

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

LAKE-SUMTER STATE COLLEGE

For the Fiscal Year Ended
June 30, 2025



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2024-25 fiscal year, Dr. Laura Byrd served as Interim President from August 30, 2024, Dr. Heather Bigard served as President of Lake-Sumter State College before that date, and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Bret D. Jones, Chair	Lake
Jennifer Hooten through 6-15-25, Vice Chair ^a	Sumter
David Hidalgo	Lake
Emily A. Lee through 6-15-25	Lake
Timothy Morris	Lake
Steve Munz from 6-16-25	Sumter
Ivy Parks	Lake
Samantha Scott from 6-16-25	Sumter

^a Vice Chair position vacant from 6-16-25.

Note: One Trustee position was vacant the entire period.

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

The team leader was Nicholas J. DeCandia, CPA, and the audit was supervised by Jeffrey M. Brizendine, CPA.

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

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LAKE-SUMTER STATE COLLEGE
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SUMMARY

SUMMARY OF REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States. However, we did note an additional matter as summarized below.

Additional Matter

Finding AM 2025-001: College controls over credit card charges were deficient. As a result, an employee was able to incur unauthorized College credit card charges totaling \$64,000 without timely detection.

AUDIT OBJECTIVES AND SCOPE

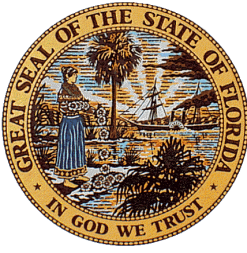
Our audit objectives were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinions. In doing so we:

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluated the overall presentation of the financial statements.
- Concluded whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.
- Examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Lake-Sumter State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Lake-Sumter State College and of its discretely presented component unit as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component unit, which represent 100 percent of the transactions and account balances of the discretely presented component unit columns as of June 30, 2025. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the **Auditor's Responsibilities for the Audit of the Financial Statements** section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of College Contributions – Florida Retirement System Pension Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of College Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information** be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 4, 2025, on our consideration of the Lake-Sumter State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the

College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
December 4, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

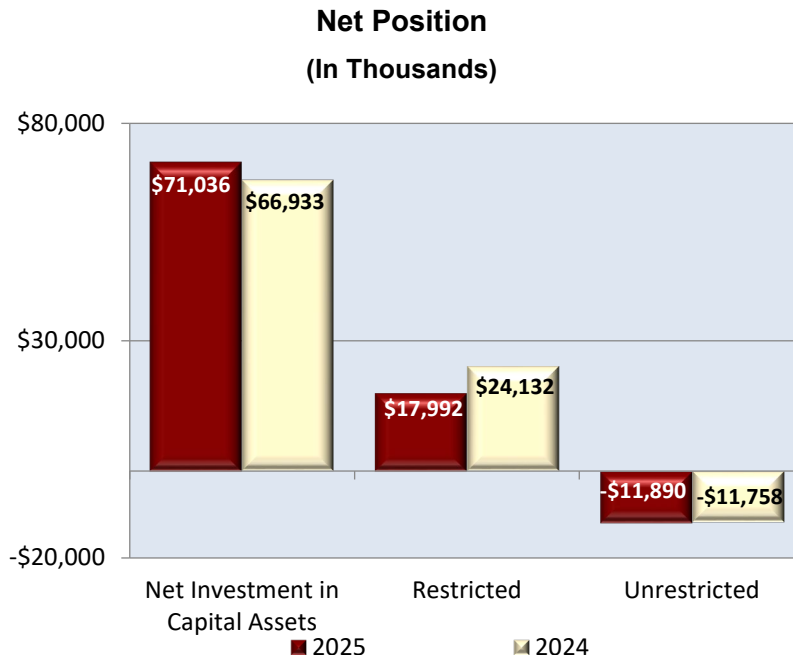
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2025, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2025, and June 30, 2024.

FINANCIAL HIGHLIGHTS

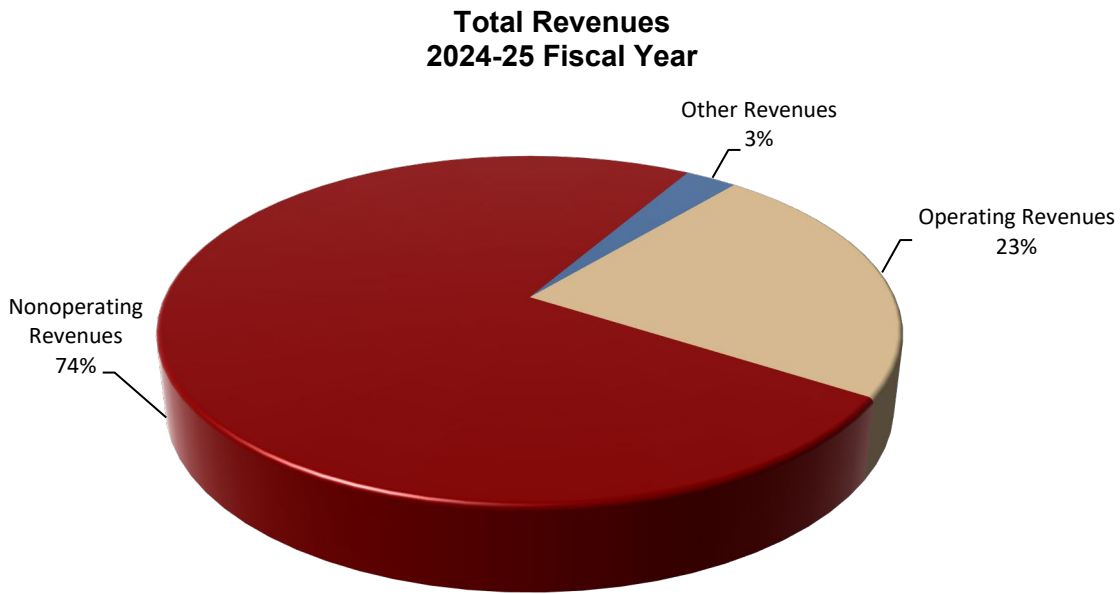
The College's assets and deferred outflows of resources totaled \$103.5 million at June 30, 2025. This balance reflects a \$1.9 million, or 1.8 percent, decrease as compared to the 2023-24 fiscal year, primarily attributable to increased personnel to support increasing enrollment and the cost of employee benefits, resulting in a decrease in restricted cash and cash equivalents. While assets and deferred outflows of resources declined, liabilities and deferred inflows of resources slightly increased by \$0.3 million, or 1 percent, totaling \$26.4 million at June 30, 2025, resulting primarily from an increase in net pension liabilities. As a result, the College's net position decreased by \$2.2 million, resulting in a year-end balance of \$77.1 million.

The College's operating revenues totaled \$12.6 million for the 2024-25 fiscal year, representing a 8.9 percent increase compared to the 2023-24 fiscal year due primarily to a growth in enrollment which increased net student tuition and fees. Operating expenses totaled \$57.2 million for the 2024-25 fiscal year, representing an increase of 5.3 percent as compared to the 2023-24 fiscal year due mainly to an increase in scholarships and waivers.

Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2025, and June 30, 2024, is shown in the following graph:



The following chart provides a graphical presentation of College revenues by category for the 2024-25 fiscal year:



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 35, the College’s financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the College and its component unit, the Lake-Sumter State College Foundation, Inc. (Foundation). Based on the application of the criteria for determining component units, the Foundation is included within the College reporting entity as a discretely presented component unit. This MD&A focuses on the College, excluding the discretely presented component unit. MD&A information for the Foundation is included in their separately issued audit report.

