

**Florida Prepaid  
College Board**

**FINANCIAL STATEMENTS**

**June 30, 2021**



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**Florida Prepaid College Board**  
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**June 30, 2021**

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**REPORT**

## **INDEPENDENT AUDITORS' REPORT**

Florida Prepaid College Board Members  
Tallahassee, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the Florida Prepaid College Board, a component unit of the State of Florida, administratively housed under the State Board of Administration, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents. We have also audited the fiduciary fund type and the discretely presented component units of the Board as of and for the year ended June 30, 2021 as displayed in the Board's basic financial statements.

### **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.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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 *Governmental 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 auditors' 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the fiduciary fund type and the discretely presented component units of the Florida Prepaid College Board, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10; and the Schedules of Board's Proportionate Share of Net Pension Liability and Related Ratios as of Measurement Date, Board's Contributions, Board's Proportionate Share of the Total Other Postemployment Benefits Liability, and Changes in the Board's Total OPEB Liability and Related Ratios on pages 69 to 72 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 December 22, 2021, on our consideration of the Florida Prepaid College Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting and compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Florida Prepaid College Board's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Tallahassee, Florida  
December 22, 2021



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Florida Prepaid College Board Management's Discussion and Analysis

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis of financial performance for the Florida Prepaid College Board ("the Board"), provides an overview of the Board's financial activities for the fiscal year ended June 30, 2021. Please read this information in conjunction with the Board's financial statements, which begin on page 11.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The Board presents the following basic financial statements: a Statement of Net Position – Enterprise Fund, a Statement of Revenues, Expenses, and Changes in Net Position – Enterprise Fund, a Statement of Cash Flows – Enterprise Fund, a Statement of Fiduciary Net Position, and a Statement of Changes in Fiduciary Net Position.

The enterprise fund statements offer financial information about The Stanley G. Tate Florida Prepaid College Program, which the Board operates like a business. Fiduciary fund statements provide information about the financial relationships – like the Florida 529 Savings Plan, The Stanley G. Tate Florida Prepaid College Foundation, Inc. and Florida ABLE, Inc. – in which the Board acts as a trustee for the benefit of others, to whom the resources in question belong.

The Board's financial position is measured in terms of resources (assets) owned and obligations (liabilities) owed on a given date. This information is reported on the Statement of Net Position – Enterprise Fund, which reflects the Board's resources in relation to its obligations. The excess of assets over liabilities are equal to net position. The Board's financial position, or net position, is one way to measure the Board's financial health.

Information regarding the results of operations during the current year is reported in the Statement of Revenues, Expenses and Changes in Net Position – Enterprise Fund. This statement shows the increase or decrease in net position during the year as a result of operations.

The Board is the trustee, or fiduciary, for the Florida 529 Savings Plan, The Stanley G. Tate Florida Prepaid College Foundation, Inc. and Florida ABLE, Inc. The funds in these programs can only be used for the trust beneficiaries. The Board is responsible for ensuring that assets reported in these funds are used for their intended purposes. All of the Board's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position.

## FINANCIAL SUMMARY – The Stanley G. Tate Florida Prepaid College Program (the "Prepaid Plan")

### Financial Position

A summary comparison of the Prepaid Plan's Statement of Net Position at June 30, 2021 and June 30, 2020 is on the following page.

**Florida Prepaid College Board  
Management's Discussion and Analysis**

**FINANCIAL SUMMARY – The Stanley G. Tate Florida Prepaid College Program (the “Prepaid Plan”)  
(Continued)**

**Statement of Net Position - Enterprise Fund  
(\$ in thousands)**

<i>June 30,</i>	<b>2021</b>	<b>2020</b>	<b>Change</b>
<b>Assets</b>			
Restricted assets	<b>\$ 19,422,159</b>	<b>\$ 18,340,711</b>	<b>5.90%</b>
Total assets	<b>19,422,159</b>	<b>18,340,711</b>	<b>5.90%</b>
Deferred Outflows of Resources	<b>1,588</b>	<b>1,455</b>	<b>9.14%</b>
<b>Liabilities</b>			
Current liabilities	<b>3,925,937</b>	<b>3,524,210</b>	<b>11.40%</b>
Long-term liabilities	<b>10,784,723</b>	<b>11,251,245</b>	<b>-4.15%</b>
Total liabilities	<b>14,710,660</b>	<b>14,775,455</b>	<b>-0.44%</b>
Deferred Inflows of Resources	<b>311</b>	<b>275</b>	<b>13.09%</b>
<b>Net position</b>			
Invested in capital assets	<b>472</b>	<b>56</b>	<b>742.86%</b>
Restricted	<b>4,712,304</b>	<b>3,566,380</b>	<b>32.13%</b>
Total net position	<b>\$ 4,712,776</b>	<b>\$ 3,566,436</b>	<b>32.14%</b>



## Florida Prepaid College Board Management's Discussion and Analysis

### FINANCIAL SUMMARY – The Stanley G. Tate Florida Prepaid College Program (the “Prepaid Plan”) (Continued)

#### Changes in Net Position

A summary comparison of the Prepaid Plan's Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2021 and June 30, 2020 is presented below.

#### Statement of Revenues, Expenses and Changes in Net Position (\$ in thousands)

<i>For the years ended June 30,</i>	<b>2021</b>	2020	Change
Operating revenues - non-actuarial	\$ 406,694	\$ (263,890)	254.11%
Operating expenses - non-actuarial	(397,648)	(398,054)	-0.10%
Increase (decrease) in actuarial receivables	112,101	(305,864)	136.65%
Decrease (increase) in actuarial liabilities	454,969	(464,118)	-198.03%
Net operating revenues	576,116	(1,431,926)	140.23%
Non-operating revenues	588,600	1,334,306	-55.89%
Non-operating expenses	(10,469)	(33,120)	-68.39%
Net non-operating revenues	578,131	1,301,186	-55.57%
Transfers to other funds	(7,907)	(3,644)	116.99%
Change in net position	1,146,340	(134,384)	953.03%
Net position, beginning	3,566,436	3,700,820	-3.63%
Net position, ending	\$ 4,712,776	\$ 3,566,436	32.14%

#### Financial Highlights

- The difference in revenues, receivables, and collections from 2019-2020 and 2020-2021 was primarily driven by several key Board actions, taken during FY 2019-2020, which included a rollback refund, extension of open enrollment, and temporary suspension of delinquency fees and extension and deferment of contract payments.
- Beginning with the 2010-2011 enrollment period, the Board began offering combined fee plans. Combined fee plans include Tuition, Local Fee, and if necessary, Tuition Differential Fee plan benefits. Enrollment counts reflect each component of combined fee plans enrolled.
- Total number of Florida Prepaid College Plans purchased during the 2020-2021 enrollment period as of June 30, 2021 was 38,178 (30,641 Tuition, 240 Tuition Differential Fee, 241 Local Fee, and 7,056 Dormitory), which is 24.77% decrease from the 2019-2020 enrollment period.

## Florida Prepaid College Board Management's Discussion and Analysis

### FINANCIAL SUMMARY – The Stanley G. Tate Florida Prepaid College Program (the “Prepaid Plan”) (Continued)

- Total market value of investments, net of pending trades and Obligations Under Securities Lending, which represents collateral held for securities on loan, at June 30, 2021 was \$14.1 billion as compared to \$13.56 billion at June 30, 2020.
- Projected value of assets exceeds the projected value of liabilities by \$4.7 billion, per the June 30, 2021 actuarial adequacy report prepared by Milliman, Inc., as compared to \$3.59 billion, per the June 30, 2020 report. The actuarial reserve was determined by deducting future contract benefits and expenses from the sum of investments, future contract payments receivable, and fees. The increase in the actuarial reserve is primarily due to earnings on the reserve portfolio and tuition not increasing as anticipated for 2021-2022.
- Tuition, fees, and dormitory housing benefits payable decreased from \$11.757 billion at June 30, 2020 to \$11.302 billion at June 30, 2021, a decrease of 3.9%, primarily due to the increase in the discount rate during the period from 1.59% to 2.13%.
- The total 2020-2021 gross investment portfolio (exclusive of the securities lending portfolio) return of 4.9% was due to realized and unrealized gains in the market value of the portfolio as of June 30, 2021. For comparison purposes, the total portfolio return for 2019-2020 was 10.45%. The liability segment of the portfolio, which is comprised of fixed income securities, returned (3.1%) and constituted 70.2% of the total portfolio as of June 30, 2021. The reserve segment of the portfolio, which is comprised of fixed income and equity securities, returned 29.9% and constituted 29.4% of the total portfolio.
- Total administrative expenditures for the Prepaid Plan were \$27.7 million for administration and \$8.7 million for investment fees, totaling \$36.4 million during fiscal year 2020-2021, as compared to \$21.5 million for administration and \$10 million for investment fees, totaling \$31.5 million during 2019-2020.

## Florida Prepaid College Board Management's Discussion and Analysis

### FINANCIAL SUMMARY – Florida 529 Savings Plan (the “Savings Plan”)

#### Financial Position

A summary comparison of the Savings Plan's Statement of Fiduciary Net Position at June 30, 2021 and June 30, 2020 is presented below.

<b>Statement of Fiduciary Net Position</b>				
(\$ in thousands)				
<i>June 30,</i>	<b>2021</b>		2020	Change
<b>Assets</b>				
Restricted assets	\$ 1,106,042	\$	799,793	38.29%
Total assets	<b>1,106,042</b>		799,793	38.29%
<b>Liabilities</b>				
Current liabilities	<b>84,072</b>		39,908	110.66%
Long-term liabilities	<b>128</b>		72	77.78%
Total liabilities	<b>84,200</b>		39,980	110.61%
<b>Net position</b>				
Restricted for individuals	<b>1,021,842</b>		759,813	34.49%
Total net position	<b>\$ 1,021,842</b>	\$	759,813	34.49%

## Florida Prepaid College Board Management's Discussion and Analysis

### FINANCIAL SUMMARY – Florida 529 Savings Plan (the “Savings Plan”) (Continued)

#### Changes in Net Position

A summary comparison of the Savings Plan's Statement of Changes in Fiduciary Net Position for the years ended June 30, 2021 and June 30, 2020 is presented below.

<b>Statement of Changes in Fiduciary Net Position</b> (\$ in thousands)				
<i>For the years ended June 30,</i>		<b>2021</b>	2020	Change
Additions	\$	<b>319,752</b>	\$ 130,448	145.12%
Deductions		<b>(57,723)</b>	(54,686)	5.55%
Increase in net position		<b>262,029</b>	75,762	245.86%
Net position, beginning		<b>759,813</b>	684,051	11.08%
Net position, ending	\$	<b>1,021,842</b>	\$ 759,813	34.49%

A summary of the Savings Plan portfolio individual investment options for the year ended June 30, 2021 is presented on the following page.

## Florida Prepaid College Board Management's Discussion and Analysis

### FINANCIAL SUMMARY – Florida 529 Savings Plan (the “Savings Plan”) (Continued)

Savings Plan Summary Year Ended June 30, 2021				
	Market Value	% of Total Portfolio	Option Performance <sup>1</sup>	Participants* By Investment
<b>Blended Age Based Portfolios</b>	<b>\$ 433,689,124</b>	<b>42.51%</b>		
Age Based/Years to Enrollment Portfolio				57,786
Ages 0-4	40,926,046	4.01%	38.20%	
Age 5	15,279,241	1.50%	35.30%	
Age 6	16,449,286	1.61%	32.50%	
Age 7	19,413,579	1.90%	29.20%	
Age 8	18,618,600	1.83%	26.30%	
Age 9	19,925,857	1.95%	23.90%	
Age 10	21,942,500	2.15%	21.10%	
Age 11	24,531,898	2.40%	18.50%	
Age 12	27,513,645	2.70%	15.90%	
Age 13	27,371,548	2.68%	13.40%	
Age 14	28,663,090	2.81%	11.20%	
Age 15	29,701,348	2.91%	8.70%	
Age 16	27,588,072	2.70%	6.90%	
Age 17	28,569,614	2.80%	5.40%	
Age 18	29,889,431	2.93%	5.60%	
Ages 19+	57,305,370	5.62%	5.80%	
<b>Individual Fund Options</b>	<b>\$ 298,677,969</b>	<b>29.28%</b>		
U.S. Large Cap Equity Index Fund	76,903,436	7.54%	0.00%	17,933
U.S. Broad All Cap Index Fund	63,414,968	6.22%	44.00%	12,451
Money Market Fund	59,005,072	5.78%	0.20%	18,793
Core Plus Fixed Income Fund	47,887,883	4.69%	0.40%	17,256
Small/Mid Cap Equity Index Fund	33,743,582	3.31%	0.00%	12,646
Developed International Equity Fund	11,264,820	1.10%	33.10%	8,886
Total International Index Fund	1,152,792	0.11%	0.00%	603
Global Equity Fund	1,023,382	0.10%	0.00%	351
Core Fixed Income Fund	943,540	0.09%	0.00%	203
Real Estate Index Fund	811,424	0.08%	0.00%	507
High Yield Fund	699,674	0.07%	0.00%	347
Treasury Inflation-Protected Securities Ind	680,235	0.07%	0.00%	199
Social Index Fund	523,423	0.05%	0.00%	239
Emerging Markets Bond Index Fund	480,845	0.05%	0.00%	293
Bank Loans Fund	142,893	0.01%	0.00%	86
<b>Static Portfolios</b>	<b>\$ 287,758,659</b>	<b>28.21%</b>		
Multi Manager Growth	182,143,072	17.85%	38.00%	21,175
Multi Manager Blended	94,749,015	9.29%	23.90%	17,594
Passive Growth	6,028,051	0.59%	37.40%	1,242
Passive Blended	2,283,866	0.22%	22.00%	642
Passive Income	1,730,340	0.17%	2.10%	539
Multi Manager Income	824,315	0.08%	3.50%	494
<b>Total Portfolio</b>	<b>\$ 1,020,125,752</b>			

<sup>1</sup> Fiscal Year 2020-2021 performance, net of the Investment Management Fee.

\*Participants may elect to invest in one or more investment options.

## Florida Prepaid College Board Management's Discussion and Analysis

### FINANCIAL SUMMARY – Florida 529 Savings Plan (the “Savings Plan”) (Continued)

#### Financial Highlights

- Total market value of investments, including pending trades and income receivable, at June 30, 2021 was \$1.02 billion as compared to \$760 million at June 30, 2020. The change represents a 34.9% increase from year to year.
- Total active accounts (Participants) at June 30, 2021 were 107,753 as compared to 93,512 at June 30, 2020, which is a 15.2% increase.
- Participants may invest in one or more investment options. As a result, there was 190,266 participants by investment option as of June 30, 2021, up from 180,611 as of June 20, 2020, an increase of 5.35%. The primary increase was in the age-based options, which grew by 21.04%.
- Total administrative expenses for the Savings Plan were \$4.2 million for administration and \$0.49 million for investment fees, totaling \$4.7 million during fiscal year 2020-2021, as compared to \$4.3 million for administration and \$0.75 million for investment fees, totaling \$5.05 million during fiscal year 2019-2020. The total change represents a 7.5% decrease from year to year.
- During fiscal year 2020-2021, the Board restructured its investment offerings, specifically its individual fund options. The enhancement offers a higher level of investor choice, providing participants with five new fixed income options instead of one, adding specialty options, and doubling the number of equity options to six. The enhancements also moved to higher use of passive options (67%) and mutual funds (86%).



