909,506	$ 4,649,506

Note Payable. On April 27, 2012, the College signed a promissory note for a line of credit up to $2,700,000 at a stated interest rate of 1 percent, to finance the Energy Efficiency Project (Project). The College made draws as needed to make payments to the contractors of the Project. The College completed the Project and started making principal payments in May 2013. As of June 30, 2020, the College has drawn $2,586,054. The note matures on April 27, 2023, and principal and interest payments are made monthly. The College pledged a deposit account as collateral for the note. The note contains a provision that, in an event of default, outstanding amounts become immediately due if the College is unable to make payment. Annual requirements to amortize the outstanding note as of June 30, 2020, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2021	$ 278,536	$ 5,508	$ 284,044
2022	281,373	2,671	284,044
2023	110,558	270	110,828
Total	$ 670,467	$ 8,449	$ 678,916

<u>Compensated Absences Payable</u>. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2020, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $3,607,346. The current portion of the compensated absences liability, $288,260, is the amount expected to be paid in the coming fiscal year. This amount was estimated by performing an analysis of the last five years' payments made to employees for unused leave at the time of termination.

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

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 Florida College System Risk Management 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 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	56
DROP Members	13
Active Employees	324
Total	393

Total OPEB Liability

The College's total OPEB liability of $2,014,175 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
Salary increases	0.65 percent
Wage inflation	3.25 percent
Salary increase	
Regular employees	4.00 – 7.80 percent
Senior management	4.70 – 7.10 percent
Discount rate	3.50 percent at measurement date
	3.87 at prior measurement date
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, withdrawal, and salary increases used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013, adopted by the FRS.

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

Changes in the Total OPEB Liability

	Amount
Balance at 6/30/19	$ 1,510,392
Changes for the year:	
Service Cost	65,873
Interest	57,568
Differences Between Expected and Actual Experience	12,258
Changes in Assumptions or Other Inputs	414,215
Benefit Payments	(46,131)
Net Changes	503,783
Balance at 6/30/20	$ 2,014,175

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	$2,526,410	$2,014,175	$1,626,032

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$1,585,263	$2,014,175	$2,601,115

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 $142,168. 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	$ 10,831	$ -
Changes of assumptions or other inputs	365,994	226,857
Transactions subsequent to the measurement date	27,779	-
Total	$ 404,604	$ 226,857

Of the total amount reported as deferred outflows of resources related to OPEB, $27,779 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 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	$ 11,042
2022	11,042
2023	11,042
2024	11,042
2025	11,042
Thereafter	94,758
Total	$ 149,968

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the College recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2020, the College's proportionate share of the net pension liabilities totaled $18,343,624. Note 9. includes a complete discussion of defined benefit pension plans.

9. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

Essentially all regular employees of the College are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. 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 $3,377,424 for the fiscal year ended June 30, 2020.

FRS Pension Plan

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

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

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

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

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

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

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

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

	Percent of Gross Salary	
Class	Employee	Employer (1)
FRS, Regular	3.00	8.47
FRS, Senior Management Service	3.00	25.41
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.60
FRS, Reemployed Retiree	(2)	(2)

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

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

The College's contributions to the Plan totaled $1,038,034 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 $12,366,104 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 0.035907676 percent, which was an increase of 0.000398593 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of $2,973,939. 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	$ 733,469	$ 7,675
Change of assumptions	3,176,148	-
Net difference between projected and actual earnings on FRS Plan investments	-	684,157
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	99,367	526,435
College FRS contributions subsequent to the measurement date	1,038,034	-
Total	$ 5,047,018	$ 1,218,267

The deferred outflows of resources totaling $1,038,034, resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2021	$ 1,023,692
2022	187,807
2023	756,570
2024	610,713
2025	165,777
Thereafter	46,158
Total	$ 2,790,717

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

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.90 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

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

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

Discount Rate. The discount rate used to measure the total pension liability was 6.90 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2019 valuation was updated from 7.00 percent to 6.90 percent.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.90 percent) or 1 percentage point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	**Current Discount Rate (6.90%)**	**1% Increase (7.90%)**
College's proportionate share of the net pension liability	$21,376,875	$12,366,104	$4,840,585

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 $234,469 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2020.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 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 $294,353 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 $5,977,520 for its proportionate share of the net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within 1 year, net of the College's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, and update procedures were used to determine liabilities as of June 30, 2019. The College's proportionate share of the net pension liability was based on the College's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the College's proportionate share was 0.053423183 percent, which was an increase of 0.001075067 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of $403,485. 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**
Difference between projected and actual experience	$ 72,604	$ 7,319
Change of assumptions	692,140	488,554
Net difference between projected and actual earnings on HIS Plan investments	3,857	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	103,330	312,430
College contributions subsequent to the measurement date	294,353	-
Total	$ 1,166,284	$ 808,303

The deferred outflows of resources totaling $294,353, 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	$ 61,256
2022	33,198
2023	2,871
2024	(72,332)
2025	(15,722)
Thereafter	54,357
Total	$ 63,628

Actuarial Assumptions. The total pension liability at July 1, 2018, 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	$6,823,645	$5,977,520	$5,272,793

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 $4,785 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2020.