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets	\$ 24,449	\$ 27,211
Capital Assets, Net	72,056	68,050
Other Noncurrent Assets	<u>552</u>	<u>5,085</u>
Total Assets	<u>97,057</u>	<u>100,346</u>
Deferred Outflows of Resources	<u>6,474</u>	<u>5,090</u>
Liabilities		
Current Liabilities	4,115	4,874
Noncurrent Liabilities	<u>19,426</u>	<u>18,953</u>
Total Liabilities	<u>23,541</u>	<u>23,827</u>
Deferred Inflows of Resources	<u>2,852</u>	<u>2,302</u>
Net Position		
Net Investment in Capital Assets	71,036	66,933
Restricted	17,992	24,132
Unrestricted	<u>(11,890)</u>	<u>(11,758)</u>
Total Net Position	<u>\$ 77,138</u>	<u>\$ 79,307</u>

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

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

The following summarizes the College's activity for the 2024-25 and 2023-24 fiscal years:

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

(In Thousands)

	<u>2024-25</u>	<u>2023-24</u>
Operating Revenues	\$ 12,617	\$ 11,588
Less, Operating Expenses	<u>57,193</u>	<u>54,312</u>
Operating Loss	(44,576)	(42,724)
Net Nonoperating Revenues	<u>40,923</u>	<u>36,441</u>
Loss Before Other Revenues	(3,653)	(6,283)
Other Revenues	<u>1,484</u>	<u>18,602</u>
Net Increase (Decrease) In Net Position	<u>(2,169)</u>	<u>12,319</u>
Net Position, Beginning of Year	<u>79,307</u>	<u>66,988</u>
Net Position, End of Year	<u>\$ 77,138</u>	<u>\$ 79,307</u>

Operating Revenues

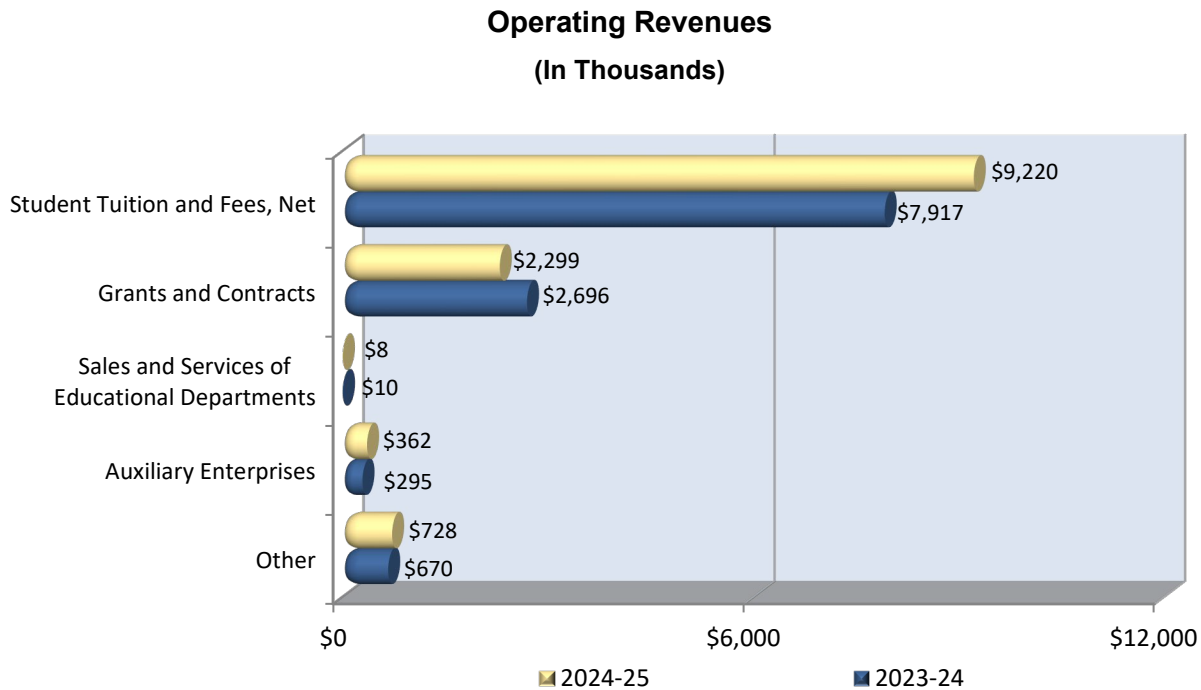
GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2024-25 and 2023-24 fiscal years:

**Operating Revenues
For the Fiscal Years
(In Thousands)**

	<u>2024-25</u>	<u>2023-24</u>
Student Tuition and Fees, Net	\$ 9,220	\$ 7,917
Grants and Contracts	2,299	2,696
Sales and Services of Educational Departments	8	10
Auxiliary Enterprises	362	295
Other	728	670
Total Operating Revenues	<u>\$ 12,617</u>	<u>\$ 11,588</u>

The following chart presents the College’s operating revenues for the 2024-25 and 2023-24 fiscal years:



Operating Expenses

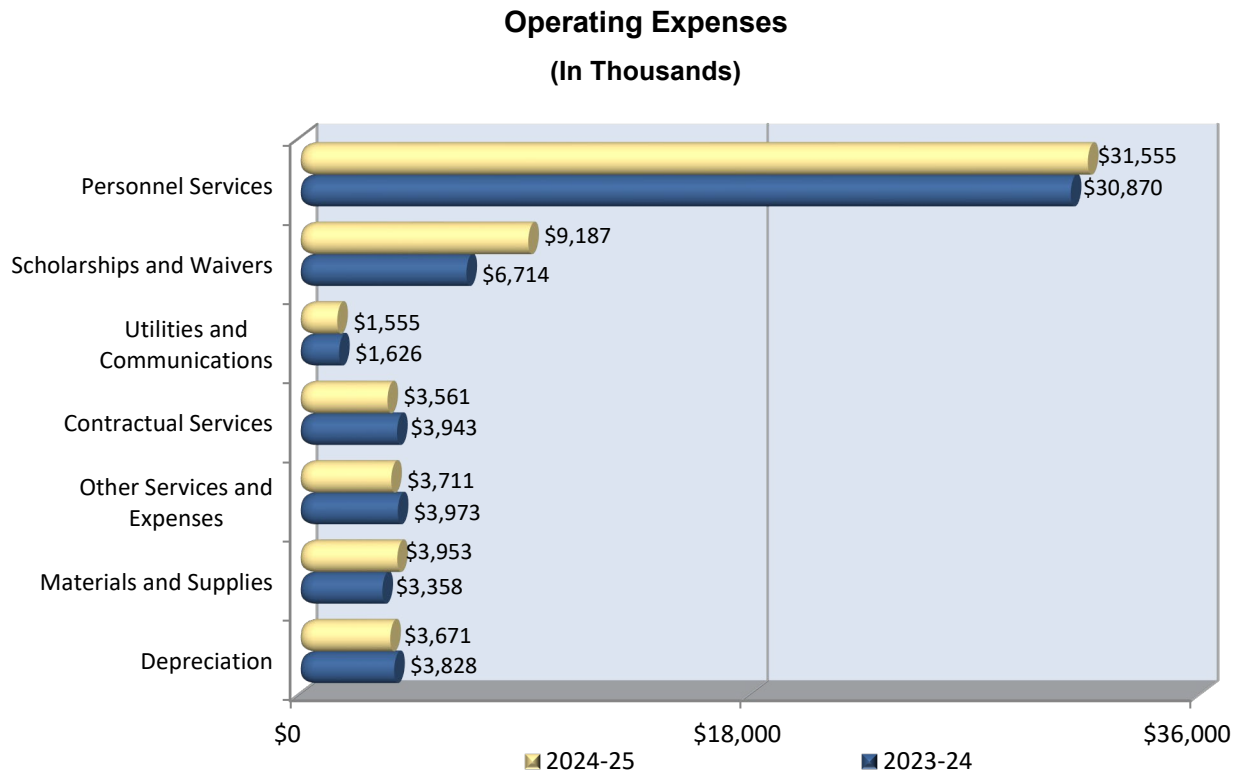
Expenses are categorized as operating or nonoperating. The majority of the College’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen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

The following summarizes operating expenses by natural classification for the 2024-25 and 2023-24 fiscal years:

**Operating Expenses
For the Fiscal Years**
(In Thousands)

	<u>2024-25</u>	<u>2023-24</u>
Personnel Services	\$ 31,555	\$ 30,870
Scholarships and Waivers	9,187	6,714
Utilities and Communications	1,555	1,626
Contractual Services	3,561	3,943
Other Services and Expenses	3,711	3,973
Materials and Supplies	3,953	3,358
Depreciation	3,671	3,828
Total Operating Expenses	<u>\$ 57,193</u>	<u>\$ 54,312</u>