# **FINANCIAL STATEMENTS**



# Florida Prepaid College Board

## Statement of Net Position – Enterprise Fund

June 30, 2021	Florida Prepaid College Plan (Primary Government)
<b>Assets</b>	
Restricted assets	
Current	
Cash and cash equivalents	\$ 72,167,756
Investments	2,806,520,801
Future contract premiums and other receivables	273,409,160
Delinquent fees and contracts receivable	11,312,357
Investment trades receivable	735,724,876
Due from other funds	98,381
Accrued interest and dividends receivable	33,587,025
Other receivables	65
Prepaid expenses	1,219,275
Total current restricted assets	3,934,039,696
Non-current	
Investments	13,578,378,040
Future contract premiums and other receivables	1,909,269,687
Equipment, net of depreciation	472,059
Total non-current restricted assets	15,488,119,786
Total assets	19,422,159,482
<b>Deferred outflows of resources</b>	
Deferred outflows related to pension obligations and OPEB	1,587,572
Total deferred outflows of resources	1,587,572
<b>Liabilities</b>	
Current liabilities	
Accounts payable and accrued expenses	247,988,200
Obligations under securities lending	2,147,909,311
Investment trades payable	962,582,131
Future contract benefits and expenses payable	521,465,554
Due to other funds	45,900,941
Compensated absences	90,708
Total current liabilities	3,925,936,845
Long-term liabilities	
Future contract benefits and expenses payable	10,780,576,754
Net pension liability	3,245,840
Other post-employment benefits payable	405,258
Compensated absences	495,412
Total long-term liabilities	10,784,723,264
Total liabilities	14,710,660,109
<b>Deferred inflows of resources</b>	
Deferred inflows related to pension obligations and OPEB	311,346
Total deferred inflows of resources	311,346
<b>Net position</b>	
Invested in capital assets	472,059
Restricted	4,712,303,540
Total net position	\$ 4,712,775,599

*The accompanying notes are an integral part of these financial statements.*



# Florida Prepaid College Board

## Statement of Revenues, Expenses and Changes in Net Position – Enterprise Fund

	Florida Prepaid College Plan (Primary Government)
<i>For the year ended June 30, 2021</i>	
<b>Operating revenues</b>	
Contract premiums	\$ 535,069,365
Increase in actuarial value of future contract premiums	112,100,535
Less refunds	(129,598,304)
Contract premiums, net	517,571,596
Application and other fees	1,223,132
Total operating revenues	518,794,728
<b>Operating expenses</b>	
Contract benefits	369,972,776
Decrease in actuarial value of future contract benefits	(454,968,917)
Administration	27,675,449
Total operating expenses	(57,320,692)
Operating income	576,115,420
<b>Non-operating revenues (expenses)</b>	
Investment income	581,745,753
Investment expense	(8,727,733)
Securities lending income	6,773,177
Securities lending expense	(1,740,907)
Other revenue	81,053
Total non-operating revenues (expenses)	578,131,343
Change in net position before transfers	1,154,246,763
Transfers to other funds	(7,907,175)
Change in net position	1,146,339,588
Net position, beginning of year	3,566,436,011
Net position, end of year	\$ 4,712,775,599

*The accompanying notes are an integral part of these financial statements.*

# Florida Prepaid College Board

## Statement of Cash Flows – Enterprise Fund

<i>For the year ended June 30, 2021</i>	<b>Florida Prepaid College Plan (Primary Government)</b>
<b>Cash flows from operating activities:</b>	
Receipts from contract purchasers	\$ 549,200,087
Payments to schools and others for contract obligations	(561,737,174)
Payments to employees, vendors and other consultants	(30,010,099)
Net cash provided by (used in) operating activities	(42,547,186)
<b>Cash flows from noncapital and related financing activities:</b>	
Operating subsidies and transfers to other funds	(7,907,175)
Net cash provided by (used in) noncapital and related financing activities:	(7,907,175)
<b>Cash flows from capital and related financing activities:</b>	
Purchase of fixed assets	(8,601)
Net cash provided by (used in) capital and related financing activities:	(8,601)
<b>Cash flows from investing activities:</b>	
Purchases of investments	(18,066,591,849)
Net investment income	175,746,072
Proceeds from sales and maturities of investments	18,002,990,468
Net cash provided by (used in) investing activities	112,144,691
<b>Change in cash and cash equivalents</b>	<b>61,681,729</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>10,486,027</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 72,167,756</b>

*The accompanying notes are an integral part of these financial statements.*

**Florida Prepaid College Board**  
**Statement of Cash Flows – Enterprise Fund**  
**(Continued)**

**Florida Prepaid  
College Plan  
(Parent Government)**

*For the year ended June 30, 2021*

**Reconciliation of operating income to net cash provided by  
(used in) operating activities:**

Operating income	\$	576,115,420
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization		23,506
(Increase) decrease in:		
Future contract premiums and other receivables		(100,799,860)
Delinquent fees and contracts receivable		(9,932,628)
Due from other funds		285,776
Prepaid expenses		(1,219,275)
Increase (decrease) in:		
Accounts payable and accrued expenses		(69,244,755)
Due to other funds		16,615,027
Future contract benefits and expenses payable		(454,968,917)
Compensated absences payable		113,685
Net pension and OPEB liability		464,835
Net cash provided by (used in) operating activities	\$	(42,547,186)

Non-cash investing, capital, and financing activities:

Change in the fair value of investments	\$	(598,814,601)
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*The accompanying notes are an integral part of these financial statements.*

## Florida Prepaid College Board Statement of Fiduciary Net Position

	Private-Purpose Trust Funds			
	Florida 529 Savings Plan (Primary Government)	Florida ABLE, Inc. (Component Unit)	Stanley G. Tate Florida Prepaid College Foundation, Inc. (Component Unit)	Private - Purpose Trust Fund Total
<i>June 30, 2021</i>				
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 44,484	\$ 44,484
Investments	-	2,657,339	146,732	2,804,071
Accounts receivable	-	522,150	15,000	537,150
Due from other funds	-	-	45,464,168	45,464,168
<b>Restricted assets</b>				
Cash and cash equivalents	593,044	6,105,971	-	6,699,015
Investments	1,083,860,531	41,932,761	-	1,125,793,292
Accounts receivable	-	66,784	-	66,784
Investment trades receivable	19,483,870	312,338	-	19,796,208
Accrued interest and dividends receivable	1,597,991	17,907	-	1,615,898
Due from other funds	439,271	-	-	439,271
Prepaid expenses	64,172	-	-	64,172
Equipment, net of depreciation	2,621	-	-	2,621
<b>Total assets</b>	<b>1,106,041,500</b>	<b>51,615,250</b>	<b>45,670,384</b>	<b>1,203,327,134</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued expenses	1,233,632	322,643	10,000	1,566,275
Due to other funds	1,206	-	99,673	100,879
Due to beneficiaries	-	-	42,368,777	42,368,777
Investment trades payable	82,818,087	303,492	-	83,121,579
Compensated absences	18,772	-	-	18,772
<b>Total current liabilities</b>	<b>84,071,697</b>	<b>626,135</b>	<b>42,478,450</b>	<b>127,176,282</b>
<b>Long-term liabilities</b>				
Compensated absences	128,273	-	-	128,273
<b>Total liabilities</b>	<b>84,199,970</b>	<b>626,135</b>	<b>42,478,450</b>	<b>127,304,555</b>
<b>Net position</b>				
Restricted for individuals and program administration	1,021,841,530	50,989,115	-	1,072,830,645
Restricted for scholarships and other	-	-	3,191,934	3,191,934
<b>Total net position</b>	<b>\$ 1,021,841,530</b>	<b>\$ 50,989,115</b>	<b>\$ 3,191,934</b>	<b>\$ 1,076,022,579</b>

*The accompanying notes are an integral part of these financial statements.*

## Florida Prepaid College Board Statement of Changes in Fiduciary Net Position

	Private-Purpose Trust Funds			
	Florida 529 Savings Plan (Primary Government)	Florida ABLE, Inc. (Component Unit)	Stanley G. Tate Florida Prepaid College Foundation, Inc. (Component Unit)	Private - Purpose Trust Fund Total
<i>For the year ended June 30, 2021</i>				
<b>Additions</b>				
Contributions	\$ 133,077,641	\$ 21,342,512	\$ 44,359	\$ 154,464,512
Governmental support	-	1,770,000	-	1,770,000
Investment income	178,108,622	5,920,836	901,323	184,930,781
Transfers from other funds	7,907,175	-	-	7,907,175
Application and other fees	658,264	69,828	141,120	869,212
Total additions	319,751,702	29,103,176	1,086,802	349,941,680
<b>Deductions</b>				
Payments in accordance with trust agreements	53,056,424	5,764,256	-	58,820,680
Scholarships	-	-	112,364	112,364
Administration expense	4,666,609	1,783,283	199,365	6,649,257
Total deductions	57,723,033	7,547,539	311,729	65,582,301
Change in net position	262,028,669	21,555,637	775,073	284,359,379
Net position, beginning of year	759,812,861	29,433,478	2,416,861	791,663,200
Net position, end of year	\$ 1,021,841,530	\$ 50,989,115	\$ 3,191,934	\$ 1,076,022,579

*The accompanying notes are an integral part of these financial statements.*

**Note 1: ORGANIZATION AND PURPOSE**

***Description of the Reporting Entity***

The Florida Prepaid College Board (the “Board”) is a corporate body considered a component unit of the State of Florida, administratively housed under the State Board of Administration (the “SBA”). The Board was created pursuant to Chapter 1009.971(1) of the Florida Statutes to administer the Stanley G. Tate Florida Prepaid College Program (the “Prepaid Plan”) and the Florida 529 Savings Plan (the “Savings Plan”).

The legislation which created the Prepaid Plan was passed in 1987 and the Prepaid Plan was implemented in fall 1988. The Prepaid Plan was created to provide a medium through which the cost of a state postsecondary education may be paid in advance of enrollment at a rate lower than the projected corresponding cost at the time of actual enrollment. The Prepaid Plan is authorized by Chapter 1009.98 of the Florida Statutes and governed by Board Rules. The State of Florida (the “State”) guarantees to meet the obligations of the Prepaid Plan for qualified beneficiaries if funds in the Prepaid Plan are insufficient. In the event that the State determines the Prepaid Plan to be financially infeasible, the State may discontinue the provisions of the Prepaid Plan. If discontinued, any qualified beneficiary who has been accepted by, and is enrolled in, or is within five years of enrollment at, a state college, university or postsecondary institution, (or other institution as specified in the contract), would be able to exercise the complete benefits of the Prepaid Plan. All other contract holders would receive a refund with an additional amount for interest at prevailing rates.

The legislation which created the Savings Plan was passed in 2000 and the Savings Plan was implemented in fall 2002, to provide a vehicle whereby participants can save for qualified educational expenses. The Savings Plan is authorized by Chapter 1009.981 of the Florida Statutes and is also governed by Board Rules. Participant contributions are collected and invested in accordance with Savings Plan provisions and participant direction. Savings Plan provisions clearly state that the participant contributions are solely the debt of the Savings Plan and not the debt of the State. Participants retain ownership of all amounts on deposit with the Savings Plan, up to the dates of distribution on behalf of designated beneficiaries. Participant contributions and the earnings derived therefrom are held in trust for the participants.

The Savings Plan will continue in existence until it is terminated by law. Upon termination of the Savings Plan, all deposits would be returned to the participants and any unclaimed assets in the Savings Plan would revert to the Stanley G. Tate Florida Prepaid College Foundation in accordance with general laws regarding unclaimed property of the Florida Prepaid College Board.

In evaluating the Board as a reporting entity, management has considered all potential component units (traditionally separate reporting entities) for which the Board may or may not be financially accountable and, if accountable, be included in the Board’s financial statements.

## Florida Prepaid College Board Notes to Financial Statements

### Note 1: ORGANIZATION AND PURPOSE (Continued)

#### *Description of the Reporting Entity (Continued)*

The accompanying financial statements present the financial position and changes in financial position of the Board's discretely presented component units, the Stanley G. Tate Florida Prepaid College Foundation, Inc. (the Foundation) and Florida ABLE, Inc. (ABLE). The Board is a legally separate organization from the Foundation and ABLE. However, the Board is financially accountable for the Foundation and ABLE. In accordance with governmental accounting standards, the Board (the primary government) is financially accountable if it appoints a majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the Board. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Board's analysis disclosed no other component units that should be included in the Board's financial statements.

<b>Component Unit</b>	<b>Justification for Inclusion in the Reporting Entity</b>	<b>Separate Financial Statements</b>
Foundation	The Board's chair and executive director jointly appoint a majority of the Foundation's board and is able to impose its will, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, on the Foundation.	Available at <a href="http://www.floridaprepaid-foundation.com">www.floridaprepaid-foundation.com</a>
ABLE	ABLE is closely related to the Board and warrants inclusion in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14.	Available at <a href="http://www.ableunited.com">www.ableunited.com</a>

The Foundation is a direct-support organization of the Board and is authorized by section 1009.984 of the Florida Statutes. The Foundation was incorporated under the provisions of chapter 617 and approved by the Secretary of State. The legislation was passed in 1989 and the Foundation was implemented in 1990. The Foundation administers the Stanley Tate Project STARS Scholarship Program (formerly the Florida Prepaid Tuition Scholarship Program) and other scholarship programs, on behalf of the Board. The Stanley Tate Project STARS Scholarship Program provides prepaid scholarships to economically disadvantaged, at-risk students.

During 2015, the Florida legislature passed the Florida Achieving a Better Life Experience Act. The state law established ABLE to administer the Florida ABLE Program. ABLE was established to offer savings and investment options to individuals with a disability and their families with disability related expenditures.

**Note 1: ORGANIZATION AND PURPOSE (Continued)**

***Description of the Reporting Entity (Continued)***

The accompanying financial statements do not include the funds and accounts of the State of Florida, and therefore, are not intended to present the financial position and the results of operations of the State of Florida in conformity with generally accepted accounting principles.

**Note 2: BASIS OF PRESENTATION**

***Prepaid Plan***

Proprietary funds report activities generally financed and operated like private businesses and include enterprise funds and internal service funds.

Enterprise funds are used to report activities for which a fee is charged to external users for goods or services. The Prepaid Plan charges an actuarially determined price to contract purchasers. The contract price and investment earnings thereon are intended to be sufficient to provide for the future costs of the services provided. As such, the Prepaid Plan is accounted for as an enterprise fund.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. Operating revenues and expenses for the Prepaid Plan include the contract revenue and expenses associated with covered college tuition and fees, and dormitory housing fees. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

***Savings Plan, Foundation and ABLE***

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments.

Private-purpose trust funds are used to report all trust arrangements, excluding those recognized in pension, investment trust or custodial funds, under which principal and income benefit individuals, private organizations, or other governments. In determining the basis of presentation, management considered the definitions of each of the four fiduciary fund types as presented in GASB No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and amended by GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* and GASB No. 84 *Fiduciary Activities*, and determined the private-purpose trust fund category to be most definitive of the funds representing the Savings Plan, Foundation and ABLE.



**Note 2: BASIS OF PRESENTATION (Continued)**

***Basis of Accounting***

These financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

Enterprise funds and fiduciary type funds use the economic resources measurement focus and thus, the accrual basis of accounting. Revenues are recognized as earned when prepaid plans are purchased and expenses are recognized when services or benefits are received.

The Foundation receives donations from donor organizations with instructions to purchase contracts from the Prepaid Plan for specified third-party beneficiaries. The Foundation has no discretion in determining the parties to be benefited and it must deliver the contracts to the specified beneficiaries. Receipt of those donations is not a contribution to the Foundation, nor is the delivery of the contracts considered an expense of the Foundation. The unexpended funds from the donors are classified as restricted assets, and amounts due to beneficiaries in the statement of fiduciary net position totaled \$42,399,077 at June 30, 2021.

**Note 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Cash and Cash Equivalents***

Cash and cash equivalents include certain investments in highly liquid instruments with original maturities of three months or less when purchased. Cash equivalents held at Northern Trust and Bank of New York Mellon are classified as investments in accordance with GASB 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

***Investments***

Investments are recorded at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Quoted market prices are used to determine fair value. When no quoted market price is available, market prices are provided by the custodial bank's external pricing vendors, or alternative pricing source, such as investment managers, if information is not available from the primary vendors.

**Note 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Equipment***

Equipment is reported at historical cost and depreciated using the straight-line method over the estimated useful lives of the related assets, which range from three to seven years. Repairs are expensed as incurred.

***Revenue Recognition***

Prepaid tuition, fees and dormitory housing contracts are set up to be paid under either a lump-sum plan, a five-year monthly payment plan or a monthly payment plan. The lump-sum plan is a one-time payment when the child is enrolled in the Prepaid Plan. The five-year monthly payment plan provides for 55 equal monthly payments. The monthly payment plan provides for equal payments each month until the child enters college. Revenues are recognized as earned when plans are purchased. Additionally, contract premiums revenue includes the annual change in the actuarially determined net present value of existing contract payments to be received in the future.

***Delinquent Fees and Contracts Receivable***

Delinquent fees and contracts receivable are the total due as of June 30, 2021 on contract payments that are past due. Management considers these amounts fully collectible as any contracts that remain delinquent past six months are cancelled and all fees are deducted from contract payments already received prior to cancellation.

***Future Contract Premiums and Other Receivables***

Future contract premiums receivable represents the actuarially determined present value of future receipts on contracts existing as of June 30, 2021. Future other receivables represent the actuarially determined present value of future revenue receivable from late payments, non-sufficient funds fees, and cancellation fees due as of June 30, 2021.

***Future Contract Benefits and Expenses Payable***

Future contract benefits payable represents the actuarially determined present value of future contract benefit obligations of the Prepaid Plan. Future contract benefits payable includes return of payments, which is the actuarially determined present value of future cancellation refund payments to participants. Future expenses payable represents the actuarially determined present value of future administrative expenses of the Prepaid Plan.