10. Retirement Plans – Defined Contribution Pension Plans

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

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 $473,429 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 and 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 $89,842 and employee contributions totaled $52,335 for the 2019-20 fiscal year.

11. Construction Commitment

The College's major construction commitment at June 30, 2020, was as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
STEM Education Center:			
Architect	$ 1,202,756	$ 415,403	$ 787,353

12. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to $100 million to February 29, 2020, and up to $110 million from March 1, 2020, for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

13. Functional Distribution of Operating Expenses

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

Functional Classification	Amount
Instruction	$ 16,317,189
Public Services	310,932
Academic Support	2,839,965
Student Services	4,494,598
Institutional Support	6,576,639
Operation and Maintenance of Plant	35,461,548
Scholarships and Waivers	7,208,188
Depreciation	4,835,072
Auxiliary Enterprises	2,278,394
Total Operating Expenses	$ 80,322,525

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

	2019	2018	2017
Total OPEB Liability			
Service cost	$ 65,873	$ 71,539	$ 85,002
Interest	57,568	54,391	49,750
Difference between expected and actual experience	12,258	-	-
Changes of assumptions or other inputs	414,215	(113,993)	(215,318)
Benefit Payments	(46,131)	(58,253)	(30,885)
Net change in total OPEB liability	503,783	(46,316)	(111,451)
Total OPEB Liability - beginning, as Restated	1,510,392	1,556,708	1,668,159
Total OPEB Liability - ending	$ 2,014,175	$ 1,510,392	$ 1,556,708
Covered-Employee Payroll	$ 16,715,021	$ 17,211,561	$ 17,211,561
Total OPEB Liability as a percentage of covered-employee payroll	**12.05%**	**8.78%**	**9.04%**

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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	0.035907676%	0.035509083%	0.036607557%	0.037934738%
College's proportionate share of the FRS net pension liability	$ 12,366,104	$ 10,695,520	$ 10,828,270	$ 9,578,551
College's covered payroll (2)	$ 21,508,431	$ 20,789,546	$ 21,686,784	$ 21,042,665
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	57.49%	51.45%	49.93%	45.52%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.61%	84.26%	83.89%	84.88%

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

(2) Covered payroll includes defined benefit plan actives, investment plan members, State college system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of College Contributions – Florida Retirement System Pension Plan

	2020 (1)	**2019** (1)	**2018** (1)	**2017** (1)
Contractually required FRS contribution	$ 1,038,034	$ 1,129,352	$ 1,011,980	$ 952,985
FRS contributions in relation to the contractually required contribution	(1,038,034)	(1,129,352)	(1,011,980)	(952,985)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 21,223,407	$ 21,508,431	$ 20,789,546	$ 21,686,784
FRS contributions as a percentage of covered payroll	4.89%	5.25%	4.87%	4.39%

(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)
	0.042908563%	0.043522957%	0.039666739%
	$ 5,542,216	$ 2,655,540	$ 6,828,411
	$ 20,940,363	$ 20,753,038	$ 20,147,311
	26.47%	12.80%	33.89%
	92.00%	96.09%	88.54%

	2016 (1)	2015 (1)	2014 (1)
	$ 952,099	$ 1,046,147	$ 953,337
	(952,099)	(1,046,147)	(953,337)
	$ -	$ -	$ -
	$ 21,042,665	$ 20,940,363	$ 20,753,038
	4.52%	5.00%	4.59%

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	0.053423183%	0.052348116%	0.054856322%	0.055821393%
College's proportionate share of the HIS net pension liability	$ 5,977,520	$ 5,540,583	$ 5,865,490	$ 6,505,752
College's covered payroll (2)	$ 19,695,915	$ 18,948,605	$ 19,351,552	$ 18,903,691
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	30.35%	29.24%	30.31%	34.42%
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	$ 294,353	$ 296,652	$ 283,885	$ 290,315
HIS contributions in relation to the contractually required HIS contribution	(294,353)	(296,652)	(283,885)	(290,315)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 19,459,020	$ 19,695,915	$ 18,948,605	$ 19,351,552
HIS contributions as a percentage of covered payroll	1.51%	1.51%	1.50%	1.50%

(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)
0.056726536%	0.058023289%	0.057521773%
$ 5,785,214	$ 5,425,319	$ 5,008,027
$ 18,848,928	$ 18,820,920	$ 18,275,931
30.69%	28.83%	27.40%
0.50%	0.99%	1.78%

2016 (1)	2015 (1)	2014 (1)
$ 286,120	$ 216,844	$ 198,768
(286,120)	(216,844)	(198,768)
$ -	$ -	$ -
$ 18,903,691	$ 18,848,928	$ 18,820,920
1.51%	1.15%	1.06%

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 used to determine total OPEB liability (TOL) 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

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

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

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 30, 2021