The following chart presents the College’s operating expenses for the 2024-25 and 2023-24 fiscal years:



Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College’s nonoperating revenues and expenses for the 2024-25 and 2023-24 fiscal years:

**Nonoperating Revenues (Expenses)
For the Fiscal Years
(In Thousands)**

	2024-25	2023-24
State Noncapital Appropriations	\$ 26,321	\$ 25,722
Federal and State Student Financial Aid	13,093	8,133
Gifts and Grants	1,283	2,266
Investment Income	230	327
Interest on Capital Asset-Related Debt	(4)	(7)
Net Nonoperating Revenues	\$ 40,923	\$ 36,441

Nonoperating revenues and expenses for the 2024-25 fiscal year were \$40.9 million, an increase of \$4.5 million compared to the 2023-24 fiscal year. The change was primarily the result of an increase in Federal and State student financial aid attributed to the growth in student enrollment.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2024-25 and 2023-24 fiscal years:

**Other Revenues
For the Fiscal Years
(In Thousands)**

	2024-25	2023-24
State Capital Appropriations	\$ 3	\$ 17,538
Capital Grants, Contracts, Gifts, and Fees	1,481	1,064
Total	\$ 1,484	\$ 18,602

Other revenues for the 2024-25 fiscal year declined by \$17.1 million compared to the 2023-24 fiscal year. The change was primarily due to the revenue recognition of the State capital appropriations for Public Education Capital Outlay in the 2023-24 fiscal year.

The Statement of Cash Flows

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

The following summarizes the College's cash flows for the 2024-25 and 2023-24 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years
(In Thousands)

	2024-25	2023-24
Cash Provided (Used) by:		
Operating Activities	\$ (40,302)	\$ (36,139)
Noncapital Financing Activities	40,891	35,785
Capital and Related Financing Activities	(4,431)	(2,132)
Investing Activities	230	327
Net Decrease in Cash and Cash Equivalents	(3,612)	(2,159)
Cash and Cash Equivalents, Beginning of Year	8,145	10,304
Cash and Cash Equivalents, End of Year	\$ 4,533	\$ 8,145

Major sources of funds came from State noncapital appropriations (\$26.3 million), Federal and State student financial aid (\$13.3 million), as well as net student tuition and fees (\$9 million). Major uses of funds were for payments to employees and for employee benefits (\$31.7 million), and payments to suppliers (\$10.9 million).

Changes in cash and cash equivalents were the result of the following factors: Increases in personnel costs due to higher enrollment and increased cost of employee benefits.

CAPITAL ASSETS AND CAPITAL EXPENSES AND COMMITMENTS
--

Capital Assets

At June 30, 2025, the College had \$127.5 million in capital assets, less accumulated depreciation of \$55.4 million, for net capital assets of \$72.1 million. Depreciation charges for the current fiscal year totaled \$3.7 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30
(In Thousands)

	2025	2024
Land	\$ 6,515	\$ 6,515
Construction in Progress	1,585	2,397
Buildings	46,587	48,604
Other Structures and Improvements	13,790	6,694
Furniture, Machinery, and Equipment	1,816	1,700
Leashold Improvements	1,178	1,414
Assets Under Lease	585	726
Capital Assets, Net	\$ 72,056	\$ 68,050

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

Capital Expenses and Commitments

Major capital commitments through June 30, 2025, were primarily for the construction of the Workforce Development Center. The College's construction commitments at June 30, 2025, are as follows:

	Amount <u>(In Thousands)</u>
Total Committed	\$ 19,861
Completed to Date	<u>1,585</u>
Balance Committed	<u>\$ 18,276</u>

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to the appropriation of funds by the State of Florida. Due to increased demand for State resources, only a modest increase in State funding is anticipated in the 2025-26 fiscal year. The Board of Trustees did not increase the tuition rate or fees and is hopeful the State will provide funding to support the services mandated by State statute. Both Lake and Sumter Counties are continuing to experience population and economic growth and as a result, the College anticipates enrollment to continue to steadily grow. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Michelle D. Matis, Vice President for Finance and Chief Financial Officer, Lake-Sumter State College, 9501 US Hwy 441, Leesburg, Florida 34788.

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BASIC FINANCIAL STATEMENTS

LAKE-SUMTER STATE COLLEGE A Component Unit of the State of Florida Statement of Net Position

June 30, 2025

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 3,700,541	\$ 3,870,177
Restricted Cash and Cash Equivalents	648,686	-
Investments	-	22,717,686
Accounts Receivable, Net	1,984,846	43,165
Leases Receivable, Net	129,050	-
Due from Other Governmental Agencies	17,587,764	-
Due from Component Unit	285,130	-
Inventories	113,410	-
Total Current Assets	<u>24,449,427</u>	<u>26,631,028</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	183,345	-
Restricted Investments	-	7,214,487
Leases Receivable, Net	367,252	-
Depreciable Capital Assets, Net	63,955,377	13,900
Nondepreciable Capital Assets	8,100,139	-
Other Assets	2,397	1,069,741
Total Noncurrent Assets	<u>72,608,510</u>	<u>8,298,128</u>
TOTAL ASSETS	<u>97,057,937</u>	<u>34,929,156</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	34,850	-
Pensions	6,438,703	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>6,473,553</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,407,015	251,485
Salary and Payroll Taxes Payable	1,238,202	-
Retainage Payable	56,519	-
Due to Other Governmental Agencies	147,163	-
Unearned Revenue	604,165	667,584
Deposits Held for Others	184,391	-
Long-Term Liabilities - Current Portion:		
Lease Payable	168,227	-
Compensated Absences Payable	279,138	-
Other Postemployment Benefits Payable	8,771	-
Net Pension Liability	21,025	-
Total Current Liabilities	<u>4,114,616</u>	<u>919,069</u>

	<u>College</u>	<u>Component Unit</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Lease Payable	441,995	-
Compensated Absences Payable	1,715,077	-
Other Postemployment Benefits Payable	195,302	-
Net Pension Liability	17,074,065	-
Total Noncurrent Liabilities	<u>19,426,439</u>	<u>-</u>
TOTAL LIABILITIES	<u>23,541,055</u>	<u>919,069</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	427,230	-
Pensions	1,928,789	-
Leases Receivable	496,302	
Irrevocable Split-Interest Agreements	-	1,069,741
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,852,321</u>	<u>1,069,741</u>
NET POSITION		
Net Investment in Capital Assets	71,035,686	13,900
Restricted:		
Nonexpendable:		
Endowment	-	7,214,487
Expendable:		
Endowment	-	8,173,424
Grants and Loans	458,290	-
Scholarships	-	6,750,404
Capital Projects	17,533,428	3,120,086
Other	-	3,871,352
Unrestricted	(11,889,290)	3,796,693
TOTAL NET POSITION	<u>\$ 77,138,114</u>	<u>\$ 32,940,346</u>

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

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LAKE-SUMTER STATE COLLEGE
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2025

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$4,564,776	\$ 9,220,007	\$ -
State and Local Grants and Contracts	2,073,471	-
Nongovernmental Grants and Contracts	225,416	-
Sales and Services of Educational Departments	7,987	-
Auxiliary Enterprises	361,838	-
Other Operating Revenues	728,231	2,839,642
Total Operating Revenues	12,616,950	2,839,642
EXPENSES		
Operating Expenses:		
Personnel Services	31,554,525	512,143
Scholarships and Waivers	9,187,440	1,395,441
Utilities and Communications	1,555,197	-
Contractual Services	3,560,745	123,083
Other Services and Expenses	3,711,218	912,347
Materials and Supplies	3,952,856	16,911
Depreciation	3,671,194	-
Total Operating Expenses	57,193,175	2,959,925
Operating Loss	(44,576,225)	(120,283)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	26,321,493	-
Federal and State Student Financial Aid	13,093,122	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	1,283,153	-
Investment Income	230,023	534,625
Other Nonoperating Revenues	-	4,182,094
Interest on Capital Asset-Related Debt	(4,665)	-
Net Nonoperating Revenues	40,923,126	4,716,719
Income (Loss) Before Other Revenues	(3,653,099)	4,596,436
State Capital Appropriations	3,201	-
Capital Grants, Contracts, Gifts, and Fees	1,480,563	-
Additions to Endowments	-	83,000
Total Other Revenues	1,483,764	83,000
Increase (Decrease) in Net Position	(2,169,335)	4,679,436
Net Position, Beginning of Year	79,307,449	28,260,910
Net Position, End of Year	\$ 77,138,114	\$ 32,940,346