***Deferred Outflows of Resources***

In addition to assets, the Statement of Net Position – Enterprise Fund reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources* represents a consumption of net assets by the Board that is applicable to a future reporting period. Employee contributions subsequent to the measurement date related to the employer's net pension liability are reported as *deferred outflows of resources* until the next measurement date.

**Note 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Deferred Inflows of Resources***

In addition to liabilities, the Statement of Net Position – Enterprise Fund reports a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources* represents an acquisition of net assets by the Board that is applicable to a future reporting period. Net differences between projected and actual earnings on pension plan investments identified during the measurement period are deferred and amortized as a component of pension expense in future periods.

***Compensated Absences***

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

***Interfund Transactions***

During the course of normal operations, the Board engages in transactions between funds. These transactions are reflected as operating transfers or as interfund receivables and payables. Management's intent to reimburse a fund determines whether or not the interfund transaction is recorded as a transfer or a receivable.

***Income Taxes***

The Foundation is a non-profit organization, exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. ABLE is a non-profit organization, exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is shown in the accompanying financial statements.

***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Subsequent Events***

Subsequent events have been evaluated through the date of the independent auditors' report which is December 22, 2021 and the date the financial statements were available to be issued.

**Note 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Implementation of Current Accounting Pronouncements***

The Board implemented GASB No. 84, *Fiduciary Activities*. This statement requires fiduciary activities to be reported in the basic financial statements because (a) their related assets are controlled by the government or (b) fiduciary component units have been identified through the component unit evaluation. This statement clarifies the definitions of the three existing fiduciary fund categories associated with trusts that meet specific criteria, and establishes a new custodial fund category for all other fiduciary activity not required to be reported within a trust fund. No significant changes were considered necessary as a result of management's implementation.

***Future Accounting Pronouncements***

The Governmental Accounting Standards Board has issued statements that will become effective during the year ending June 30, 2022. The statements address:

- GASB No. 87 – *Leases* - effective for reporting periods beginning after June 15, 2021.
- GASB No. 89 – *Accounting for interest cost incurred before the end of a construction period* - effective for reporting periods beginning after December 15, 2020.
- GASB No. 92 – *Omnibus 2020* - requirements related to Statement 87 and Implementation Guide 2019-3 are effective immediately with remaining requirements effective for reporting periods beginning after June 15, 2021.
- GASB No. 93 – *Replacement of Interbank Offered Rates* - requirements related to paragraph 11b is effective for reporting periods beginning after December 31, 2021, requirements related to paragraphs 13 and 14 are effective for reporting periods beginning after June 15, 2021, and all other requirements are effective for reporting periods beginning after June 15, 2020.
- GASB No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* - requirements in paragraphs 4 and 5 are effective immediately with all other requirements effective for reporting periods beginning after June 15, 2021.

The Board is currently evaluating the effects that these statements will have on its future financial statements.

**Note 4: DEPOSITS AND INVESTMENT RISK DISCLOSURES**

***Deposits***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Board's deposits may not be returned to them. Cash deposits consisted of interest bearing and non-interest bearing demand accounts at two financial institutions which are entirely insured by the Federal Depository Insurance Corporation or by collateral pursuant to The Florida Security for Public Deposits Act (the Act). The Act establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the Board's cash deposits in qualified public depositories are totally insured. Deposits are presented in the basic financial statements at cost which is also the market or fair value. In addition to cash deposits in operating accounts, cash was received as collateral for securities lent under the Security Lending Agreement. At June 30, 2021, the Prepaid Plan had \$71,735,651 invested in short-term cash and cash equivalents that is not insured or collateralized under the Act. The Board believes the credit risk related to these balances is minimal.

The amount of deposits held in foreign currency total the following at June 30, 2021:

(\$ in thousands)		Prepaid Plan
Australian dollar	\$	53
British pound sterling		17
Euro currency unit		42
Israeli shekel		2
Japanese yen		655
Singapore dollar		26
Total deposits held in foreign currency (US \$)	\$	795

At June 30, 2021, the Savings Plan held no deposits in foreign currency.

***Investments***

Investments managed by the Board are reported at fair value in accordance with the Custody and Investment Management Pricing Guidelines established by the Board's custodian bank, Northern Trust. Northern Trust uses a variety of independent pricing sources and collects various price types from their pricing providers. Price types include official close, last traded, bid/offer and mid. In the event an asset does not receive its preferred price type, they consider the next highest price type received that exists in the price type hierarchy.

Provider hierarchy is the preferred order of providers Northern Trust uses to price major asset types by region of the world. Generally, the provider and price type hierarchies will remain unchanged as long as the providers' prices remain in line with market consensus and pre-assigned tolerance levels. However, during events of extreme market volatility or the availability of prices from alternative sources, it is possible that a winning price can be sourced from a provider lower in the hierarchy. It is for these reasons that Northern Trust reserves the right to change its provider or price type hierarchies on any given day.

**Note 4: DEPOSITS AND INVESTMENT RISK DISCLOSURES (Continued)**

***Investments (Continued)***

Northern Trust will make reasonable attempts to obtain a price from an independent source. If no independent price source is available, an alternative price source may be used. Northern Trust will not actively solicit these sources and will use them only as the result of a price challenge. Investment Managers may submit a price challenge and where appropriate provide a price, source, pricing methodology or other relevant supporting information which can facilitate the independent pricing of the asset by recognized market vendors. The Board does not provide direction regarding the substitution of prices in instances where securities are in the portfolio of an investment manager appointed by the Board.

Investments managed by ABLE are either commingled or mutual funds and are reported at fair value as calculated by ABLE's custodian bank, BNY Mellon.

For commingled funds and mutual funds, BNY Mellon works with its pricing vendors, the applicable investment manager, or directly with the applicable investment fund to obtain prices for each Valuation Day. Where the price for the fund is being provided by the investment manager or the investment fund BNY Mellon obtains from its investment manager or other authorized person, a price, total Fund holdings, and transactions each business day, in order to ensure BNY Mellon's ability to accurately and timely calculate and deliver the NAV for one or more Fund(s).

In the event that prices are not available daily, BNY Mellon utilizes, as a proxy price, a price calculated by multiplying (i) the percentage change between the current Valuation Date and the prior Valuation Date in benchmark pricing source listed in the NAV Reasonability Benchmark chart by (ii) the price of the security in question as of the prior Valuation Date.

**Florida Prepaid College Board**  
**Notes to Financial Statements**

**Note 4: DEPOSITS AND INVESTMENT RISK DISCLOSURES (Continued)**

***Custodial Credit Risk***

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Board will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. At June 30, 2021, the following securities were uninsured and unregistered, with securities held by the counterparty, or by its trust department:

<b>Prepaid Plan (\$ in thousands)</b>		<b>Fair Value</b>
<b>Asset Category</b>		<b>June 30, 2021</b>
Certificates of deposit	\$	495,577
Commercial paper		548,213
Repurchase agreements		983,200
Federal agencies		50,012
Total invested security lending collateral	\$	2,077,002

***Concentration of Credit Risk***

At June 30, 2021, the Prepaid Plan held no securities representing 5% or more of the total investment portfolio. At June 30, 2021, the Savings Plan held the following securities representing 5% or more of the total investment portfolio:

<b>(\$ in thousands)</b>		<b>Percent of total</b>
<b>Issuance</b>	<b>Fair value</b>	<b>investments</b>
<b>Savings Plan</b>		
Federal National Mortgage Association	\$ 63,033	5.82%

Investments with the Federal National Mortgage Association are not backed by the full faith and credit of the U.S. Government, but have special authority to borrow from the U.S. Treasury.

# Florida Prepaid College Board

## Notes to Financial Statements

### Note 4: DEPOSITS AND INVESTMENT RISK DISCLOSURES (Continued)

Investments of the Prepaid Plan at June 30, 2021 were as follows:

(\$ in thousands)		
Asset Category		Fair Value June 30, 2021
Money market funds	\$	445,318
U.S. guaranteed obligations:		
U.S. Treasury bills		29,699
U.S. Treasury bonds & notes		919,417
U.S. Treasury strips		5,528,672
Index linked government bonds		80,795
U.S. government guaranteed asset backed		10,367
Ginnie Mae (GNMA) mortgage-backed pass-throughs		2,158
GNMA commitments to purchase (TBAs)		76,711
GNMA collateralized mortgage obligations (CMOs)		7,242
Federal agencies:		
Unsecured bonds & notes		19,320
Agency strips		297,321
Mortgage-backed pass-throughs (FNMA, FHLMC)		43,998
Mortgage-backed commitments to purchase (TBAs)		197,328
CMOs & commercial mortgage-backed securities (CMBSs)		45,710
Domestic bonds & notes:		
Corporate		2,656,279
Asset-backed & mortgage-backed securities		209,621
Municipal/provincial		35,211
Non-government CMOs & CMBSs		268,209
Commingled funds		117,769
International bonds & notes (\$ denom):		
Government & agency		57,275
Corporate		296,269
Asset-backed & mortgage-backed securities		72,145
Non-government CMOs & CMBSs		841
Domestic equities:		
Domestic stocks		244,438
Commingled funds		2,153,479
International equities:		
International stocks		318,033
Commingled funds		174,272
Total investments excluding lending collateral		14,307,897
Invested security lending collateral:		
Certificates of deposit		495,577
Commercial paper		548,213
Repurchase agreements		983,200
Federal agencies		50,012
Total invested security lending collateral		2,077,002
Total investments - Prepaid Plan	\$	16,384,899



**Florida Prepaid College Board**  
**Notes to Financial Statements**

**Note 4: DEPOSITS AND INVESTMENT RISK DISCLOSURES (Continued)**

Investments of the Savings Plan at June 30, 2021 were as follows:

(\$ in thousands)

Asset Category	Fair Value June 30, 2021
Money market funds	\$ 145,808
U.S. guaranteed obligations:	
U.S. Treasury bonds & notes	26,040
U.S. Treasury strips	7,353
Indexed linked government bonds	1,505
U.S. government guaranteed asset backed	262
Ginnie Mae (GNMA) mortgage-backed pass-throughs	2,098
GNMA commitments to purchase (TBAs)	14,374
GNMA collateralized mortgage obligations (CMOs)	255
Federal agencies:	
Agency strips	6,192
Mortgage-backed pass-throughs (FNMA, FHLMC)	14,820
Mortgage-backed commitments to purchase (TBAs)	46,537
CMOs & commercial mortgage-backed securities (CMBSS)	6,262
Domestic bonds & notes:	
Corporate	83,132
Asset backed & mortgage backed	6,097
Municipal/provincial	5,105
Non-government CMOs & CMBSS	30,201
Commingled funds	72,180
International bonds & notes (\$ denom):	
Government & agency	5,070
Corporate	7,169
Asset-backed & mortgage-backed	11,377
Commingled funds	21,102
Domestic equity commingled funds	280,614
International equity commingled funds	289,497
Real estate equity commingled funds	811
<b>Total investments - Savings Plan</b>	<b>\$ 1,083,861</b>

## Florida Prepaid College Board Notes to Financial Statements

### Note 4: DEPOSITS AND INVESTMENT RISK DISCLOSURES (Continued)

Investments of Florida ABLE, Inc. at June 30, 2021 were as follows:

(\$ in thousands)		Fair Value
Asset Category		June 30, 2021
Money market fund	\$	9,317
Commingled fixed income fund		11,626
Commingled domestic equity fund		18,035
Commingled international equity fund		5,612
Total investments - Florida ABLE, Inc.	\$	44,590

The Foundation held \$146,732 in money market funds at June 30, 2021.

#### **Credit Risk**

The Board's policy is that investments in debt obligations and preferred stock may not be rated less than Baa3/BBB- as established by Moody's, Standard & Poor's or Fitch. Any exceptions to the policy will be noted and a statement provided indicating the steps to be taken to bring the portfolio back into compliance with the policy. Securities rated below Baa are being actively managed with the intention of selling when value is deemed to be maximized. All investments are included in this schedule, including security lending collateral investments.

Ratings for investments are presented using primarily S&P credit ratings. If S&P did not provide a rating, or did not provide a rating with the greatest degree of risk, then Moody's ratings are presented, if available. If neither rating agency issued a rating, the security's rating is listed as "none." Long-term ratings are presented, except for "AAAm" and "A-1." The "AAAm" rating is the top S&P rating for money market funds. The "A-1" rating is a short-term rating by S&P. U.S. obligations and collateral for repurchase agreements which are explicitly guaranteed by the U.S. government do not require disclosure of credit quality.

## Florida Prepaid College Board Notes to Financial Statements

### Note 4: DEPOSITS AND INVESTMENT RISK DISCLOSURES (Continued)

The credit quality ratings of the Prepaid Plan investments are presented below:

(\$ in thousands)								Credit Rating	
Certificates of deposit	Commercial paper <sup>2</sup>	Money market funds	Repurchase agreements	Federal agencies	Domestic bonds & notes <sup>3</sup>	International bonds & notes (\$ denom)	Total	S&P <sup>1</sup>	Moody <sup>1</sup>
\$ -	\$ 528,213	\$ 445,318	\$ -	\$ -	\$ -	\$ -	\$ 973,531	A-1/AAAm	
-	-	-	472	-	269,475	69,043	338,990	AAA	
-	-	-	38,853	88,093	125,694	9,897	262,537	AA	
-	-	-	5,893	-	697,095	92,178	795,166	A	
-	-	-	109,510	-	1,489,470	200,736	1,799,716	BBB	
-	-	-	-	-	9,331	7,701	17,032	BB	
-	-	-	-	-	1,976	-	1,976	B	
-	-	-	302	-	152,394	24,317	177,013		Aaa
-	-	-	-	-	17,230	2,488	19,718		Aa
-	-	-	549	-	36,461	7,241	44,251		A
-	-	-	17,802	-	195,047	7,534	220,383		Baa
-	-	-	-	-	71,918	1,862	73,780		Ba
495,577	20,000	-	39,288	565,596	220,998	3,533	1,344,992	None	None
<u>\$ 495,577</u>	<u>\$ 548,213</u>	<u>\$ 445,318</u>	<u>\$ 212,669</u>	<u>\$ 653,689</u>	<u>\$ 3,287,089</u>	<u>\$ 426,530</u>	<u>6,069,085</u>		
Repurchase agreements (collateralized by U.S. guaranteed obligations) <sup>4</sup>							438,531		
Repurchase agreements (collateralized by domestic and international stocks)							332,000		
U.S. guaranteed obligations <sup>4</sup>							6,655,061		
Domestic stocks and commingled domestic equity funds							2,397,917		
International stocks and commingled international equity funds (\$ denom)							492,305		
Total investments							<u>\$ 16,384,899</u>		

- <sup>1</sup> S&P or Moody's ratings indicative of the greatest amount of credit risk are presented. If both ratings are the same, S&P ratings are reported. If only one of the two rating agencies provided a rating, that rating is reported. "None" is reported if neither rating agency provided a rating. Long-term ratings are presented, except for "AAAm" and "A-1." The "AAAm" rating is the top S&P rating for money market funds, while the "A-1" rating is the top short-term rating by S&P.
- <sup>2</sup> Includes \$20 million in commercial paper with no program rating available; however, it had issuer short-term credit ratings that met the Florida Prepaid College Board's security lending credit rating requirements.
- <sup>3</sup> Includes the domestic bonds and notes commingled funds which do not carry a credit rating on the overall fund.
- <sup>4</sup> U.S. obligations and collateral for repurchase agreements which are explicitly guaranteed by the U.S. government do not require disclosure of credit quality.

**Florida Prepaid College Board**  
**Notes to Financial Statements**

**Note 4: DEPOSITS AND INVESTMENT RISK DISCLOSURES (Continued)**

***Credit Risk (Continued)***

The credit quality ratings of the Savings Plan investments are presented below:

(\$ in thousands)						Credit Rating	
Money market funds	Federal agencies	Domestic bonds & notes <sup>2</sup>	International bonds & notes (\$ denom) <sup>2</sup>	Total		S&P <sup>1</sup>	Moody's <sup>1</sup>
\$ 145,808	\$ -	\$ -	\$ -	\$ 145,808		AAAm	
-	-	15,565	5,943	21,508		AAA	
-	-	5,231	263	5,494		AA	
-	-	23,593	4,514	28,107		A	
-	-	47,225	4,989	52,214		BBB	
-	-	2,348	629	2,977		BB	
-	-	364	-	364		B	
-	-	11,346	4,890	16,236			Aaa
-	-	1,654	405	2,059			Aa
-	-	2,217	1,004	3,221			A
-	-	4,767	434	5,201			Baa
-	-	2,802	-	2,802			Ba
-	73,811	79,603	21,647	175,061		None	None
<u>\$ 145,808</u>	<u>\$ 73,811</u>	<u>\$ 196,715</u>	<u>\$ 44,718</u>	<u>461,052</u>			
		U.S. guaranteed obligations <sup>3</sup>		51,887			
		Domestic stocks and commingled domestic equity funds		280,614			
		International stocks and commingled international equity funds		289,497			
		Real estate equity commingled funds		811			
		Total investments		<u>\$ 1,083,861</u>			

<sup>1</sup> S&P or Moody's ratings indicative of the greatest amount of credit risk are presented. If both ratings are the same, S&P ratings are reported. If only one of the two rating agencies provided a rating, that rating is reported. "None" is reported if neither rating agency provided a rating.