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

LAKE-SUMTER STATE COLLEGE
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2025

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 9,032,947
Grants and Contracts	2,969,779
Payments to Suppliers	(10,941,250)
Payments for Utilities and Communications	(1,555,197)
Payments to Employees	(22,879,539)
Payments for Employee Benefits	(8,785,931)
Payments for Scholarships	(9,187,440)
Auxiliary Enterprises	228,447
Sales and Services of Educational Departments	7,987
Other Receipts	807,837
	(40,302,360)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	26,321,493
Federal and State Student Financial Aid	13,329,728
Federal Direct Loan Program Receipts	2,968,457
Federal Direct Loan Program Disbursements	(3,011,350)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	1,283,153
	40,891,481
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,925,874
Capital Grants and Gifts	1,480,563
Purchases of Capital Assets	(7,674,320)
Principal Paid on Capital Debt and Leases	(158,621)
Interest Paid on Capital Debt and Leases	(4,665)
	(4,431,169)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	230,023
	230,023
Net Cash Provided by Investing Activities	230,023
Net Decrease in Cash and Cash Equivalents	(3,612,025)
Cash and Cash Equivalents, Beginning of Year	8,144,597
	\$ 4,532,572
Cash and Cash Equivalents, End of Year	\$ 4,532,572

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (44,576,225)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,671,194
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(226,415)
Due From Other Governmental Agencies	614,930
Due From Component Unit	163,992
Prepaid Expenses	830,086
Accounts Payable	(761,418)
Salaries and Payroll Taxes Payable	(144,760)
Due to Other Governmental Agencies	13,451
Unearned Revenue	116,605
Deposits Held for Others	66,156
Compensated Absences Payable	(65,702)
Other Postemployment Benefits Payable	17,421
Net Pension Liability	677,860
Deferred Outflows of Resources Related to Other Postemployment Benefits	(6,103)
Deferred Inflows of Resources Related to Other Postemployment Benefits	(59,470)
Deferred Outflows of Resources Related to Pensions	(1,376,972)
Deferred Inflows of Resources Related to Pensions	743,010
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (40,302,360)</u>

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from Dr. Laura Byrd, Senior Vice President for Institutional Advancement, Lake-Sumter State College, 9501 US Hwy 441, Leesburg, Florida 34788. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2024.

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only

business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

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

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

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, gifts and grants, and investment income. Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by

the student or the third party making payment on behalf of the student. The College calculated its scholarship allowance by identifying amounts within its student accounts receivable system paid by student aid for tuition. The College records those amounts as a scholarship allowance against tuition and fee revenue.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consist of cash on hand, cash in demand accounts, and cash with the State Treasury Special Purpose Investment Account (SPIA) and the Florida Cooperative Liquid Assets Securities System (FLCLASS) investment pools. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less, that are not held solely for income or profit, to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury SPIA and the FLCLASS investment pools to be cash equivalents.

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

At June 30, 2025, the College reported as cash equivalents at fair value \$2,213,414 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 4.). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 3.33 years and fair value factor of 1.003 at June 30, 2025. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balance. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Annual Comprehensive Financial Report.

At June 30, 2025, the College reported as cash equivalents \$425,554 in the FLCLASS investment pool. The FLCLASS Investment Pool was created via an interlocal agreement by and among state public agencies as described in Section 163.01, Florida Statutes. FLCLASS provides Florida governmental entities with a convenient method for investing high-quality, short to medium-term securities carefully

selected to optimize interest earnings while maximizing safety and liquidity. FLCLASS strives to minimize risk by managing portfolios in a manner that emphasizes the preservation of principal and only invests in securities that are permitted pursuant to the laws of the State of Florida, Florida's Investment of Local Government Surplus Funds Act, Chapter 218.415, Florida Statutes, and the FLCLASS Investment Policies.

The FLCLASS Investment Pool is permitted to invest in the following: Obligations of the United States Government and its Agencies and Instrumentalities, Floating-Rate and Variable-Rate Obligations, Repurchase Agreements, Corporate Notes and Bonds, Obligations of Banks, Asset-Back Securities, Insurance Contracts, Collateralized Certificates of Deposit, Foreign Securities, Mortgage-Backed Securities, Securities Issued by Other Money Market Funds, and Section 218.415(16) Florida Statutes investments. Most of the investments are in Commercial Paper, Asset-Baked Commercial Paper, Repurchase Agreements, Collateralized Bank Deposits, Treasury Bills, Money Market Funds, and Certificates of Deposit. The FLCLASS received a credit rating of AAAM by Standard & Poor's Global Ratings, offering same-day liquidity, a \$1 Stable NAV and WAM of equal to or less than 60 days. Withdrawal from FLCLASS requests will be honored on a same day basis. Although the FLCLASS has no limitations on participant withdrawals and each participant has the ability to withdraw 100 percent of its account balance on any business day, the FLCLASS Administrator (with consent of the investment pool's board) reserves the right to suspend or postpone a participant's right to withdrawals during a period of crisis in the United States financial markets. The investments in the FLCLASS Investment Pool (consisting primarily of Level 2 inputs, as discussed in Note 4.) are reposted at fair value rather than amortized cost.

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

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

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

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

2. Change in Accounting Principle

The College implemented GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences and requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means.

3. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (13,547,978)
Auxiliary Funds	<u>1,658,688</u>
Total	<u>\$ (11,889,290)</u>

4. Investments

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

commercial paper, and various other types of investments. The College did not report any investments at June 30, 2025.

Component Unit Investments - Foundation.

As of December 31, 2024, the Foundation had the following investments and maturities:

Investment Type	Fair Value	Maturity In Years		
		1 - 5	6 - 10	More than 10
Investment in Debt Obligations:				
United States Government Obligations	\$ 1,148,961	\$ 1,148,961	\$ -	\$ -
Mortgage-backed Securities	3,758	3,758	-	-
Corporate Bonds	9,331,095	6,612,038	2,719,057	-
Total Investments in Debt Obligations	\$ 10,483,814	\$ 7,764,757	\$ 2,719,057	\$ -
Other Investments:				
Mutal Funds - Fixed Income	417,326			
Equities	19,031,033			
Total Component Unit Investments	\$ 29,932,173			

The Foundation categorizes the fair measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments held by the Foundation at December 31, 2024, are reported as follows:

Investments	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities:				
Government Obligations	\$ 1,148,961	\$ 1,148,961	\$ -	\$ -
Corporate Bonds	9,331,095	-	9,331,095	-
Mortgage-backed Securities	3,758	-	3,758	-
Total Debt Securities	10,483,814	1,148,961	9,334,853	-
Equity Securities:				
Equities	19,031,033	19,031,033	-	-
Mutual Funds- Fixed Income	417,326	417,326	-	-
Total Equity Securities	19,448,359	19,448,359	-	-
Total Investments	\$ 29,932,173	\$ 20,597,320	\$ 9,334,853	\$ -

The Foundation mitigates risk by utilizing investment managers to build up a portfolio within prudent risk ranges.

The following risks apply to the Foundation's investment debt securities:

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's investment policy does not limit investment maturities except with respect to cash equivalents, which must have a maximum average maturity of less than 1 year. The Foundation manages its exposure to fair value losses from increasing interest rates through the segmented time distribution method.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's investment policy limits its fixed income investments to an overall weighted average credit rating of "A" or better by Moody's or better by Standard & Poor's. No more than 15 percent of the fixed income portion of the portfolio shall be rated below investment grade (below Baa/BBB). All commercial paper investments must have a minimum rating of A1/P1 by Standard & Poor's and Moody's, respectively. Obligations of the United States Government and obligations explicitly guaranteed by the United States Government are not considered to have credit risk. At December 31, 2024, the Foundation's investments in bonds and notes had credit quality ratings by nationally-recognized rating agencies ranging from Baa1 to Aaa by Moody's and from BBB- to AAA by Standard & Poor's.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of failure of a counterparty to a transaction, the Foundation will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Lending of the Foundation's portfolio of securities is expressly prohibited by the Foundation's investment policy. While the brokerage and trust accounts are in the name of the Foundation, the securities are actually held in the trust department or agent's name.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investment in a single issuer. The Foundation's investment policy limits investments in any one company to no more than 7 percent of the equity portion of its portfolio and no more than 10 percent of the fixed income portion of its portfolio, and the equity portion of the portfolio must maintain a minimum of 20 positions, with no position of any one issuer exceeding 8 percent of the manager's total portfolio. Securities issued by the United States Government or its agencies are not subject to these limitations. The policy also provides that no more than five percent of the portfolio may be invested in commercial paper of any one issuer, and no more than \$3,000,000 in bank certificates of deposit of any single issuer, unless the investments are fully collateralized by U.S. Treasury or agency securities. The policy further limits investments in any one economic sector to no more than 10 percent of the equity portion of the portfolio may be in American Depository Receipts, and no more than 60 percent of the fixed income portion of the portfolio may be invested in either corporate or mortgage-backed securities.

5. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a \$211,044 allowance for doubtful accounts.

6. Leases Receivable

Leases receivable represent contracted arrangements for the use of the College's assets including facility rentals. The terms of the lease arrangements are determined by evaluating the non-cancelable term length, the optional term length, and assessing the likelihood with reasonable certainty the option to extend the term or terminate the agreement may occur. The term lengths are from 1 to 10 years. Lease revenues and interest revenues totaling \$752,306 and \$47,514, respectively, were received during the 2024-25 fiscal year.

7. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$17,312,023 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

8. Due From Component Unit

The amount due from component unit totaling \$285,130 consists of amounts owed to the College by the Lake-Sumter State College Foundation, Inc. (Foundation) for scholarships and student aid pursuant to an agreement to support the College's operations. The College's financial statements are reported for the fiscal year ended June 30, 2025. The College's component unit financial statements are reported for the fiscal year ended December 31, 2024. Accordingly, amounts reported by the College as due from component unit on the statement of net position do not agree with amounts reported by the component unit as due to the College.

9. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2025, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 6,514,755	\$ -	\$ -	\$ 6,514,755
Construction in Progress	2,397,695	7,019,097	7,831,408	1,585,384
Total Nondepreciable Capital Assets	\$ 8,912,450	\$ 7,019,097	\$ 7,831,408	\$ 8,100,139
Depreciable Capital Assets:				
Buildings	\$ 87,694,652	\$ -	\$ -	\$ 87,694,652
Other Structures and Improvements	13,518,725	7,894,173	-	21,412,898
Furniture, Machinery, and Equipment	7,116,652	595,259	18,689	7,693,222
Leasehold Improvements	1,649,173	-	-	1,649,173
Assets Under Lease	908,087	-	-	908,087
Total Depreciable Capital Assets	110,887,289	8,489,432	18,689	119,358,032
Less, Accumulated Depreciation:				
Buildings	39,090,993	2,016,359	-	41,107,352
Other Structures and Improvements	6,824,744	798,692	-	7,623,436
Furniture, Machinery, and Equipment	5,417,046	479,255	18,689	5,877,612
Leasehold Improvements	235,596	235,596	-	471,192
Assets Under Lease	181,771	141,292	-	323,063
Total Accumulated Depreciation	51,750,150	3,671,194	18,689	55,402,655
Total Depreciable Capital Assets, Net	\$ 59,137,139	\$ 4,818,238	\$ -	\$ 63,955,377

10. Unearned Revenue

Unearned revenue at June 30, 2025, totaling \$604,165 includes funds received in advance from the Open Door grant, the Workforce Development Capitalization Incentive Program grant, and the America Rescue Plan Act for the Construction Management Associate in Science degree program.

11. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2025, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Lease Payable	\$ 768,843	\$ -	\$ 158,621	\$ 610,222	\$ 168,227
Compensated Absences Payable	2,059,917	279,138	344,840	1,994,215	279,138
Other Postemployment Benefits Payable	186,652	26,192	8,771	204,073	8,771
Net Pension Liability	16,417,230	7,574,660	6,896,800	17,095,090	21,025
Total Long-Term Liabilities	<u>\$ 19,432,642</u>	<u>\$ 7,879,990</u>	<u>\$ 7,409,032</u>	<u>\$ 19,903,600</u>	<u>\$ 477,161</u>

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. Compensated absences are estimated and accrued as liabilities to the extent that it is more likely than not that the leave will be used for time off or otherwise paid in cash or settled through noncash means. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2025, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$1,994,215. The current portion of the compensated absences liability, \$279,138, is the amount expected to be paid in the coming fiscal year and represents historical percentage of leave used applied to total accrued leave liability.

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

General Information about the OPEB Plan

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the Florida College System Risk Management Consortium that provides OPEB for all employees who satisfy the College's retirement eligibility provisions. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's health and hospitalization plan for medical, prescription drug, dental, vision, and life insurance coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to

the OPEB Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. The OPEB Plan contribution requirements and benefit terms of the College and the OPEB Plan members are established and may be amended by action from the Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Employees Covered by Benefit Terms. At June 30, 2023, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	4
Inactive Employees Entitled to But Not Yet Receiving Benefits	5
Active Employees	240
Total	<u>249</u>

Total OPEB Liability

The College's total OPEB liability of \$204,073, was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40 percent
Salary increases	
Regular Employees	3.65 percent to 6.35 percent
Senior Management Employees	4.20 percent to 9.30 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.65 percent
Measurement Date	3.93 percent
Healthcare cost trend rates	
Pre-Medicare	7.00 percent for 2023, decreasing to an ultimate rate of 4.40 percent by 2034
Medicare	5.125 percent for 2023 decreasing to an ultimate rate of 4.40 percent by 2027

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

Mortality rates were based on the PUB-2010 mortality tables, with adjustments for FRS experience and generational mortality improvements using Scale MP-2021.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2023, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2023, valuation were based on a review of recent plan experience done concurrently with the June 30, 2023, valuation.

Changes in the Total OPEB Liability

	Amount
Balance at 6/30/24	<u>\$ 186,652</u>
Changes for the year:	
Service Cost	8,232
Interest	6,955
Changes in Assumptions or Other Inputs	11,005
Benefit Payments	<u>(8,771)</u>
Net Changes	<u>17,421</u>
Balance at 6/30/25	<u><u>\$ 204,073</u></u>

Changes of assumptions and other inputs since prior measurement date:

- Change in mortality, retirement, disability, termination rates
- Change in DROP entry assumptions
- Change in salary increases
- Change in discount rate

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the College, as well as what the College’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93 percent) or 1 percentage point higher (4.93 percent) than the current rate:

	<u>1% Decrease (2.93%)</u>	<u>Current Discount Rate (3.93%)</u>	<u>1% Increase (4.93%)</u>
Total OPEB liability	\$227,612	\$204,073	\$183,940

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

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$175,295	\$204,073	\$239,819

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

For the fiscal year ended June 30, 2025, the College recognized negative OPEB expense of \$39,381. At June 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 154,675
Change of assumptions or other inputs	26,079	272,555
Transactions subsequent to the measurement date	8,771	-
Total	\$ 34,850	\$ 427,230

Of the total amount reported as deferred outflows of resources related to OPEB, \$8,771 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2026	\$ (54,568)
2027	(53,462)
2028	(50,256)
2029	(48,265)
2030	(30,112)
Thereafter	(164,488)
Total	\$ (401,151)

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the College recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2025, the College's proportionate share of the net pension liabilities totaled \$17,095,090. Note 12. includes a complete discussion of defined benefit pension plans.

12. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the

Senior Management Service Class employed by the State and faculty and specified employees of State colleges. Chapter 112, Florida Statutes, established the HIS Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

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

The College's FRS and HIS pension expense totaled \$2,125,458 for the fiscal year ended June 30, 2025.

FRS Pension Plan

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

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

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

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 96 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2024-25 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	13.63
FRS, Senior Management Service	3.00	34.52
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	21.13
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 2 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The College's contributions to the Plan totaled \$1,811,964 for the fiscal year ended June 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, the College reported a liability of \$11,054,455 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The College's proportionate share of the net pension liability was based on the College's 2023-24 fiscal year contributions relative to the total 2023-24 fiscal year contributions of all participating members. At June 30, 2024, the College's proportionate share was 0.028575779 percent, which was an increase of 0.001539833 from its proportionate share measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the College recognized pension expense of \$1,792,970. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,116,797	\$ -
Change of assumptions	1,515,114	-
Net difference between projected and actual earnings on FRS Plan investments	-	734,737
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	671,114	287,799
College FRS contributions subsequent to the measurement date	1,811,964	-
Total	<u>\$ 5,114,989</u>	<u>\$ 1,022,536</u>

The deferred outflows of resources totaling \$1,811,964, resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2026	\$ 229,774
2027	1,706,222
2028	(24,391)
2029	274,220
2030	105,581
Thereafter	(10,917)
Total	<u>\$ 2,280,489</u>

Actuarial Assumptions. The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.50 percent, average, including inflation
Investment rate of return	6.70 percent, net of pension plan investment expense, including inflation

Salary increases were changed from 3.25 percent in the previous valuation to 3.50 percent in the current valuation.

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2021. This is a change from the previous valuation in which the mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2023.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.3%	3.3%	1.1%
Fixed Income	29.0%	5.7%	5.6%	3.9%
Global Equity	45.0%	8.6%	7.0%	18.2%
Real Estate (Property)	12.0%	8.1%	6.8%	16.6%
Private Equity	11.0%	12.4%	8.8%	28.4%
Strategic Investments	2.0%	6.6%	6.2%	8.7%
Total	<u>100.0%</u>			
Assumed inflation - Mean			2.4%	1.5%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.70 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2024 valuation was unchanged from the previous valuation.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.70 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.70 percent) or 1 percentage point higher (7.70 percent) than the current rate:

	<u>1% Decrease (5.70%)</u>	<u>Current Discount Rate (6.70%)</u>	<u>1% Increase (7.70%)</u>
College's proportionate share of the net pension liability	\$19,444,400	\$11,054,455	\$4,026,097

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2025, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2025, the contribution rate was 2 percent of payroll pursuant to Section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled \$363,315 for the fiscal year ended June 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, the College reported a net pension liability of \$6,040,635 for its proportionate share of the net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within 1 year, net of the College's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The College's proportionate share of the net pension liability was based on the College's 2023-24 fiscal year contributions relative to the total 2023-24 fiscal year contributions of all participating members. At

June 30, 2024, the College's proportionate share was 0.040268275 percent, which was an increase of 0.004728053 from its proportionate share measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the College recognized pension expense of \$332,488. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 58,326	\$ 11,599
Change of assumptions	106,906	715,132
Net difference between projected and actual earnings on HIS Plan investments	-	2,185
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	795,167	177,337
College contributions subsequent to the measurement date	363,315	-
Total	\$ 1,323,714	\$ 906,253

The deferred outflows of resources totaling \$363,315, resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2026	\$ 570,282
2027	(33,882)
2028	(283,403)
2029	(60,442)
2030	(98,453)
Thereafter	(39,956)
Total	\$ 54,146

Actuarial Assumptions. The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.50 percent, average, including inflation
Municipal bond rate	3.93 percent

Salary increases were changed from 3.25 percent in the previous valuation to 3.50 percent in the current valuation.

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2021. This is a change from the previous valuation in which the mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.93 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 3.65 percent to 3.93 percent.

Sensitivity of the College’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College’s proportionate share of the net pension liability calculated using the discount rate of 3.93 percent, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93 percent) or 1 percentage point higher (4.93 percent) than the current rate:

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
College’s proportionate share of the net pension liability	\$6,876,486	\$6,040,635	\$5,346,743

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

13. Retirement Plans – Defined Contribution Pension Plans

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

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

(Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2024-25 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	11.30
FRS, Senior Management Service	12.67

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2025, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

After termination and applying to receive benefits, the member may roll over vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The College's Investment Plan pension expense totaled \$549,722 for the fiscal year ended June 30, 2025.

State College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible college instructors and administrators. The Program is designed to aid colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes 5.15 percent of the participant's salary to the participant's account and 4.84 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 9.99 percent, and employees

contribute 3 percent of the employee’s salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant’s annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The College’s contributions to the Program totaled \$58,703 and employee contributions totaled \$34,196 for the 2024-25 fiscal year.

14. Construction Commitments

The College’s construction commitments at June 30, 2025, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Workforce Development Center	\$ 17,500,000	\$ 480,229	\$ 17,019,771
Other Projects (1)	2,361,541	1,105,155	1,256,386
Total	<u>\$ 19,861,541</u>	<u>\$ 1,585,384</u>	<u>\$ 18,276,157</u>

(1) Individual projects with a current balance committed of less than \$1 million at June 30, 2025.

15. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to \$100 million to February 28, 2025, and up to \$125 million from March 1, 2025, for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers’ compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

Beginning in January 2025, College employees may participate in the State group health insurance plan. The State’s risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State’s group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

16. Litigation

The College is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the College's legal counsel and management, should not materially affect the College's financial position.

17. Functional Distribution of Operating Expenses

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 13,348,946
Public Services	3,648
Academic Support	4,682,291
Student Services	7,799,933
Institutional Support	11,454,233
Operation and Maintenance of Plant	6,759,935
Scholarships and Waivers	9,187,440
Depreciation	3,671,194
Auxiliary Enterprises	<u>285,555</u>
Total Operating Expenses	<u><u>\$ 57,193,175</u></u>

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total OPEB Liability					
Service cost	\$ 8,232	\$ 22,395	\$ 28,180	\$ 34,340	\$ 26,956
Interest	6,955	13,628	9,329	12,709	17,101
Difference between expected and actual experience	-	(66,267)	-	(128,929)	-
Changes of assumptions or other inputs	11,005	(136,653)	(64,456)	(48,762)	44,715
Benefit Payments	(8,771)	(17,902)	(10,617)	(2,120)	(17,160)
Net change in total OPEB liability	17,421	(184,799)	(37,564)	(132,762)	71,612
Total OPEB Liability - beginning	186,652	371,451	409,015	541,777	470,165
Total OPEB Liability - ending	<u>\$ 204,073</u>	<u>\$ 186,652</u>	<u>\$ 371,451</u>	<u>\$ 409,015</u>	<u>\$ 541,777</u>
Covered-Employee Payroll	\$ 13,898,966	\$ 13,898,966	\$ 11,454,409	\$ 11,454,409	\$ 11,663,213
Total OPEB Liability as a percentage of covered-employee payroll	1.47%	1.34%	3.24%	3.57%	4.65%
	<u>2019</u>	<u>2018</u>	<u>2017</u>		
Total OPEB Liability					
Service cost	\$ 42,507	\$ 43,404	\$ 46,260		
Interest	23,814	22,068	19,265		
Difference between expected and actual experience	(28,197)	-	-		
Changes of assumptions or other inputs	(158,337)	(19,849)	(35,904)		
Benefit Payments	(49,469)	(50,872)	(48,731)		
Net change in total OPEB liability	(169,682)	(5,249)	(19,110)		
Total OPEB Liability - beginning	639,847	645,096	664,206		
Total OPEB Liability - ending	<u>\$ 470,165</u>	<u>\$ 639,847</u>	<u>\$ 645,096</u>		
Covered-Employee Payroll	\$ 11,663,213	\$ 11,424,377	\$ 11,424,377		
Total OPEB Liability as a percentage of covered-employee payroll	4.03%	5.60%	5.65%		