<sup>2</sup> Commingled funds are included in these columns and do not carry credit ratings.

<sup>3</sup> U.S. obligations and collateral for repurchase agreements which are explicitly guaranteed by the U.S. government do not require disclosure of credit quality.

**Note 4: DEPOSITS AND INVESTMENT RISK DISCLOSURES (Continued)**

***Credit Risk (Continued)***

The credit quality ratings of Florida ABLE, Inc.'s investments are presented below:

(\$ in thousands)

Money market funds	Commingled fixed income fund	Total	Credit Rating	
			S&P <sup>1</sup>	Moody's <sup>1</sup>
\$ 9,317	\$ -	\$ 9,317	AAAm	
-	11,626	11,626	None	None
<u>\$ 9,317</u>	<u>\$ 11,626</u>	<u>20,943</u>		
Commingled domestic equity fund		18,035		
Commingled international equity fund		5,612		
Total investments		<u>\$ 44,590</u>		

<sup>1</sup> S&P or Moody's ratings indicative of the greatest amount of credit risk are presented. If both ratings are the same, S&P ratings are reported. If only one of the two rating Agencies provided a rating, that rating is reported. "None" is reported if neither rating agency provided a rating.

The Foundation held \$146,732 in money market funds at June 30, 2021 with an S&P rating of AAAm.

***Interest Rate Risk***

Through the Board's Comprehensive Investment Plan (CIP), the Board controls exposure to fair value losses arising from increasing interest rates by using an enhanced immunization style of management. This style of investment management means the liabilities of the Prepaid Plan will be immunized by structuring the assets in such a way that the value of the Prepaid Plan's assets increase (decrease) in conjunction with increases (decreases) in the value of its liabilities due to changes in interest rates. Certain investment types are managed using different techniques, such as effective duration method and the weighted average maturity method.

Certain investments are more sensitive to interest rate changes than others. These investments include collateralized mortgage obligations (CMOs) and commercial mortgage-backed securities (CMBs).

Examples of CMO securities that qualify as "highly interest rate sensitive" include interest-only (IO), principal-only (PO), and inverse floating (INV) CMOs. IO and PO securities are transactions that involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which increase the value of a PO, while decreasing the value of an IO. INV securities have an inverse relationship to a benchmark rate, and the coupon payment is adjusted as the interest rate changes. If the benchmark interest rate decreases, the coupon rate increases and vice versa, which allows the bondholder to benefit from declining interest rates. Similar to an IO, an interest-only inverse floater's value increases as interest rates rise.

**Florida Prepaid College Board**  
**Notes to Financial Statements**

**Note 4: DEPOSITS AND INVESTMENT RISK DISCLOSURES (Continued)**

***Interest Rate Risk (Continued)***

The Prepaid Plan's investments in IOs and interest-only inverse floating CMOs totaled \$19,701,631 at June 30, 2021. The Savings Plan's investments in IOs totaled \$2,836,539 at June 30, 2021. These are included in the interest rate risk tables below in the various types of CMOs & CMBSSs. Investment types related to debt portfolios are presented using the effective duration method. Investment types related to security lending transactions and money market funds are presented using the weighted average maturity.

The total duration of the Prepaid Plan fixed income portfolio should not differ from the total duration of the benchmark by more than .5 year for the active fixed income securities, and .1 year for the passive fixed income securities. The total duration of the Prepaid Plan fixed income portfolio, including cash, was 11.0 at June 30, 2021. The customized benchmark's duration for the Prepaid Plan was 11.1 at June 30, 2021.

As of June 30, 2021, the Prepaid Plan had the following debt securities subject to interest rate risk:

(\$ in thousands)				
Asset Category	Fair value	Effective weighted duration (in years)	Fair value (weighted average maturity)	Weighted average maturity (in days)
Certificates of deposit	\$ -	Not applicable	\$ 495,577	64
Commercial paper	-	Not applicable	548,213	133
Money market funds	-	Not applicable	445,318	1
Repurchase agreements	-	Not applicable	983,200	1
U.S. government guaranteed:				
U.S. Treasury bills	29,699	0.07	-	Not applicable
U.S. Treasury bonds & notes	919,417	8.10	-	Not applicable
U.S. Treasury strips	5,528,672	11.07	-	Not applicable
Index linked government bonds	80,795	5.12	-	Not applicable
U.S. government guaranteed asset-backed	10,367	5.78	-	Not applicable
Ginnie Mae (GNMA) mortgage-backed pass-throughs	2,158	2.58	-	Not applicable
GNMA commitments to purchase (TBAs)	76,711	3.88	-	Not applicable
GNMA collateralized mortgage obligations (CMOs)	7,242	0.74	-	Not applicable
Federal agencies:				
Unsecured bonds & notes	19,320	8.41	50,012	26
Agency strips	297,321	8.68	-	Not applicable
Mortgage-backed pass-throughs (FNMA, FHLMC)	43,998	3.76	-	Not applicable
Mortgage-backed commitments to purchase (TBAs)	197,328	4.71	-	Not applicable
CMOs & commercial mortgage-backed securities	45,710	3.57	-	Not applicable
Domestic bonds & notes:				
Corporate	2,656,279	12.74	-	Not applicable
Municipal/provincial	35,211	9.17	-	Not applicable
Asset-backed & mortgage-backed securities	209,621	1.59	-	Not applicable
Non-government CMOs & CMBSSs	268,209	3.70	-	Not applicable
Commingled funds	117,769	6.79	-	Not applicable
International bonds & notes (\$ denom):				
Government & agency	57,275	9.03	-	Not applicable
Corporate	296,269	11.05	-	Not applicable
Asset-backed & mortgage-backed securities	72,145	2.34	-	Not applicable
Non-government CMOs & CMBSSs	841	0.22	-	Not applicable
Total debt investments - Prepaid Plan	\$ 10,972,357		\$ 2,522,320	

## Florida Prepaid College Board Notes to Financial Statements

### Note 4: DEPOSITS AND INVESTMENT RISK DISCLOSURES (Continued)

As of June 30, 2021, the Savings Plan had the following debt securities subject to interest rate risk:

(\$ in thousands)				
Asset Category	Fair value	Effective weighted duration (in years)	Fair value (weighted average maturity)	Weighted average maturity (in days)
Money market funds	\$ -	Not applicable	\$ 145,808	1
U.S. guaranteed obligations:				
U.S. Treasury bonds & notes	26,040	8.59	-	Not applicable
U.S. Treasury strips	7,353	22.35	-	Not applicable
Index linked government bonds	1,505	15.44	-	Not applicable
U.S. government asset backed	262	5.81	-	Not applicable
Ginnie Mae (GNMA) mortgage-backed pass-throughs	2,098	2.78	-	Not applicable
GNMA commitments to purchase (TBAs)	14,374	3.14	-	Not applicable
GNMA collateralized mortgage obligations (CMOs)	255	1.10	-	Not applicable
Federal agencies:				
Agency strips	6,192	8.70	-	Not applicable
Mortgage-backed pass-throughs (FNMA, FHLMC)	14,820	3.69	-	Not applicable
Mortgage-backed commitments to purchase (TBAs)	46,537	4.81	-	Not applicable
CMOs & commercial mortgage-backed securities	6,262	2.99	-	Not applicable
Domestic bonds & notes:				
Corporate	83,132	8.22	-	Not applicable
Municipal/provincial	5,105	7.46	-	Not applicable
Asset backed & mortgage-backed securities	6,097	1.91	-	Not applicable
Non-government CMOs & CMBs	30,201	2.46	-	Not applicable
Commingled funds	72,180	2.23	-	Not applicable
International bonds & notes (\$ denom):				
Government	5,070	10.35	-	Not applicable
Corporate	7,169	6.42	-	Not applicable
Asset-backed & mortgage-backed	11,377	2.12	-	Not applicable
Commingled funds	21,102	8.40	-	Not applicable
Total debt investments - Savings Plan	\$ 367,131		\$ 145,808	

As of June 30, 2021, Florida ABLE, Inc. had the following debt securities subject to interest rate risk:

(\$ in thousands)				
Asset Category	Fair value	Effective weighted duration (in years)	Fair value (weighted average maturity)	Weighted average maturity (in days)
Money market funds	\$ -	Not applicable	\$ 9,317	1
Commingled fixed income fund	11,626	6.79	-	Not applicable
Total investments - Florida ABLE, Inc.	\$ 11,626		\$ 9,317	

The Foundation held \$146,732 in money market funds at June 30, 2021 with daily liquidity.

## Florida Prepaid College Board Notes to Financial Statements

### Note 4: DEPOSITS AND INVESTMENT RISK DISCLOSURES (Continued)

#### *Foreign Currency Risk*

Through the CIP, the Board hopes to reduce total portfolio volatility while enhancing total return through international diversification of the equity class. The Florida Prepaid Program's comprehensive investment plan limits investment in foreign equities to 25% of total equities, with the target for total equities to be 70% of the actuarial reserve. The Board seeks companies that are domiciled outside of the US equity market for inclusion in the international equity portfolio. The international equity portfolio will be measured against the MSCI EAFE (Europe, Australia, Far East) Index which is designed to measure the equity market performance of developed markets excluding US and Canada.

As of June 30, 2021, the Prepaid Plan held equity securities in the following currencies:

<b>Prepaid Plan (\$ in thousands)</b>	<b>Fair Value (in US \$) June 30, 2021</b>
<b>Foreign currency</b>	
British pound sterling	\$ 29,879
Canadian dollar	24,637
Danish krone	12,579
Euro currency unit	105,189
Hong Kong dollar	25,450
Japanese yen	50,735
South African rand	3,862
Swedish krona	8,399
Swiss franc	7,663
<b>Total securities held in foreign currencies (US \$)</b>	<b>\$ 268,393</b>

As of June 30, 2021, the Savings Plan held no securities in foreign currencies.



**Florida Prepaid College Board**  
**Notes to Financial Statements**

**Note 4: DEPOSITS AND INVESTMENT RISK DISCLOSURES (Continued)**

A schedule of the Prepaid Plan's foreign currency exchange contracts at June 30, 2021, is presented below, by currency:

(\$ in thousands)				
Currency	Receivables	Payables	Net Receivables/ (Payables)	Net Unrealized Gain/(Loss)
Australian dollar	\$ -	\$ (28,802)	\$ (28,802)	\$ (29)
British pound sterling	6,525	(32,038)	(25,513)	(4)
Canadian dollar	2,068	-	2,068	(1)
Danish krone	-	(7,576)	(7,576)	(1)
Euro	8,893	(30,449)	(21,556)	(24)
Hong Kong dollar	19,309	-	19,309	1
Israel shekel	-	(1,741)	(1,741)	(2)
Japanese yen	7,739	(54,998)	(47,259)	120
New Zealand dollar	-	(1,692)	(1,692)	(2)
Norwegian krone	-	(3,403)	(3,403)	(1)
Singapore dollar	-	(3,188)	(3,188)	(1)
South African rand	3,912	-	3,912	(8)
Swedish krona	-	(9,295)	(9,295)	(4)
Swiss franc	-	(31,541)	(31,541)	(40)
U.S. dollar	204,747	(48,466)	156,281	-
<b>Total</b>	<b>\$ 253,193</b>	<b>\$ (253,189)</b>	<b>\$ 4</b>	<b>\$ 4</b>

***Securities Lending***

Under the provisions of the Securities Lending Authorization Agreement, the Board lends securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The types of securities lent include U.S. government agency bonds, U.S. government bonds, U.S. common stock, international common stock and U.S. corporate bonds. The Board's investment trustee manages the securities lending program and receives cash, certain governmental securities or irrevocable bank letters of credit as collateral from the borrower. The non-cash collateral cannot be pledged or sold by the Board unless the borrower defaults, so the non-cash collateral is not reported on the statement of net position.

U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value plus any accrued interest.

All securities loans can be terminated on demand by either the lender or the borrower, although the average term of the Florida Prepaid College Board's loans was approximately 164 days as of June 30, 2021. Cash collateral is invested in a short-term investment pool, the Florida Prepaid Custom Fund, which had an interest rate sensitivity of 49 days as of June 30, 2021.

**Note 4: DEPOSITS AND INVESTMENT RISK DISCLOSURES (Continued)**

***Securities Lending (Continued)***

For the Prepaid Plan, securities lent to others under security lending agreements with cash collateral had a fair value of \$2,109,204,003 and with securities collateral had a fair value of \$568,012,091 as of June 30, 2021. The Prepaid Plan held \$2,147,909,311 in cash and \$578,718,079 in securities as collateral for the loans outstanding at June 30, 2021.

The Florida Prepaid College Board received cash as collateral for the securities lent to other borrowers. The cash collateral is invested in a short-term investment pool including asset backed securities, corporate bonds, certificates of deposit and repurchase agreements.

***Derivatives***

The Florida Prepaid College Board trades domestic stock futures to efficiently manage large cash flows and equitize residual cash flow resulting from corporate actions, dividends and interest, and changes made to the underlying index.

A futures contract is an agreement between a buyer and a seller to exchange a particular good for a particular price at a particular date in the future, all of which are specified in a contract common to all members in a market on an organized futures exchange. Upon entering into a futures contract, collateral (cash and/or securities) is deposited with the counterparty, in the Board's name, in accordance with the initial margin requirements of the counterparty. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. The frequency of cash flows depends on specified collateral and margin limits mutually agreed upon by the Board and third-party counterparty. Future contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed in the Statement of Fiduciary Net Position. Losses may arise from future changes in the value of the underlying instrument.

A summary of investment derivative contracts traded in the Prepaid Plan and the Savings Plan during the fiscal year is presented below. Neither the Prepaid Plan nor the Savings Plan carry any open futures contract positions at June 30, 2021, but the Prepaid Program traded equity futures during the fiscal year.

(\$ in thousands)					
	Notional (in U.S. \$)	Increase/(Decrease) in Fair Value		Fair Value at June 30, 2021	
		Classification	Amount (in U.S. \$)	Classification	Amount (in U.S. \$)
Equity futures contracts:					
Prepaid Plan	\$ -	Investment income	\$ (108)	Investment	\$ -
Savings Plan	\$ -	Investment income	\$ -	Investment	\$ -

**Note 4: DEPOSITS AND INVESTMENT RISK DISCLOSURES (Continued)**

***Risks and Uncertainties***

The Board's Comprehensive Investment Plan allows a maximum allocation of 50% to securitized debt obligations, including, but not limited to, mortgage pass-throughs and asset-backed securities within the Prepaid Plan's fixed income portfolio. As of June 30, 2021, the fixed income segment of the Prepaid Plan portfolio had an allocation of 7.51% for mortgage/asset backed securities. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates.

**Note 5: FAIR VALUE MEASUREMENTS**

GASB 72, *Fair Value Measurement and Application*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for an asset or liability.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using quoted prices at June 30 (or the most recent market close date if the markets are closed on June 30) in active markets from the custodian bank's primary external pricing vendors.

**Note 5: FAIR VALUE MEASUREMENTS (Continued)**

Debt securities classified as Level 2 are evaluated prices from the custodian bank's external pricing vendors. The pricing methodology involves the use of evaluation models such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices. Other evaluation models use actual trade data, collateral attributes, broker bids, new issue pricings and other observable market information.

Equity securities classified as Level 2 are evaluated prices provided by the custodial bank's external pricing vendors, or alternative pricing source, such as investment managers, if information is not available from the primary vendors.

Debt and equity securities classified as Level 3 are prices from the custodial bank's external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, broker bids, or cost. Cost or book value may be used as an estimate of fair value when there is a lack of an independent pricing source.

Certain investments, such as money market funds and repurchase agreements are not included in the tables below because they are carried at cost or amortized cost and not priced at fair value.