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

	<u>2024 (1)</u>	<u>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>
College's proportion of the FRS net pension liability	0.028575779%	0.027035946%	0.027711160%	0.028973549%
College's proportionate share of the FRS net pension liability	\$ 11,054,455	\$ 10,772,969	\$ 10,310,778	\$ 2,188,622
College's covered payroll (2)	\$ 18,424,506	\$ 15,315,539	\$ 13,869,558	\$ 14,161,177
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	60.00%	70.34%	74.34%	15.46%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	83.70%	82.38%	82.89%	96.40%

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Covered payroll includes defined benefit plan actives, investment plan members, State college system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of College Contributions – Florida Retirement System Pension Plan

	<u>2025 (1)</u>	<u>2024 (1)</u>	<u>2023 (1)</u>	<u>2022 (1)</u>
Contractually required FRS contribution	\$ 1,811,964	\$ 1,709,058	\$ 1,495,957	\$ 1,210,525
FRS contributions in relation to the contractually required contribution	<u>(1,811,964)</u>	<u>(1,709,058)</u>	<u>(1,495,957)</u>	<u>(1,210,525)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 19,268,774	\$ 18,424,506	\$ 15,315,539	\$ 13,869,558
FRS contributions as a percentage of covered payroll	9.40%	9.28%	9.77%	8.73%

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Covered payroll includes defined benefit plan actives, investment plan members, State college system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
0.026099410%	0.025961409%	0.026828381%	0.027943189%	0.027285022%	0.028816871%
\$ 11,312,112	\$ 8,940,748	\$ 8,080,847	\$ 8,265,408	\$ 6,889,489	\$ 3,722,085
\$ 13,562,069	\$ 13,470,141	\$ 13,769,760	\$ 13,683,155	\$ 13,894,753	\$ 12,865,517
83.41%	66.37%	58.69%	60.41%	49.58%	28.93%
78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
\$ 238,759	\$ 876,718	\$ 801,063	\$ 842,550	\$ 875,574	\$ 617,033
<u>(238,759)</u>	<u>(876,718)</u>	<u>(801,063)</u>	<u>(842,550)</u>	<u>(875,574)</u>	<u>(617,033)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 14,161,177	\$ 13,562,069	\$ 13,470,141	\$ 13,769,760	\$ 13,683,155	\$ 13,894,753
1.69%	6.46%	5.95%	6.12%	6.40%	4.44%

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

	<u>2024 (1)</u>	<u>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>
College's proportion of the HIS net pension liability	0.040268275%	0.035540222%	0.034519513%	0.036486688%
College's proportionate share of the HIS net pension liability	\$ 6,040,635	\$ 5,644,261	\$ 3,656,168	\$ 4,475,641
College's covered payroll (2)	\$ 17,186,322	\$ 14,167,044	\$ 12,568,352	\$ 12,923,462
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.15%	39.84%	29.09%	34.63%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	4.80%	4.12%	4.81%	3.56%

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

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

Schedule of College Contributions – Health Insurance Subsidy Pension Plan

	<u>2025 (1)</u>	<u>2024 (1)</u>	<u>2023 (1)</u>	<u>2022 (1)</u>
Contractually required HIS contribution	\$ 363,315	\$ 343,726	\$ 235,173	\$ 208,635
HIS contributions in relation to the contractually required HIS contribution	<u>(363,315)</u>	<u>(343,726)</u>	<u>(235,173)</u>	<u>(208,635)</u>
HIS contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
College's covered payroll (2)	\$ 18,165,743	\$ 17,186,322	\$ 14,167,044	\$ 12,568,352
HIS contributions as a percentage of covered payroll	2.00%	2.00%	1.66%	1.66%

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

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
0.035178608%	0.036276834%	0.037511131%	0.037911615%	0.039627564%	0.036911297%
\$ 4,295,251	\$ 4,059,015	\$ 3,970,220	\$ 4,053,685	\$ 4,618,428	\$ 3,764,372
\$ 12,225,592	\$ 12,136,584	\$ 12,354,694	\$ 12,157,788	\$ 12,237,683	\$ 11,215,377
35.13%	33.44%	32.14%	33.34%	37.74%	33.56%
3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
\$ 44,967	\$ 334,921	\$ 142,430	\$ 228,340	\$ 195,414	\$ 193,414
(44,967)	(334,921)	(142,430)	(228,340)	(195,414)	(193,414)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 12,923,462	\$ 12,225,592	\$ 12,136,584	\$ 12,354,694	\$ 12,157,788	\$ 12,237,683
0.35%	2.74%	1.17%	1.85%	1.61%	1.58%

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

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

Changes of Assumptions. Since the prior measurement date, changes included the following:

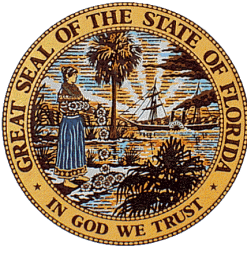
- The discount rate increased from 3.65 percent to 3.93 percent due to a change in the municipal Bond Index Rate.
- Changes occurred in retirement rates, termination rates, disability rates, mortality rates, DROP entry assumptions, and salary increases.

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

Changes of Assumptions. In 2024, salary increases including inflation increased from 3.25 percent to 3.5 percent and the mortality assumptions were updated.

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

Changes of Assumptions. In 2024, the municipal rate used to determine total pension liability increased from 3.65 percent to 3.93 percent and the demographic and coverage election assumptions were updated.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Lake-Sumter State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 4, 2025, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a

combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

We identified a certain additional matter which is described as Finding AM 2025-01 on pages 51 through 54.

College's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the finding identified in our audit and included as College Response on pages 54 and 55 in Finding AM 2025-001. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
December 4, 2025

FINDING AND RECOMMENDATION

ADDITIONAL MATTER

CREDIT CARDS

Finding Number	2025-001
Opinion Unit	Lake Sumter State College
Financial Statements	Not Applicable
Account Title	
Adjustment Amounts	Not Applicable
Statistically Valid Sample	Not Applicable
Prior Year Finding	No

Finding College controls over credit card charges were deficient. As a result, an employee was able to incur unauthorized College credit card charges totaling \$64,000 without timely detection.

Criteria Section 1010.01(5), Florida Statutes, requires each college to establish and maintain internal controls designed to, among other things, prevent and detect fraud, waste, and abuse. Effective controls over administration of credit card programs promote accountability and support economical and efficient operations. To promote and support such operations, controls should ensure that the responsibilities for obtaining new credit cards, increasing credit card charge limits, incurring credit card charges, recording the charges into the accounting system, and monitoring the propriety of those charges are effectively separated.

College Administrative Procedures 6-09, *Requisition/Purchase Procedures* and 6-27, *Assignment of Credit Cards for Business Use*, established the College Credit Card Program and allows goods and services to be procured with College credit cards without using the traditional purchasing process. The College *Credit Card Procurement Manual (Manual)* establishes cardholder responsibilities, limits College credit card use to official business, and provides that employees found guilty of fraudulent use will be subject to dismissal and may be subject to legal action. Additionally, the *Manual* requires:

- Cardholders to verify that vendor receipts supporting their credit card charges agree with bank credit card billing statements and to enter credit card charges into the College credit card system, which generates credit card expense reports. Cardholders must then submit a copy of their credit card billing statement, receipts, and credit card expense report into the College credit card system. College administration indicated that cardholder supervisors did not receive information about their subordinates' credit card charges directly from the bank but are prompted to review charges for approval when expense reports are submitted into the credit card system or when prompted by the Purchasing Department.
- The Purchasing Department, consisting of only the Director of Procurement, to routinely conduct reviews of monthly cardholder receipts and bank credit card billing statements received directly from the bank, reconcile cardholder expense reports to the monthly bank credit card billing statements, and record all credit card transactions into the accounting system. According to College management, the Purchasing Department is responsible for sending notices to cardholders and cardholder supervisors when the Purchasing Department determines cardholders did not promptly submit their credit card expense reports into the College credit card system.

- Controller Office staff to conduct periodic audits of credit card transactions. The audits include, for example, monitoring card use and charges for appropriateness, compliance with College regulations and *Manual* requirements, and sales and use tax charges.

Condition

According to College records for the 2024-25 fiscal year, 49 employees had College credit cards and incurred credit card expenses totaling \$693,143, representing 5 percent of the College's service, supplies, utilities, and communications expenses. Our discussions with College personnel and examination of College records disclosed several deficiencies in the controls over College credit card use. Specifically:

- Without submittal of monthly expense reports into the credit card system or a notice from the Purchasing Department, cardholder supervisors were not notified of record that charges were made and needed their review and approval.
- According to College management, the Chief Financial Officer (CFO) assigned the three credit card administrators with responsibilities to obtain new cards from the bank based on College departmental requests and to notify the bank about changes in credit card charge limits. However, the *Manual* did not:
 - Specify credit card administrator responsibilities or the basis for the number of credit card administrator assignments.
 - Effectively address the separation of responsibilities for obtaining new credit cards, increasing credit card charge limits, incurring credit card charges, recording the charges in the College accounting system, and monitoring the propriety of the charges.
 - Require credit card charges to be promptly recorded into the College accounting system.
 - Require the CFO or other College supervisory personnel to document verification that credit card billing statements were promptly and properly reconciled to College credit card receipts and the College accounting records.
- In September 2024, the Director of Procurement, who had a College credit card, was assigned credit card administrator responsibilities. With these new responsibilities and his existing Purchasing Department duties, the Director of Procurement/Credit Card Administrator (Director/Administrator) was assigned incompatible duties that allowed him to, for example, increase his credit card charge limit and incur unauthorized credit card charges without timely detection.
- Our examination of College records supporting five selected journal entries for credit card purchases totaling \$365,936 during the period August 2024 through March 2025 disclosed that the Director/Administrator did not record four entries totaling \$310,589 into the College accounting system until 76 to 101 days after the credit card transaction dates. College records demonstrated that credit card charges incurred by College personnel other than the Director/Administrator were independently approved and that credit card billing statements were received directly from the bank and reconciled to related support.
- Neither the CFO nor other College personnel documented verification that credit card billing statements received directly from the bank were promptly and properly reconciled to the College accounting records.

- Contrary to the *Manual*, the Controller Office did not conduct any audits of College credit card transactions during July 2024 through July 2025.

Cause

College policies and procedures were not always followed and did not always provide effective controls over the accountability for and use of College credit cards.

Effect

Deficiencies in controls over College credit card charges increase the risk for credit card errors and fraud to occur without prompt detection. According to College records:

- The Director/Administrator passed away in July 2025 and another College employee was assigned his responsibilities. As a result of the reassignment of responsibilities, the College discovered that the Director/Administrator had incurred unauthorized credit card charges, which had previously gone undetected, and subsequently initiated an investigation. The College determined through investigation that, during the period November 2024 to July 2025, the Director/Administrator:
 - Increased his credit card purchasing limit from \$5,000 to \$14,500 without CFO approval.
 - Incurred unauthorized College credit card charges totaling \$64,000 without supervisory approval including, for example, charges totaling \$35,900 to online shopping vendors and \$25,300 for personal finance payments.
 - Forged bank credit card billing statements to misrepresent the charges and did not enter his expense reports into the College credit card system.
 - Did not promptly record credit card charges into the College accounting system.
 - Incurred additional credit card charges totaling \$11,000 for College purposes without independent approval or entering expense reports into the College credit card system.
- The investigation results were reported to the Lake County Sheriff's Office and, in August 2025, the Sheriff's Office determined that the billing statements were consistent with the College investigation, acknowledged that the suspect was deceased, and closed the case.
- As of October 2025, College personnel were working to prepare an insurance claim to recover the alleged \$64,000 fraudulent amount.

Recommendation

The College should enhance controls over the accountability for and use of College credit cards. Such enhancements should include:

- Establishment of a mechanism to promptly notify cardholder supervisors when their subordinates incur credit card charges and maintenance of records demonstrating review and approval of all charges and related support.
- Revisions to the *Manual* to:
 - Define credit card administrator duties and provide the basis for the number of credit card administrator assignments.
 - Ensure that the responsibilities for obtaining new credit cards, increasing credit card charge limits, incurring credit card charges, recording the charges in the College accounting system, and monitoring the propriety of the charges are effectively separated.

- Require credit card charges to be promptly recorded into the College accounting system.
- Require the CFO or other College supervisory personnel to document verification that credit card billing statements are promptly and properly reconciled to the College accounting records.

In addition, Controller Office staff should regularly conduct and document College credit card transaction audits as required by the *Manual*. The College should also continue efforts to recover through the College insurance carrier amounts lost due to fraud.

College Response

Lake-Sumter State College is in receipt of the preliminary and tentative finding and recommendations from the recently completed financial audit. We have reviewed the initial report and submit the following response.

Finding 2025-001: College controls over credit card charges were deficient.

The College agrees with the finding and has implemented changes to improve controls. The Credit Card Procurement Manual (Manual) has been updated to clarify the credit card administrator responsibilities, define which staff are administrators, and a breakdown of their specific responsibilities. Card administrator responsibilities are spread out so that no one administrator can circumvent processes. Card administrators are: CFO, Controller, Director of Purchasing, and the Accounts Payable Manager.

- The Director of Purchasing is still a credit card administrator but no longer oversees the credit card expense report reconciliation process. That is now managed by the Accounts Payable Manager. The Director of Purchasing can authorize new users and temporary increases to credit limits only after prior approval from the CFO has been obtained. Additionally, the Director of Purchasing is responsible for deactivating or placing holds on cards in cases of employee separation, reported loss or stolen cards, or non-compliance. Annually, the Director of Purchasing will review the total list of issued cardholders and associated activity and recommends to CFO to deactivate cards with little to no activity.

The Director of Purchasing has oversight of employee credit card training and is responsible for reviewing the manual and training materials periodically to ensure they are still aligned with the State Purchasing Guidelines and College policies. A Canvas course for Credit card training will be required for all cardholders on an annual basis and no longer just biennially.

- The Accounts Payable Manager monitors the credit card expense report submissions in Workflow and prepares a reconciled schedule for the accounting journal entry. Each report received in Workflow will be reconciled to the statement activity. The Accounts Payable Manager will verify that each report includes complete supporting documentation, that expense details match the statement activity, and that the expense account code used on each line item is accurate. The Accounts Payable Manager follows up with card holders for late or missing reports. First notice is a reminder to the cardholder, second notice includes the manager, and third notice includes the appropriate VP and the CFO. Specific deadlines for submitting reports are outlined in the Manual. The Accounts Payable Manager does not have a credit card.
- The CFO will review the reconciled schedule for the accounting journal entry and credit card expense report submissions with a comparison to the corporate account statement. The CFO downloads a copy of the corporate statement directly from the bank portal to compare to the reconciled schedule for the accounting journal entry and backup to verify the validity of the statement.

- The Controller will authorize a member of the Accounting staff to prepare and upload the reconciled schedule for the accounting journal entry once the Accounts Payable Manager and CFO have completed their review. The CFO will provide the final approval. The Controller will conduct random audits of cardholder statements on a quarterly basis, and the results will be shared with the CFO, the cardholder and their supervisor. The Controller is a backup card administrator in the absence of the Director of Purchasing or the Accounts Payable Manager. The Controller does not have a credit card.

While the bank does not require a second approver for a card administrator to make changes to their own credit limit, the College has instructed the bank to not allow an administrator to make a change to the credit limit of their own account. Another layer of oversight added by the College is to require approval from two card administrators to authorize a new card from the bank.

The Controller and CFO recently conducted an internal audit of a recent corporate statement and all transactions by cardholders to verify accuracy. Communications are being sent to each cardholder and their supervisor to make them aware of any actions needed. Random internal audits will continue by the Controller on a quarterly basis.

The CFO continues to work with the insurance company on the claim filing process to recover the amounts lost, less the deductible.

Lake-Sumter State College is committed to improving processes and procedures to improve the efficient delivery of services and instruction to our students and other stakeholders.