# Florida Prepaid College Board Notes to Financial Statements

## Note 5: FAIR VALUE MEASUREMENTS (Continued)

Fair values of investments at June 30, 2021 are as follows:

	Prepaid Plan (\$ in thousands)	Fair Value Measurements Using			
June 30, 2021	Fair Value	Level 1	Level 2	Level 3	
Investments measured by fair value level					
Debt securities					
U.S. government guaranteed:					
U.S. Treasury bills	\$ 29,699	-	\$ 29,699	-	
U.S. Treasury bonds & notes	919,417	-	919,417	-	
U.S. Treasury strips	5,528,672	-	5,528,672	-	
Index linked government bonds	80,795	-	80,795	-	
U.S. government guaranteed asset backed	10,367	-	10,367	-	
Ginnie Mae (GNMA) mortgage-backed pass-throughs	2,158	-	2,158	-	
GNMA commitments to purchase (TBAs)	76,711	-	76,711	-	
GNMA collateralized mortgage obligations (CMOs)	7,242	-	7,242	-	
Federal agencies:					
Unsecured bonds & notes	19,320	-	19,320	-	
Agency strips	297,321	-	297,321	-	
Mortgage-backed pass throughs (FNMA, FHLMC)	43,998	-	43,998	-	
Mortgage-backed commit to purchase (TBAs)	197,328	-	197,328	-	
CMOs & commercial mortgage-backed securities (CMBs)	45,710	-	45,710	-	
Domestic bonds & notes:					
Corporate	2,656,279	-	2,656,279	-	
Municipal/provincial	35,211	-	35,211	-	
Asset backed & mortgage backed	209,621	-	209,060	561	
Non-government CMOs & CMBs	268,209	-	268,209	-	
Commingled funds	117,769	117,769	-	-	
International bonds & notes:					
Government & agency	57,275	-	57,275	-	
Corporate	296,269	-	296,269	-	
Asset-backed & mortgage-backed securities	72,145	-	72,145	-	
Non-government CMOs & CMBs	841	-	841	-	
Total debt securities	10,972,357	117,769	10,854,027	561	
Equity securities					
Domestic stocks & commingled funds	2,397,917	2,397,917	-	-	
International stocks & commingled funds	492,305	492,305	-	-	
Total equity securities	2,890,222	2,890,222	-	-	
Securities lending collateral investments					
Certificates of deposit	495,577	-	495,577	-	
Commercial paper	548,213	-	548,213	-	
Federal agencies	50,012	-	50,012	-	
Total securities lending collateral investments	1,093,802	-	1,093,802	-	
Total investments measured by fair value level	\$ 14,956,381	\$ 3,007,991	\$ 11,947,829	\$ 561	

# Florida Prepaid College Board Notes to Financial Statements

## Note 5: FAIR VALUE MEASUREMENTS (Continued)

Fair values of investments at June 30, 2021 are as follows:

Savings Plan (\$ in thousands)					
June 30, 2021	Fair Value	Fair Value Measurements Using			
		Level 1	Level 2	Level 3	
Investments measured by fair value level					
Debt Securities					
U.S. government guaranteed:					
U.S. Treasury bonds & notes	\$ 26,040	\$ -	\$ 26,040	\$ -	
U.S. Treasury strips	7,353	-	7,353	-	
Indexed linked government bonds	1,505	-	1,505	-	
U.S. government guaranteed asset backed	262	-	262	-	
Ginnie Mae (GNMA) mortgage backed pass throughs	2,098	-	2,098	-	
GNMA mortgage backed commit to purchase (TBAs)	14,374	-	14,374	-	
GNMA collateralized mortgage obligations (CMOs)	255	-	255	-	
Federal agencies:					
Agency strips	6,192	-	6,192	-	
Mortgage-backed pass throughs	14,820	-	14,820	-	
Mortgage-backed commit to purchase (TBAs)	46,537	-	46,537	-	
CMOs & commercial mortgage-backed securities (CMBs)	6,262	-	6,262	-	
Domestic bonds & notes:					
Corporate	83,132	-	83,132	-	
Municipal/provincial	5,105	-	5,105	-	
Asset backed & mortgage backed	6,097	-	6,097	-	
Non-government CMOs & CMBs	30,201	-	30,201	-	
Commingled funds	72,180	72,180	-	-	
International bonds & notes:					
Government	5,070	-	5,070	-	
Corporate	7,169	-	7,169	-	
Asset-backed & mortgage-backed	11,377	-	11,377	-	
Commingled funds	21,102	21,102	-	-	
Total debt securities	367,131	93,282	273,849	-	
Equity securities					
Domestic commingled funds	280,614	280,614	-	-	
International commingled funds	289,497	289,497	-	-	
Real estate equity commingled funds	811	811	-	-	
Total equity securities	570,922	570,922	-	-	
Total investments measured by fair value level	\$ 938,053	\$ 664,204	\$ 273,849	\$ -	

Fair values of investments at June 30, 2021 are as follows:

Florida ABLE, Inc. (\$ in thousands)					
June 30, 2021	Fair Value	Fair Value Measurements Using			
		Level 1	Level 2	Level 3	
Investments measured by fair value level					
Commingled fixed income fund	\$ 11,626	\$ 11,626	\$ -	\$ -	
Commingled domestic equity fund	18,035	18,035	-	-	
Commingled international equity fund	5,612	5,612	-	-	
<b>Total investments measured by fair value level</b>	<b>\$ 35,273</b>	<b>\$ 35,273</b>	<b>\$ -</b>	<b>\$ -</b>	

**Florida Prepaid College Board**  
**Notes to Financial Statements**

**Note 6: FUTURE CONTRACT BENEFITS AND EXPENSES PAYABLE**

The Prepaid Plan's future contract benefits and expenses payable represent the actuarially determined present value (APV) of future Prepaid Plan obligations. The following is a summary of the net assets and future contract benefits payable:

AVP of future contract benefits and expenses payable	\$ 11,302,000,000
Near-term payables (outstanding refund payments and other payables)	292,000,000
<hr/>	
APV of future contract benefits, expenses payable, and near-term payables	\$ 11,594,000,000
<hr/>	
Net assets available	\$ 16,298,000,000
Net assets as a percentage of future contract benefits, expenses payable, and near-term payables	140.6%

The standard measurement is the APV of the future contract benefits and expenses obligation. The valuation method reflects the present value of estimated contract benefits and expenses that will be paid in future years and is adjusted for the effects of projected tuition and fees and dormitory housing fees increases and termination of contracts.

The net assets available represent assets in trust at market value and the future discounted contract payments adjusted for estimated cancellations. The following is a summary of changes in future contract benefits and expenses payable:

Net present value of future contract benefits and expenses payable at June 30, 2020	\$ 11,757,011,225
Payments for contract benefits including refunds	(499,571,080)
Increase in future contract benefits and expenses payable	44,602,163
<hr/>	
Net present value of future contract benefits and expenses payable at June 30, 2021	11,302,042,308
Current portion	521,465,554
Long-term future contract benefits and expenses payable	\$ 10,780,576,754
<hr/>	

**Note 6: FUTURE CONTRACT BENEFITS AND EXPENSES PAYABLE (Continued)**

House Bill 851 (HB 851) was passed during the 2014 Legislative Session and became law on July 1, 2014. The law reduces future costs at Florida Universities, allowing the Board to better predict Florida University tuition and fee costs covered by the Prepaid Plan. The law reduces the maximum annual increase of Tuition Differential Fees (TDF). The law also extends the applicability period of Section 1009.98(10), F.S., and limits the amount payable by the Board under the statute.

During the year ended June 30, 2015, the Board implemented a catch-up provision to supplement current inflation assumptions. The catch-up provision recognizes that recent lower-than-expected higher education costs may be partially or fully offset by future higher-than-expected higher education costs. The Board believes the use of a catch-up provision provides the following three benefits. First, a catch-up provision may reduce fluctuation in the actuarial adequacy as future estimates of higher education costs will be more stable. Second, the use of a catch-up provision separates the analyses of long-term inflation assumptions from shorter-term inflation policy. Third, a catch-up provision permits more frequent adjustments in response to changes in the shorter-term inflation policy.

The following assumptions were used in the actuarial evaluations:

- Weighted average rate of return: All funds accepted by the Program are assumed to be invested for an appropriate duration based on their expected payment timing. The investment rate reflects the expected rate of return on investments, including an estimated incremental return generated by fixed income funds management. The weighted average yield rate is calculated as 2.13% based on the June 30, 2021 U.S. Treasury Spot Rate Curve and adjusted by an 54 basis point incremental return assumption provided to the Board by Aon Hewitt Investment Consulting.

In computing investment earnings, all plan payments are assumed to occur at the end of the month and tuition and dormitory benefit payments are assumed to occur when due. Day-to-day Board expense payments are assumed to occur on a monthly basis.

- Tuition rates: For Florida University tuition plans and Florida University combined fee plans, the future projected cost of university tuition is equal to: 1) the sum of three components: matriculation, financial aid and Capital Improvement Trust Fund fees provided by the Board of Governors; and 2) a catch-up provision. For 2021/2022, the tuition rate is \$116.66 (comprised of matriculation at \$105.07, financial aid at \$5.23, and Capital Improvement Trust Fund at \$6.36) and the catch-up provision is 22.00%. Projections include an annual inflation assumption of 5.25% ang.



**Note 6: FUTURE CONTRACT BENEFITS AND EXPENSES PAYABLE (Continued)**

For Florida College tuition plans and Florida College combined fee plans, the future projected cost of tuition is equal to: 1) the sum of three components: tuition, financial aid and capital improvement fees; and 2) a catch-up provision. With respect to upper division (baccalaureate program) coursework at Florida Colleges, the current year's tuition fee is \$108.93 and is scheduled to increase at an annual rate of 6.75% limited to 95% of university tuition. With respect to lower division coursework at Florida Colleges, the current year's tuition fee is \$95.08 and is assumed to increase at an annual rate of 6.75% limited to 85% of university tuition. The tuition rates used for academic year 2021/2022 are based on actual tuition rates provided to the Board by the Department of Education plus the catch-up provision (21.25%).

- **Dormitory rates:** The 2021/2022 dormitory fees are \$3,381 per semester and are assumed to increase at an annual rate of 6.00% throughout the projection. The dormitory rates used for academic year 2021/2022 are based on a weighted average of actual Florida University dormitory rates as provided to the Board by each Florida University plus the catch-up provision (12.00%).
- **Local fee rates:** For Florida University local fee plans, the projected rates are determined by assuming an annual inflation rate of 6.00% throughout the whole projection. The local fee rates used for the academic year are based on a weighted average of actual Florida University local fee rates as provided to the Board by the Board of Governors plus the catch-up provision (22.00%). For Florida College local fee plans, the annual local fee rates are set by each Florida College. The projected rates are based on an inflation rate of 6.75%. The local fee rates are based on a weighted average of actual local fee rates as provided to the Board by the Department of Education plus the catch-up provision (21.25%).
- **Tuition Differential Fees:** For Florida University TDF plans, the Board assumes that the inflation rate for preeminent Florida Universities will be 3.00% and the inflation rate for all other Florida Universities will be 0.00%. The annual rate of increase for TDF plans is calculated based on a pro-rata headcount methodology assuming three pre-eminent State Universities (FSU, UF, and USF).

The sum of Florida University tuition, TDF and local fees will be capped on an absolute dollar basis at the national average as determined by the Education Estimating Conference.

The current exemption from any TDF, which exists for beneficiaries having prepaid tuition plans pursuant to 1009.98(2)(b), F.S., that were in effect on July 1, 2007 and remain in effect, is unchanged.

The TDF rate used for academic year 2021/2022 is based on a weighted average of actual TDF rates as provided to the Board by the Board of Governors.

**Florida Prepaid College Board**  
**Notes to Financial Statements**

**Note 7: CHANGES IN LONG-TERM LIABILITIES**

The following table provides the long-term liability activity for the year ended June 30, 2021:

(\$ in thousands)

Long-term liabilities as of June 30, 2021	Beginning balance*	Additions	Reductions	Ending balance*	Amount due within 1 year
Future contracts benefits and expenses payable	\$ 11,757,011	\$ 44,602	\$ (499,571)	\$ 11,302,042	\$ 521,466
Compensated absences	472	197	(83)	586	91
Net pension liability	2,518	1,046	(311)	3,253	7
Other post-employment benefits payable	585	16	(189)	412	7
<b>Total</b>	<b>\$ 11,760,586</b>	<b>\$ 45,861</b>	<b>\$ (500,154)</b>	<b>\$ 11,306,293</b>	<b>\$ 521,571</b>

\*Long-term liabilities include any related current liability balance. Amounts due in one year are classified as current liabilities on the Statement of Net Position.

**Note 8: DUE TO BENEFICIARIES**

The Foundation receives donations from donors and purchases contracts for the donors' designated beneficiaries. The unexpended funds from these donors are classified as due to beneficiaries. The receipts and disbursements of the funds received are as follows:

Balance, June 30, 2020	\$ 34,871,527
Donations	26,988,795
Payments on behalf of donors	(19,491,545)
<b>Balance, June 30, 2021</b>	<b>\$ 42,368,777</b>

**Note 9: CAPITAL ASSETS**

A summary of the changes in capital assets and related accumulated depreciation for the year ended June 30, 2021 is as follows:

	Equipment	Accumulated depreciation	Work in Progress	Net
Balance as of June 30, 2020	\$ 129,252	\$ (73,686)	\$ -	\$ 55,566
Disposals	-	-	-	-
Purchases and depreciation expense	8,601	(23,506)	431,398	416,493
<b>Balance as of June 30, 2021</b>	<b>\$ 137,853</b>	<b>\$ (97,192)</b>	<b>\$ 431,398</b>	<b>\$ 472,059</b>

**Note 9: CAPITAL ASSETS (Continued)**

Work in progress includes costs incurred for the development of the Board's Customer Relationship Manager (CRM) solution. The amount to be capitalized includes the costs necessary to install, configure, and prepare the system for implementation.

Depreciation expense for the Prepaid Plan totaled \$23,506 for the year ended June 30, 2021 and is included in administration expenses on the Statement of Revenues, Expenses and Changes in Net Position.

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS**

***Pension Plans***

All permanent Board employees are eligible to participate in the following cost-sharing multiple-employer defined benefit pension plans (Plans):

- Florida Retirement System Pension Plan
- Retiree Health Insurance Subsidy Program Pension Plan

As an alternative to the Florida Retirement System Pension Plan, employees may elect to participate in the Florida Retirement System Investment Plan (a defined contribution plan).

The Florida Department of Management Services (Department) is part of the primary government of the State of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems. For the fiscal year ended June 30, 2020, the Department issued a publicly-available, audited comprehensive annual financial report (CAFR) that includes financial statements, notes and required supplementary information for each of the pension plans which it administers. Detailed information about the plans is provided in the CAFR which is available online or by contacting the Department.

Copies of this report, as well as the plans' actuarial valuations, can be obtained from the Department of Management Services, Division of Retirement (Division), Bureau of Research and Education Section, P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at 877-377-1737 or 850-488-5706; by email at [rep@dms.myflorida.com](mailto:rep@dms.myflorida.com); or at the Division's website ([www.frs.myflorida.com](http://www.frs.myflorida.com)).

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the Florida Department of Management Services. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Defined Benefit Plans***

**The Florida Retirement System Pension Plan**

The Florida Retirement System (FRS) is a cost-sharing, multiple-employer public-employee retirement system with two primary plans – the FRS Defined Benefit Pension Plan (Pension Plan) and the FRS Investment Plan. The FRS Pension Plan was created in Chapter 121, Florida Statutes (F.S.), effective December 1, 1970, by consolidating and closing these existing plans to new members: the Teachers' Retirement System (Chapter 238, F.S.), the State and County Officers and Employees' Retirement System (Chapter 122, F.S.), and the Highway Patrol Pension Trust Fund (Chapter 321, F.S.). In 1972, the Judicial Retirement System (Chapter 123, F.S.) was closed and consolidated into the FRS. The FRS was created 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 the Investment Plan as a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. The FRS Investment Plan is an integrated defined contribution plan administered by the State Board of Administration and the Department of Management Services. Effective July 1, 2007, the Institute of Food and Agricultural Sciences (IFAS) Supplemental Retirement Program, established under Section 121.40, F.S., was consolidated under the FRS Pension Plan as a closed retirement plan. Participation in the IFAS Supplemental Retirement Program does not constitute membership in the FRS.

Chapter 121, F.S., also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class (SMSC) employed by the state, state elected officials who chose SMSC membership in lieu of Elected Officers' Class membership (EOC), and faculty and specified employees in the State University System and Florida College System institutions. Provisions relating to the FRS are also contained in Chapter 112, F.S.

***Membership***

FRS membership is compulsory for eligible employees filling a regularly established position in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, F.S., or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools, and metropolitan planning organizations, although optional, is generally irrevocable after election to participate is made. Members hired into certain positions may be eligible to withdraw from the FRS altogether or elect to participate in the non-integrated optional retirement programs in lieu of the FRS except faculty of a medical college in a state university who must participate in the State University Optional Retirement Program (SUSORP). Retirees initially reemployed in regularly established positions on or after July 1, 2010, may not participate in the FRS except for defined contribution plan retirees employed in a regularly established position on or after July 1, 2017. FRS Pension Plan retirees remain ineligible for renewed membership.

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Retirees of the FRS Investment Plan, the SUSORP, the State Community College System Option Retirement Program (SCCSORP), and the Senior Management Service Optional Annuity Program who are initially reemployed on or after July 1, 2010, and who are employed in a regularly established position on or after July 1, 2017, will be enrolled in the FRS Investment Plan, SUSORP, or SCCSORP based upon the position held as renewed members on or after July 1, 2017.

There are five general classes of membership, as follows. The Board's employees are all included in one of the first two classes:

- *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 in state and local governments as well as assistant state attorneys, assistant statewide prosecutors, assistant public defenders, assistant attorneys general, deputy court administrators, and assistant capital collateral representatives. Members of the Elected Officers' Class (EOC) may elect to withdraw from the FRS or participate in the SMSC in lieu of the EOC.
- *Special Risk Class* - Members who are employed as law enforcement officers, firefighters, firefighter trainers, fire prevention officers, state fixed-wing pilots for aerial firefighting surveillance, correctional officers, emergency medical technicians, paramedics, community-based correctional probation officers, youth custody officers (from July 1, 2001 through June 30, 2014), certain health-care related positions within state forensic or correctional facilities, or specified forensic employees of a medical examiner's office or a law enforcement agency, and meet the criteria to qualify for this class.
- *Special Risk Administrative Support Class* - Former Special Risk Class members who are transferred or reassigned to nonspecial risk law enforcement, firefighting, emergency medical care, or correctional administrative support positions within an FRS special risk-employing agency.
- *Elected Officers' Class* - Members who are elected state and county officers and the elected officers of cities and special districts that choose to place their elected officials in this class.

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Beginning July 1, 2001, through June 30, 2011, the FRS Pension Plan provided for vesting of benefits after six years of creditable service for members working on or after July 1, 2001, and initially enrolled before July 1, 2011. Members not actively working in a position covered by the FRS Pension Plan on July 1, 2001, must return to covered employment for up to one work year to be eligible to vest with less service than was required under the law in effect before July 1, 2001. Members initially enrolled on or after July 1, 2011, vest after eight years of creditable service. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5% benefit reduction for each year prior to the normal retirement age.

Member eligibility requirements for normal retirement age are:

Regular Class, SMSC, and EOC

- For members initially enrolled in the FRS Pension Plan before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62.
- For members initially enrolled in the FRS Pension Plan on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.

Special Risk Class and Special Risk Administrative Support Class Members:

- For members initially enrolled in the FRS Pension Plan before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty-five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.
- For members initially enrolled in the FRS Pension Plan on or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Benefits***

The Florida Legislature establishes and amends the benefit terms of the FRS Pension Plan. Benefits under the FRS Pension Plan are computed based on age, average final compensation, creditable years of service, and accrual value per year by membership class. Members are also provided in-line-of-duty or regular disability and survivors' benefits. Pension benefits of eligible retirees and annuitants are increased each July 1 by a cost-of-living adjustment. If the member is initially enrolled in the FRS Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is 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. This individually calculated annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

The DROP became effective July 1, 1998, subject to provisions of Section 121.091(13), F.S. FRS Pension Plan members who reach normal retirement are eligible to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a maximum of 60 months. Authorized instructional personnel may participate in the DROP for up to 36 additional months beyond their initial 60-month participation period. Monthly retirement benefits remain in the FRS Trust Fund during DROP participation and accrue interest until the member terminates to finalize retirement. As of June 30, 2020, the FRS Trust Fund held in trust \$2,673,751,676 in accumulated benefits for interest for 36,181 current and prior participants in the DROP.

***Administration***

The Department of Management Services, Division of Retirement administers the FRS Pension Plan. The State Board of Administration invests the assets of the Pension Plan held in the FRS Trust Fund. Costs of administering the FRS Pension Plan are funded from earnings on investments of the FRS Trust Fund. Reporting of the FRS Pension Plan is on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the obligation is incurred.

***Contributions***

All participating employers must comply with statutory contribution requirements. Section 121.031(3), F.S., requires an annual actuarial valuation of the FRS Pension Plan, which is provided to the Legislature as guidance for funding decisions. Employer and employee contribution rates are established in Section 121.71, F.S. Employer contribution rates under the uniform rate structure (a blending of both the FRS Pension Plan and Investment Plan rates) are recommended by the actuary but set by the Legislature. Statutes require that any unfunded actuarial liability (UAL) be amortized within 30 plan years. Pursuant to Section 121.031(3) (f), F.S., any surplus amounts available to offset total retirement system costs are to be amortized over a 10-year rolling period on a level-dollar basis. The balance of legally required reserves for the FRS Pension Plan at June 30, 2020 was \$161,568,265,280. These funds were reserved to provide for total current and future benefits, refunds, and administration of the FRS Pension Plan.

**Florida Prepaid College Board**  
**Notes to Financial Statements**

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Contributions***

The table below presents FRS employer contribution rates. Rates indicated are uniform rates for all FRS members and include UAL contribution rates. These rates do not include a 1.66% contribution rate for the Retiree Health Insurance Subsidy (HIS) Program and a 0.06% assessment for the administration of the FRS Investment Plan and the educational program available to all FRS members. In addition, the July 1, 2020, statutory employer rates do not include the 3.00% mandatory employee contribution for all membership classes except for members in the DROP.

<b>Membership Class</b>	<b>Uniform Employer Rates Recommended by Actuarial Valuation for</b>	
	<b>Fiscal Year 2020- 2021</b>	<b>July 1, 2020 Statutory Rates (Ch. 121, F.S.)</b>
Regular	8.28%	8.28%
Senior Management Service	25.57%	25.57%
Special Risk	22.73%	22.73%
Special Risk Administrative Support	34.12%	34.12%
Elected Officers - Judges	38.01%	38.01%
Elected Officers - Legislators/Attorneys/Cabinet	57.19%	57.19%
Elected Officers - County	47.46%	47.46%
Deferred Retirement Option Program - applicable to members from all of the above classes or plans	15.32%	15.32%

Employee eligibility, benefits, and contributions by class are as previously described. Employees not filling regular established positions and working under the other personal services or temporary status are not covered by the FRS.

The Board contributed \$251,486, \$202,539, and \$175,443 to the FRS Pension Plan (excluding administrative fees) during the years ended June 30, 2021, 2020, and 2019, respectively. Administrative fees incurred by the Board on behalf of the FRS Pension Plan defined benefit members totaled \$579, \$590, and \$700 for each fiscal year, respectively.



**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**Retiree Health Insurance Subsidy (HIS) Program**

The Retiree Health Insurance Subsidy Program is a non-qualified cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, F.S. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS program. 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 Department of Management Services, Division of Retirement. For the fiscal year ended June 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, F.S. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2021, the contribution rate was 1.66% of payroll pursuant to Section 112.363, F.S. The Board contributed \$32,046, \$28,815 and \$28,281 to the Plan during the years ended June 30, 2021, 2020 and 2019, respectively. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS 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, the legislature may reduce or cancel HIS payments.

**Pension Amounts for Defined Benefit Pension Plans**

***Net Pension Liability***

At June 30, 2021, the Board reported a total liability of \$3,252,577 for its proportionate share of the net pension liabilities of the defined benefit, multiple employer cost sharing pension plans.

The table below presents the fiduciary net position for each plan as well as the Board's proportion and proportionate share as of the Plan's measurement date of June 30, 2020:

	FRS Pension Plan	HIS	Total
Plan total pension liability (A)	\$ 204,909,739,000	\$ 12,588,098,255	
Plan fiduciary net position (B)	(161,568,265,280)	(378,261,130)	
Plan net pension liability (A-B)	\$ 43,341,473,720	\$ 12,209,837,125	
Board's proportion	0.006095871%	0.005000366%	
Board's proportionate share	\$ 2,642,040	\$ 610,537	\$ 3,252,577

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**Pension Amounts for Defined Benefit Pension Plans (Continued)**

***Net Pension Liability (Continued)***

The Board's proportion of the net pension liability was based on contributions paid to the plans by the Board relative to the contributions paid by all participating employers. The table below shows the change in proportion since the prior measurement date:

	<b>FRS Pension Plan</b>	<b>HIS</b>
Board's proportion at prior measurement date, June 30, 2019	0.005658126%	0.005092966%
Board's proportion at measurement date, June 30, 2020	0.006095871%	0.005000366%
Increase/(decrease) in proportion	0.000437745%	-0.000092600%

There is a known increase in the Board's permanent employee payroll covered by pension benefits as of June 30, 2021, as compared to the measurement date of June 30, 2020 that is projected to cause a net increase of approximately 8% in the Board's proportionate share of the collective pension liability of both defined benefit pension plans. The resulting change in employer pension contributions is projected to increase the Board's proportionate share of the FRS Pension Plan and the HIS Pension Plan net pension liabilities by approximately \$219,000 and \$55,000, respectively, by measurement date June 30, 2021.

***Actuarial Methods and Assumptions***

The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), Florida Statutes. The FRS Pension Plan's GASB Statement No. 67 valuation is performed annually. The HIS program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2019 for the period July 1, 2013 through June 30, 2018. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study of the FRS Pension Plan.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of the measurement date, of July 1, 2020, using the individual entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%.

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Actuarial Methods and Assumptions (Continued)***

Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.80%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the statutorily required rates. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefits 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 and was applied to all periods of projected benefit payments to determine the total pension liability. The 6.80% rate of return assumption used in the June 30, 2020 calculations was determined by the consulting actuary, Milliman, to be reasonable and appropriate per Actuarial Standard of Practice Number 27 (ASOP 27). The 6.80% reported investment return assumption differs from the 7.00% investment return assumption chosen by the 2020 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.21% for the measurement date of June 30, 2020 was used to determine the total pension liability for the program. The source of the municipal bond rate is the Bond Buyer General Obligation 20-Bond Municipal Bond Index. Mortality assumptions for both the FRS Pension Plan and the HIS Program were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

There were no changes in benefit terms for either the FRS Pension Plan or HIS that affected the total pension liability since the prior measurement date. There were no changes between the measurement date and the reporting date which significantly impact the Board's proportionate share of the net pension liability, deferred outflows, deferred inflows and pension expense for either the FRS Pension Plan or HIS.

The following changes in actuarial assumptions occurred in the year ended June 30, 2020:

- FRS Pension Plan: The long-term expected rate of return decreased from 6.90% to 6.80%.
- HIS: The municipal rate used to determine total pension liability decreased from 3.50% to 2.21%, and the mortality assumptions changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Actuarial Methods and Assumptions (Continued)***

The long-term expected rate of return of 6.80% on FRS Pension Plan investments was determined using a forward-looking capital market economic model, which includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Cash	1.0%	2.2%
Fixed income	19.0%	3.0%
Global equity	54.2%	8.0%
Real estate (property)	10.3%	6.4%
Private equity	11.1%	10.8%
Strategic investments	4.4%	5.5%
	<u>100.0%</u>	

***Sensitivity Analysis***

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the Board's proportionate share of each plan's net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2020.

<b><i>FRS Pension Plan</i></b>			<b><i>Health Insurance Subsidy</i></b>		
	<b>Current</b>			<b>Current</b>	
<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
<b>5.80%</b>	<b>6.80%</b>	<b>7.80%</b>	<b>1.21%</b>	<b>2.21%</b>	<b>3.21%</b>
\$ 4,218,895	\$ 2,642,040	\$ 1,325,045	\$ 705,753	\$ 610,537	\$ 532,602

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Pension Expense and Deferred Outflows / (Inflows) of Resources***

In accordance with GASB Statement No. 68, paragraphs 54 and 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes in proportion and differences between contributions and proportionate share of contributions – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Differences between expected and actual earnings on pension plan investments – amortized over five years

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2020, was 5.9 years for the FRS Pension Plan and 7.2 years for HIS. The Board's proportionate share of the components of collective pension expense and deferred outflows and inflows of resources reported in the pension allocation schedules for the fiscal year ended June 30, 2021, (measurement date of June 30, 2020) are presented on the next page for each plan.

**Florida Prepaid College Board**  
**Notes to Financial Statements**

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

<b>FRS Pension Plan</b>					
	<b>Recognized in expense reporting period ended June 30, 2021</b>		<b>Recognition Period</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Service cost	\$	161,386	Current	\$ -	\$ -
Interest cost		820,439	Current	-	-
Effect of economic/demographic gains or losses (difference between expected and actual experience)		49,446	5.9 - 6.4 years	101,116	-
Effect of assumptions changes or inputs		166,861	5.9 - 6.4 years	478,293	-
Member contributions		(45,625)	Current	-	-
Projected investment earnings		(672,827)	Current	-	-
Changes in proportion and differences between contributions and proportionate share of contributions		107,666	5.9 - 6.4 years	275,271	-
Net difference between projected and actual investment earnings		73,858	5 years	157,310	-
Contributions subsequent to the measurement date		-	1 year	251,486	-
Administrative expenses		1,314	Current	-	-
Current year adjustment to pension expense <sup>1</sup>		(53)	Current	-	-
<b>Total</b>	<b>\$</b>	<b>662,465</b>		<b>\$ 1,263,476</b>	<b>\$ -</b>

(continued)

<sup>1</sup> In fiscal year 2021, the Department of Management Services, Division of Retirement posted a correction reducing the beginning net pension liability of the FRS Pension Plan due to an increase in an inter-fund receivable amount due to the Plan from the SUSORP the prior fiscal year. During the fiscal year, the SUSORP collects contributions related to the FRS Pension Plan unfunded actuarial liability and transfers those contributions to the FRS. Amounts not transferred as of the end of the fiscal year are recorded as a receivable in the FRS Pension and a payable in the SUSORP. Because the Board's share of this correction is only a reduction of \$53, the correction is posted as a reduction of pension expense in the current fiscal year.

**Florida Prepaid College Board**  
**Notes to Financial Statements**

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

HIS Program					
	Recognized in expense reporting period ended June 30, 2021	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources	
Service cost	\$ 13,276	Current	\$ -	\$ -	
Interest cost	20,137	Current	-	-	
Effect of economic/demographic gains or losses (difference between expected and actual experience)	4,236	7.2 years	24,975	(471)	
Effect of assumptions changes or inputs	12,997	7.2 years	65,650	(35,500)	
Member contributions	(18)	Current	-	-	
Projected investment earnings	(590)	Current	-	-	
Changes in proportion and differences between contributions and proportionate share of contributions	32,821	7.2 years	96,448	(8,515)	
Net difference between projected and actual investment earnings	198	5 years	487	-	
Contributions subsequent to the measurement date	-	1 year	32,046	-	
Administrative expenses	9	Current	-	-	
<b>Total</b>	<b>\$ 83,066</b>		<b>\$ 219,606</b>	<b>\$ (44,486)</b>	
<b>Total for all defined benefit pension plans</b>	<b>\$ 745,531</b>		<b>\$ 1,483,082</b>	<b>\$ (44,486)</b>	

**Florida Prepaid College Board**  
**Notes to Financial Statements**

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

Deferred outflows of resources related to contributions paid subsequent to the measurement date as shown in the tables above will be recognized as a reduction of the net pension liability in the reporting period ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

<i><b>For the years ending June 30,</b></i>	<b>FRS Pension Plan</b>	<b>HIS Expense</b>
	<b>Expense</b>	<b>Expense</b>
2022	\$ 234,709	\$ 44,637
2023	304,837	37,034
2024	257,074	22,558
2025	163,429	16,642
2026	51,941	14,307
Thereafter	-	7,896
<b>Total</b>	<b>\$ 1,011,990</b>	<b>\$ 143,074</b>

***Payables to the Pension Plans***

The Board reported payables of \$21,643 to the FRS and \$2,812 to the HIS Program as of June 30, 2021, for legally required contributions to the plans. In addition, administrative fees owed for employees in the defined benefit FRS Pension Plan totaled \$50. The payables are included in accrued expenses as a current liability in the Statement of Net Position.

***Defined Contribution Programs***

**FRS Investment Plan**

The State Board of Administration and the Department of Management Services together administer the defined contribution plan officially titled the FRS Investment Plan. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the plan. Retirement benefits are based upon the value of the member's account upon retirement. The FRS Investment Plan provides vesting after one year of service regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the years of service required for vesting under the Pension Plan (including the service credit represented by the transferred funds) is required to be vested for these funds and the earnings on the funds.



**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**FRS Investment Plan (Continued)**

The employer pays a contribution as a percentage of salary that is deposited into the individual member's account. Effective July 1, 2011, there is a mandatory employee contribution of 3.00%. The FRS Investment Plan member directs the investment from the options offered under the plan. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer assessment of 0.06% of payroll and by forfeited benefits of plan members. After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the FRS Investment Plan, receive a lump-sum distribution, or leave the funds invested for future distribution. Upon receiving a distribution, other than a de minimis distribution or required minimum distribution, the member is a retiree. Disability coverage is provided for total and permanent disability (non-duty or line of duty); the employer pays an employer contribution to fund the disability benefit which is deposited in the FRS Trust Fund. 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 FRS Investment Plan and rely upon that account balance for retirement income. Survivor benefit coverage is provided to the surviving spouse or dependent children of members who die in line of duty; the employer pays an employer contribution to fund the survivor benefit which is deposited in the FRS Trust Fund. The member's account balance must be transferred to the FRS Pension Plan when approved for survivor benefits to receive guaranteed lifetime monthly benefits under the FRS Pension Plan for the surviving spouse or on behalf of the dependent children until the youngest unmarried dependent child reaches age 18, or up to age 25 if unmarried and enrolled as a fulltime student.

***Pension Amounts for the FRS Investment Plan***

During the fiscal year ended June 30, 2021, the Board recognized \$29,085 in pension expense related to the FRS Investment Plan, including \$28,628 paid into employee accounts and \$457 paid in administrative fees. Employee contributions totaled \$22,843. As of June 30, 2021, the Board reported a current liability of \$2,535 for the June 2021 employer contributions to be paid to employee accounts in the following month and \$41 in administrative fees, as per statutory contribution requirements. These liabilities are included in accrued expenses as a current liability on the Statement of Net Position.

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Pension Amounts for the FRS Investment Plan (Continued)***

Blended rates paid by the Board for employees participating in the FRS Investment Plan include required contributions paid to the HIS Program Pension Plan, the unfunded actuarial liability (UAL) contributions to the FRS Pension Plan, disability fees (also paid into the FRS Pension Plan), contributions to defined contribution participant accounts, and administrative fees.

Amounts paid into the two defined benefit pension plans are already included in the net pension liability for those plans. Forfeiture amounts for the Board are not available, as forfeitures are used only to offset the overall administrative cost of the defined contribution plan and the amount attributable to reducing the Board's administrative expenses is unknown.

***Other Postemployment Benefits (OPEB)***

The Board follows GASB Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, for certain postemployment healthcare benefits administered by the Division of State Group Health Insurance Program (DSGI).

***General Information about the OPEB Plan***

*Plan Description.* The Board participates in the State Employees' Health Insurance Program, a multiple-employer defined benefit postemployment healthcare plan administered by the State of Florida, Department of Management Services, Division of State Group Insurance, which provides healthcare benefits to retired state and university employees in accordance with Section 110.123, Florida Statutes (F.S.). Pursuant to the provisions of Section 112.0801, F.S., all public employers (including the Board) that offer benefits through a group insurance plan shall allow their retirees and their eligible dependents the option to continue participation in the plan during retirement. As a part of normal retirement, a retiree has 60 days after separation to elect post-retirement health coverage. After 60 days, they are no longer entitled to benefits to provide group health benefits. A retiree is defined as any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System (FRS) Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting.

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***General Information about the OPEB Plan (Continued)***

The law also requires the claims experience of the retirees under 65 age group to be combined with the claims experience of active employees for premium determination and the premium offered to retired employees to be no more than the premium applicable to active employees. As a result, the Board 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 retiree healthcare costs are generally greater than active employee healthcare costs.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Florida Legislature. The Board's benefit payments are approved in the Board's budget each fiscal year as adopted by Board Trustees.

***Benefits Provided***

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All non-OPS employees of the Fund are eligible to receive postemployment health care benefits. Four types of health plans are offered to eligible participants:

- Standard statewide Preferred Provider Organization (PPO).
- High Deductible PPO Plan
- Standard Health Maintenance Organization (HMO) Plan
- High Deductible HMO Plan

HMO coverage is available only to those retirees who live or work in the HMO's service area. The four PPO and HMO options are considered managed-care plans and have specific provider networks.

***Employees Covered by Benefit Terms***

At July 1, 2020, the total number of OPEB Plan employees covered by the benefit terms were as follows:

Active Plan Members	137,884
No Coverage Active Plan Members	21,032
Retired and Inactive Plan Members	35,580
<b>Total eligible members</b>	<b>194,496</b>

There are currently zero inactive plan members entitled to but not yet receiving benefits because the Sponsor does not provide a vested termination benefit.

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Contributions***

Retirees participating in the group insurance plans offered by the Fund are required to contribute 100% of the premiums. The Fund implicitly subsidizes the healthcare premium rates paid by the retirees by allowing them to participate in the same health plan offered to active employees. Retirees under age 65 pay the same premium amounts as applicable to active employees. Retirees over age 65 are included in the overall risk pool but pay a lesser premium amount than is applicable to active employees because Medicare is the primary payer. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

Note that the projected post-65 employee contributions for the fully-insured HMO plan are assumed to cover the entire cost of the program.

***Total OPEB Liability***

As of June 30, 2021, the State reported a total OPEB liability of \$10,290,045,182 of which the Board reported \$411,941 for its proportionate share of the total OPEB liability measured as of June 30, 2020. The table below presents the Fund's proportion and change in proportion since the prior measurement date:

	<b>Board</b>
Proportion at prior measurement date, June 30, 2019	0.00461874%
Proportion at measurement date, June 30, 2020	0.00400330%
Increase / (Decrease) in Board's proportion	-0.00061544%

***Actuarial Assumptions and Other Inputs***

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2020
Measurement date	June 30, 2020
Actuarial cost method	Entry age normal
Amortization method	The recognition period for the changes in assumption, experience and proportionate share is 7 years
Actuarial value of assets	N/A
Inflation	2.60%
Salary increases	Varies by FRS Class
Discount rate	2.66%

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Actuarial Assumptions and Other Inputs (Continued)***

Healthcare cost trend rates	7.78% and 5.66% for PPO and HMO, respectively for fiscal year 2020-2021. Both Pre-Medicare and Post Medicare rates are projected to increase through 2024, to 8.19% for the PPO plan and 6.02% for the HMO plan, before decreasing gradually for both plans to 4.0% in fiscal year 2075-2076 and thereafter.
Retirees' share of benefit- related costs	100% of projected health insurance premiums for retirees
Medical aging factors	4% per year prior to age 65 3% per year between ages 65 and 75 2% per year between ages 75 and 85 0% per year thereafter
Marital status	80% assumed married, with male spouses 3 years older than female spouses
Health care participation (HMO)	50% participation assumed, with 25% electing spouse coverage. Members who elected no coverage as actives are assumed to elect coverage in the same proportion as active members with coverage.
Health care participation (PPO)	50% participation assumed, with 35% electing spouse coverage. Members who elected no coverage as actives are assumed to elect coverage in the same proportion as active members with coverage.

Under GASB 75, the discount rate for unfunded plans must be based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The discount rate of 2.66% in 2020 was based on the S&P Municipal Bond High Grade Rate Index. The discount rate decreased to 2.66% as of measurement date June 30, 2020, from 2.79% as of measurement date June 30, 2019.

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Actuarial Assumptions and Other Inputs (Continued)***

The demographic actuarial assumptions for retirement, disability, withdrawal and salary merit scales used in the July 1, 2020 OPEB valuation are consistent with the assumptions used in the July 1, 2018 Actuarial Valuation of the FRS. The demographic assumptions were based on the 2014 Experience Study prepared by Milliman on September 8, 2014. Updated assumptions for the FRS July 1, 2018 Actuarial Valuation were approved by the 2018 FRS Actuarial Assumption Conference. Mortality rates were updated to align with those used in the actuarial valuation of the Florida Retirement System (FRS) pension plan as of July 1, 2019. Underlying tables were updated to use Pub-2010 mortality tables with fully generational improvement using Scale MP-2018. In previous years, mortality rates were based on the Generational RP-2000 with Projected Scale BB. The impact of this change is a decrease in the total OPEB liability of about 5%.

The healthcare trend rates for the first five years used in the July 1, 2020 OPEB valuation were consistent with the Report on the Financial Outlook for the Fiscal Years Ending June 30, 2020 through June 30, 2025 as presented on August 5, 2020 at the Self-Insurance Estimating Conference. The Getzen Model was used to generate the long-term healthcare trends. The impact of the trend rate changes in the July 1, 2020 OPEB valuation is a small decrease in the actuarial liability, due primarily to lower trend rates in the first several years. In addition, the excise tax that was to come into effect in 2022 has been repealed. The impact of this change was a decrease in actuarial liability of about 13%.

Retirees participating in the group insurance plans offered by the State of Florida (and the Fund) are required to contribute 100% of the premiums.

***Changes in the Board's Total OPEB Liability***

The Board's changes in total OPEB liability for the fiscal year are presented below.

	<u>Total OPEB Liability</u>
<b>Balance at June 30, 2020</b>	<b>\$ 584,653</b>
Changes:	
Service cost	26,322
Interest	14,364
Differences between expected and actual experience	(13,028)
Changes of assumptions or other inputs	(112,657)
Employer benefit payments	(7,028)
Changes in proportionate share to the total OPEB liability and difference between the actual benefit payments and estimated benefit payments	(80,685)
Net changes	(172,712)
<b>Balance at June 30, 2021</b>	<b>\$ 411,941</b>

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

***Sensitivity of the Total OPEB Liability to Changes in the Discount Rate***

The following table demonstrates the sensitivity of the Board's proportionate share of the total OPEB liability to changes in the discount rate. The sensitivity analysis shows the impact to the Board's proportionate share of the total OPEB liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate:

	1% decrease (1.66%)	Current discount rate (2.66%)	1% Increase (3.66%)
Board's proportionate share of the total OPEB liability	\$ 487,883	\$ 411,941	\$ 351,692

**Sensitivity of the Board's Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.**

The following table presents the Board's proportionate share of the total OPEB liability to changes in the healthcare cost trend rates. The sensitivity analysis shows the impact to the Board's proportionate share of the total OPEB liability if the healthcare cost trend rates were 1.00% higher or 1.00% lower than the current healthcare cost trend rates:

	1% decrease	Current healthcare cost trend rates *	1% Increase
Board's proportionate share of the total OPEB liability	\$ 344,701	\$ 411,941	\$ 497,865

\* Please refer to the Healthcare Cost Trend Rates information presented above in the *Actuarial and Other Input Assumptions*.

**Florida Prepaid College Board**  
**Notes to Financial Statements**

**Note 10: PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS (Continued)**

**OPEB Expense and Deferred Outflows/(Inflows) of Resources Related to OPEB**

For the fiscal year ended June 30, 2021, the Board recognized OPEB expense of \$9,669. At June 30, 2021, the Board 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
Change of assumptions or other inputs	\$ 54,460	\$ (155,894)
Difference between expected and actual experience	-	(24,068)
Changes in proportionate share of the total OPEB liability and difference between the actual benefit payments and estimated benefit payments	43,197	(86,898)
Transactions subsequent to the measurement date	6,833	-
<b>Total</b>	<b>\$ 104,490</b>	<b>\$ (266,860)</b>

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date as shown in the table above will be recognized as a reduction of the total OPEB liability in the reporting period ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<i><b>Fiscal years ending June 30,</b></i>	<b>Amount</b>
2022	\$ (31,197)
2023	(31,196)
2024	(31,196)
2025	(31,196)
2026	(26,314)
Thereafter	(18,105)
<b>Total</b>	<b>\$ (169,204)</b>



**Note 11: RELATED-PARTY TRANSACTIONS**

The Foundation purchases Florida Prepaid College Plans from the Prepaid Plan on behalf of selected scholarship recipients. Florida Prepaid College Plans at a cost of \$19,490,265 were purchased during the year ended June 30, 2021. Amounts due to the Foundation total \$45,464,168 at June 30, 2021. Amounts due from the Foundation total \$99,673 at June 30, 2021.

The Board provides certain administrative expenses to the Foundation under a contractual agreement expiring December 2021. For the year ended June 30, 2021, contributed salaries and services were valued at \$622,000.

In accordance with 1009.986, Florida Statutes, the chair of the Florid Prepaid College Board serves on the Board of Directors of ABLE along with another appointee made by the Florida Prepaid College Board.

For the year ended June 30, 2021, the Florida Prepaid College Board provided certain administrative expenses to ABLE under a contractual agreement with no date of expiration or termination. Under this agreement, ABLE paid administration fees totaling \$225,000 to the Board for the year ended June 30, 2021.

**Note 12: RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Board participates in the State Risk Management Trust Fund which provides property insurance coverage, casualty coverage for the risks of loss related to Federal civil rights and employment actions, workers' compensation, court-awarded attorney fees, automobile liability, and general liability insurance coverage.



## **REQUIRED SUPPLEMENTARY INFORMATION**



**Florida Prepaid College Board**  
**Cost-Sharing Multiple Employer Defined Benefit Pension Plans -**  
**Schedule of Board's Proportionate Share of Net Pension**  
**Liability and Related Ratios**  
**Last 10 Fiscal Years\***

**Florida Retirement System Pension Plan<sup>1</sup>**

Fiscal year ended <sup>2</sup>	Pension Plan Measurement Date	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
6/30/2021	6/30/2020	0.006095871%	\$ 2,642,040	\$ 1,735,482	152.24%	78.85%
6/30/2020	6/30/2019	0.005658126%	1,948,580	1,703,295	114.40%	82.61%
6/30/2019	6/30/2018	0.005053923%	1,522,268	1,545,491	98.50%	84.26%
6/30/2018	6/30/2017	0.004573000%	1,352,663	1,429,562	94.62%	83.89%
6/30/2017	6/30/2016	0.004080519%	1,030,334	1,141,348	90.27%	84.88%
6/30/2016	6/30/2015	0.003496462%	451,615	960,352	47.03%	92.00%
6/30/2015	6/30/2014	0.002582428%	157,566	857,376	18.38%	96.09%

<sup>1</sup> Changes in actuarial assumptions:

For the fiscal year ended June 30, 2021, the inflation rate assumption decreased from 2.60% to 2.40%. For all fiscal years prior to 2021 the inflation rate assumption was 2.60%. The overall payroll growth assumption remained at 3.25%, effective for fiscal years ended June 30, 2015 through June 30, 2021.

The long-term expected rate of return assumption, effective for each fiscal year ended June 30, was as follows:

6/30/2021	6.80%	6/30/2018	7.10%	6/30/2015	7.65%
6/30/2020	6.90%	6/30/2017	7.60%		
6/30/2019	7.00%	6/30/2016	7.65%		

For the fiscal year ended June 30, 2020, the mortality assumptions changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.

<sup>2</sup> The Florida Retirement System pension plan information and net pension liability are reported on a one year lag. For example, pension plan information reported for the fiscal year ended June 30, 2021, is as of measurement date June 30, 2020. Covered payroll used to calculate the proportionate share of the net pension liability as a percentage of covered payroll for each fiscal year presented above is actually the covered payroll of the prior fiscal year.

**Health Insurance Subsidy Pension Plan<sup>1</sup>**

Fiscal year ended <sup>2</sup>	Pension Plan Measurement Date	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered payroll	Proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
6/30/2021	6/30/2020	0.005000366%	\$ 610,537	\$ 1,735,482	35.18%	3.00%
6/30/2020	6/30/2019	0.005092966%	569,852	1,703,295	33.46%	2.63%
6/30/2019	6/30/2018	0.004731790%	500,818	1,545,491	32.41%	2.15%
6/30/2018	6/30/2017	0.004484873%	479,543	1,429,562	33.54%	1.64%
6/30/2017	6/30/2016	0.003697148%	430,887	1,141,348	37.75%	0.97%
6/30/2016	6/30/2015	0.003165491%	322,830	960,352	33.62%	0.50%
6/30/2015	6/30/2014	0.002885679%	269,818	857,376	31.47%	0.99%

<sup>1</sup> Changes in actuarial assumptions:

For the fiscal year ended June 30, 2021, the inflation rate assumption was reduced from 2.60% to 2.40%, and the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018. The overall payroll growth assumption remained at 3.25%, effective for fiscal years ended June 30, 2015 through June 30, 2021.

The municipal rate used to determine total pension liability, effective for each fiscal year ended June 30, was as follows:

6/30/2021	2.21%	6/30/2018	3.58%	6/30/2015	4.29%
6/30/2020	3.50%	6/30/2017	2.85%		
6/30/2019	3.87%	6/30/2016	3.80%		

<sup>2</sup> The Retiree Health Insurance Subsidy pension plan information and net pension liability are reported on a one year lag. For example, pension plan information reported for the fiscal year ended June 30, 2021, is as of measurement date June 30, 2020. Covered payroll used to calculate the proportionate share of the net pension liability as a percentage of covered payroll for each fiscal year presented above is actually the covered payroll as of the pension plan measurement date (i.e. the prior fiscal year).

**Florida Prepaid College Board**  
**Cost-Sharing Multiple Employer Defined Benefit Pension Plans**  
**Schedule of Board's Contributions**  
**Last 10 Fiscal Years\***

The tables below present the Board's contribution requirements as of the Plan's fiscal years:

**Florida Retirement System Pension Plan**

Fiscal year ended	Statutorily required contributions (a)	Contributions in relation to the statutorily required contributions (b)	Contribution deficiency (excess) (a-b)	Covered payroll (c)	Contributions as a percentage of covered payroll (b/c)
6/30/2021	\$ 251,486	\$ 251,486	\$ -	\$ 1,930,088	13.03%
6/30/2020	202,539	202,539	-	1,735,482	11.67%
6/30/2019	175,443	175,443	-	1,703,295	10.30%
6/30/2018	144,033	144,033	-	1,545,491	9.32%
6/30/2017	119,046	119,046	-	1,429,562	8.33%
6/30/2016	99,511	99,511	-	1,141,348	8.72%
6/30/2015	85,247	85,247	-	960,352	8.88%
6/30/2014	58,115	58,115	-	857,376	6.78%

**Health Insurance Subsidy Pension Plan**

Fiscal year ended	Statutorily required contributions (a)	Contributions in relation to the statutorily required contributions (b)	Contribution deficiency (excess) (a-b)	Covered payroll (c)	Contributions as a percentage of covered payroll (b/c)
6/30/2021	\$ 32,046	\$ 32,046	\$ -	\$ 1,930,088	1.66%
6/30/2020	28,815	28,815	-	1,735,482	1.66%
6/30/2019	28,281	28,281	-	1,703,295	1.66%
6/30/2018	25,661	25,661	-	1,545,491	1.66%
6/30/2017	23,735	23,735	-	1,429,562	1.66%
6/30/2016	18,949	18,949	-	1,141,348	1.66%
6/30/2015	12,100	12,100	-	960,352	1.26%
6/30/2014	10,289	10,289	-	857,376	1.20%

\*These schedules are intended to show information for 10 fiscal years. However, until a full 10-year trend is compiled, the Board is presenting information for those years for which information is available.

*See Independent Auditors' Report.*

**Florida Prepaid College Board**  
**Schedule of Board's Proportionate Share of the Total Other**  
**Postemployment Benefits Liability**  
**Last 10 Fiscal Years\***

<b><i>Reporting Period Ended June 30,</i></b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total OPEB Liability	\$ 10,290,045,182	\$ 12,658,249,434	\$ 10,551,552,000	\$ 10,811,085,000
Board's proportion of the total OPEB liability	0.00400330%	0.00461875%	0.00448713%	0.00455666%
Board's proportionate share of the total OPEB liability	<u>\$ 411,941</u>	<u>\$ 584,653</u>	<u>\$ 473,462</u>	<u>\$ 492,624</u>
Board's covered-employee payroll	\$ 1,735,482	\$ 1,703,295	\$ 1,561,101	\$ 1,431,041
Board's proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	<u>23.74%</u>	<u>34.32%</u>	<u>30.33%</u>	<u>34.42%</u>

This schedule is intended to present information for 10 years. However, until a full 10-year trend is compiled, the Board is presenting information for those years for which information is available.

*See Independent Auditors' Report.*

**Florida Prepaid College Board**  
**Schedule of Changes in the Board's Total**  
**OPEB Liability and Related Ratios**  
**Last 10 Fiscal Years\***

<i>Reporting Period Ended June 30,</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Changes for the year:</b>				
Service cost	\$ 26,322	\$ 20,831	\$ 20,191	\$ 26,396
Interest	14,364	18,803	17,949	16,540
Differences between expected and actual experience	(13,028)	(17,203)	-	-
Changes of assumptions or other inputs	(112,657)	80,961	(38,151)	(82,498)
Benefit payments	(7,028)	(8,000)	(10,512)	(12,557)
Changes of proportionate share to the total OPEB liability and differences between the actual benefit payments and expected benefit payments	(80,685)	15,799	(8,639)	30,849
<b>Net change in total OPEB liability</b>	<b>(172,712)</b>	<b>111,191</b>	<b>(19,162)</b>	<b>(21,270)</b>
<b>Total OPEB liability-beginning</b>	<b>584,653</b>	<b>473,462</b>	<b>492,624</b>	<b>513,894</b>
<b>Total OPEB liability-ending</b>	<b>\$ 411,941</b>	<b>\$ 584,653</b>	<b>\$ 473,462</b>	<b>\$ 492,624</b>
 <b>Covered-employee payroll</b>	 \$ 1,735,482	 \$ 1,703,295	 \$ 1,561,101	 \$ 1,431,041
 <b>Total OPEB liability as a percentage of covered-employee payroll</b>	 23.74%	 34.32%	 30.33%	 34.42%

**Notes to Schedule:**

The Division of State Group Insurance's Other Postemployment Benefits Plan (OPEB) does not have assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Potential factors that may significantly decrease/increase the Board's total OPEB liability reported as of June 30, 2021 include discount rate, inflation rate, salary increases, payroll growth, healthcare inflation, retiree contribution increase rate, medical aging factors, healthcare participation, healthcare cost trends, mortality rates, and other demographic assumptions.

*Changes of benefit terms* : There have been no changes in benefit terms.

*Changes in mortality rates*: Mortality rates were updated to align with those used in the actuarial valuation of the FRS Pension Plan in the reporting period ended June 30, 2021. Rates were previously based on RP-2000 mortality tables with fully generational improvement using Scale BB. Underlying tables were updated to use Pub-2010 mortality tables with fully generational improvement using Scale Mp-2018. This change decreased the total OPEB liability in fiscal year 2021 by about 5%.

*Excise ("Cadillac") Tax*: The previous valuation conducted as of July 1, 2019, reflected the full impact of the Excise Tax that was to go into effect in 2022. The impact of this change was an increase in liabilities of about 12% reported in fiscal year 2020. Since the previous valuation, this tax was repealed. The current valuation as of July 1, 2020 reflects this. The impact of this change is a decrease in the total OPEB liability reported in fiscal year 2021 of about 13%.

*Changes in discount rate*:

Reporting period ended June 30, 2021: The discount rate decreased from 2.79% to 2.66%  
Reporting period ended June 30, 2020: The discount rate decreased from 3.87% to 2.79%  
Reporting period ended June 30, 2019: The discount rate increased from 3.58% to 3.87%  
Reporting period ended June 30, 2018: The discount rate increased from 2.85% to 3.58%

\* This schedule is intended to present information for 10 years. However, until a full 10-year trend is compiled, the Board is presenting information for those years for which information is available.

*See Independent Auditors' Report.*



## OTHER REPORTS



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

Florida Prepaid College Board Members  
Tallahassee, Florida

We have audited the financial statements of the business-type activities, the fiduciary fund type and the discretely presented component unit of the Florida Prepaid College Board (the Board) as of and for the year ended June 30, 2021, which collectively comprise the Board's basic financial statements and have issued our report thereon dated December 22, 2021. We conducted our audit 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 Stanley G. Tate Florida Prepaid College Foundation, Inc. were not audited in accordance with the *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Board.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Florida Prepaid College Board's internal control over financial reporting.

*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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 in charge of governance.

Our consideration of the internal control over financial reporting 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 Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

We have noted other matters pursuant to the Rules of the Auditor General, Chapter 10.550 that we have reported to the management of the Board in a separate letter dated December 22, 2021.

## **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Tallahassee, Florida  
December 22, 2021

**MANAGEMENT LETTER PURSUANT TO CHAPTER 10.550,  
RULES OF THE AUDITOR GENERAL FOR LOCAL  
GOVERNMENTAL ENTITY AUDITS**

Florida Prepaid College Board Members  
Tallahassee, Florida

**Report on the Financial Statements**

We have audited the financial statements of the Florida Prepaid College Board, as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated December 22, 2021.

**Auditors' Responsibility**

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 and Chapter 10.550, Rules of the Auditor General.

**Other Reports**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in the report, which is dated December 22, 2021, should be considered in conjunction with this management letter. Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

**Prior Audit Findings**

Section 10.554(1)(i)l., Rules of the Auditor, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No findings and recommendations were made in the preceding annual financial audit report.

**Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is included in Note 1 of Notes to the Financial Statements.

### **Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Florida Prepaid College Board has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Florida Prepaid College Board did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Florida Prepaid College Board's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

### **Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Florida Prepaid College Board for the fiscal year ended June 30, 2020, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended June 30, 2021. In connection with our audit, we determined the Florida Prepaid College Board does not file an annual financial report with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes. The Board's financial information is included in the report filed by the State Board of Administration for these purposes.

### **Other Matters**

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, LLC

Tallahassee, Florida  
December 22, 2021



## REQUIRED COMMUNICATIONS

## Required Communications

As discussed with the Board of Directors and management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Board. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Board of Directors, in accordance with Governmental Auditing Standards generally accepted in the United States of America, in order to express an opinion on the Board's financial statements for the year ended June 30, 2020;
- Communicate directly with the Board of Directors and management regarding the results of our procedures;
- Address with the Board of Directors and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Board of Directors and management; and
- Other audit-related projects as they arise and upon request.

## Required Communications

We have audited the financial statements of Florida Prepaid College Board for the year ended June 30, 2020, and have issued our report thereon dated December 22, 2021. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<b>Auditors' responsibility under Government Auditing Standards</b>	<p>As stated in our engagement letter dated <b>August 3, 2021</b>, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Board. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<b>Client's responsibility</b>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
<b>Planned scope and timing of the audit</b>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<b>Management judgments and accounting estimates</b> <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.</i>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates &amp; CRI Comments on Quality."</p>
<b>Potential effect on the financial statements of any significant risks and exposures</b> <i>Major risks and exposures facing the Board and how they are disclosed.</i>	<p>No such risks or exposures were noted.</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles</b></p> <ul style="list-style-type: none"> <li><i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i></li> <li><i>The auditor should also discuss the auditors' judgment about the quality, not just the acceptability, of the Board's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the Board in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i></li> <li><i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i></li> </ul>	<p>See notes 2 and 3 of the notes to financial statements and the section entitled "Accounting Policies, Judgments and Sensitive Estimates &amp; CRI Comments on Quality."</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Significant difficulties encountered in the audit</b>  <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	None.
<p><b>Disagreements with management</b>  <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	None.
<p><b>Other findings or issues</b>  <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	None.
<p><b>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</b>  <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None.
<p><b>Corrected and uncorrected misstatements</b>  <i>All significant audit adjustments arising from the audit, whether or not recorded by the Board, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Board about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	Please see the following section titled "Summary of Audit Adjustments."



## Required Communications

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p><b>Major issues discussed with management prior to retention</b></p> <p><i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	None.
<p><b>Consultations with other accountants</b></p> <p><i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	None of which we are aware.
<p><b>Written representations</b></p> <p><i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.
<p><b>Internal control deficiencies</b></p> <p><i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditors' attention during the audit.</i></p>	See "Internal Control Recommendations" section.
<p><b>Fraud and illegal acts</b></p> <p><i>Fraud involving the Board's management, or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditors' attention involving the Board's management and any other illegal acts, unless clearly inconsequential.</i></p>	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
<p><b>Other information in documents containing audited financial statements</b></p> <p><i>The external auditors' responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

## Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the Board's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Board may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATES	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Investments	<p>The Board follows the provisions of GASB 40, <i>Deposit and Investment Risk Disclosures</i>, when reporting investments.</p> <p>The Board's investment committee approves and maintains a comprehensive investment plan with established benchmarks, allowable investments, and other segment allocations to ensure a conservative investment strategy that maximizes earnings.</p>	X	<p>The Board relies on information from its investment custodian and managers for the asset values, credit ratings, investment earnings, and foreign currency translation.</p> <p>Compliance with the comprehensive investment plan is monitored by the Board's management, third-party investment managers, as well as, the overall investment advisor.</p>	The Board's policies are in accordance with all applicable accounting guidelines.
Future contract premiums and benefits	At June 30, 2021, the Board adjusted future contract premiums receivable and future contract benefits payable based on a report provided by a third-party actuary.	X	The Board relies on a third-party actuarial opinion for determining its estimates of the future contract premiums receivable and the future contract benefits payable at year end.	The Board's policies are in accordance with all applicable accounting guidelines.

## Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the Board and amounts that we believe are required to be recorded under GAAP. Those adjustments are either recorded (corrected) by the Board or passed (uncorrected).

There were no adjustments, either corrected or uncorrected, as a result of our audit procedures.

### QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Board's operating environment that has been identified as playing a significant role in the Board's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.



The Honorable John D. Rood  
Chairman

Adria D. Starkey  
Vice Chair  
FineMark National  
Bank & Trust

Mark Agustin  
HealthEdge Investment  
Partners, LLC

Slater Bayliss  
The Advocacy Group at  
Cardenas Partners

Kathy Hebda  
Florida College System

W. Radford Lovett II  
Lovett Miller & Co.

Troy Miller  
State University System

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Kevin Thompson  
Executive Director

December 22, 2021

Carr, Riggs & Ingram, LLC  
2633 Centennial Boulevard, Suite 200  
Tallahassee, Florida 32308

This representation letter is provided in connection with your audit of the financial statements of governmental activities, business-type activities, and the discretely presented component units of the Florida Prepaid College Board, a component unit of the State of Florida, administratively housed under the State Board of Administration, as of as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of December 22, 2021 the following representations made to you during your audit.

### Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 3, 2021, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

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- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 9) Guarantees, whether written or oral, under which the Florida Prepaid College Board is contingently liable, if any, have been properly recorded or disclosed.

### Information Provided

- 10) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the Florida Prepaid College Board from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of Florida Prepaid College Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 13) We have no knowledge of any fraud or suspected fraud that affects the Florida Prepaid College Board and involves—
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 14) We have no knowledge of any allegations of fraud or suspected fraud affecting the Florida Prepaid College Board's financial statements communicated by employees, former employees, regulators, or others.
- 15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) We have disclosed to you the names of the Florida Prepaid College Board's related parties and all the related party relationships and transactions, including any side agreements.



18) In regard to the financial statement preparation services performed by you, we have—

- d) Assumed all management responsibilities.
- e) Designated Angie Robertson, Director of Accounting and Risk Management who has suitable skill, knowledge, or experience to oversee the services.
- f) Evaluated the adequacy and results of the services performed.
- g) Accepted responsibility for the results of the services.

### Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 21) The Florida Prepaid College Board has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 23) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 24) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 25) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 26) The Florida Prepaid College Board has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 27) The Florida Prepaid College Board has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 28) The financial statements include all component units, as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 29) The financial statements properly classify all funds and activities in accordance with [GASBS No. 34](#), as amended.





- 30) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 31) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 32) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 33) Provisions for uncollectible receivables have been properly identified and recorded.
- 34) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 35) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 36) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 37) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 38) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 39) We have appropriately disclosed the Florida Prepaid College Board's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 40) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 41) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 42) With respect to the Schedule of Board's Proportionate Share of Net Pension Liability and Related Ratios as of Measurement Date, the Schedule of Board's Contributions, the Schedule of Board's Proportionate Share of the Total Other Postemployment Benefits Liability, and the Schedule of Changes in the Board's Total OPEB Liability and Related Ratios (collectively referred to as "the Schedules"):
  - a) We acknowledge our responsibility for presenting the Schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the Schedules, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Schedules have not changed from those used in the prior period where

## Management Representation Letter



applicable, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- b) If the Schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

**Thompson\_Kevin**

Digitally signed by  
Thompson\_Kevin  
Date: 2021.12.22 08:37:32 -05'00'

Kevin Thompson  
Executive Director

**Robertson\_Angie**

Digitally signed by  
Robertson\_Angie  
Date: 2021.12.22 06:51:28 -05'00'

Angie Robertson  
Dir. of Accounting and Risk Management





# **INTERNAL CONTROL RECOMMENDATIONS**



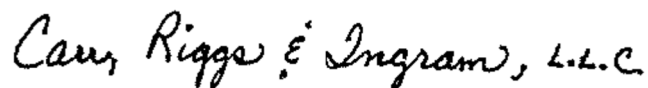
### The Board of Directors and Management of Florida Prepaid College Board

In planning and performing our audit of the financial statements of the business-type activities, the discretely presented component unit and fund information of Florida Prepaid College Board as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Florida Prepaid College Board'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Florida Prepaid College Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Florida Prepaid College Board'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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the information and use of management, Board of Directors, others within Florida Prepaid College Board, and is not intended to be, and should not be, used by anyone other than these specified parties.



CARR, RIGGS & INGRAM, LLC

Tallahassee, Florida  
December 22, 2021