

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

NORTHWEST FLORIDA 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, Mel Ponder served as President from 1-2-25, Dr. Cristie Kedroski served as Interim President from 7-6-24 through 1-1-25, Dr. Devin Stephenson served as President of Northwest Florida State College before that date, and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Lori Kelley, Chair	Okaloosa
Major General (Ret.) Thomas “Rudy” Wright through 6-12-25, Vice Chair ^a	Okaloosa
Cory Fosdyck	Okaloosa
Rhea Goff	Walton
Megan Harrison	Walton
Major General (Ret.) Don Litke	Okaloosa
Jack “Tanner” Peacock	Walton
Lyndsi Stevens from 6-13-25	Okaloosa
Dr. Jon Ward	Walton

^a Vice Chair position vacant from 6-13-25.

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 James Beaumont, CPA, and the audit was supervised by Kenneth C. Danley, 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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NORTHWEST FLORIDA STATE COLLEGE
TABLE OF CONTENTS

	<u>Page No.</u>
SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	1
Report on the Audit of the Financial Statements.....	1
Other Reporting Required by <i>Government Auditing Standards</i>	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position.....	14
Statement of Revenues, Expenses, and Changes in Net Position.....	17
Statement of Cash Flows	18
Notes to Financial Statements.....	20
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios	43
Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan	44
Schedule of College Contributions – Florida Retirement System Pension Plan	44
Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan	46
Schedule of College Contributions – Health Insurance Subsidy Pension Plan	46
Notes to Required Supplementary Information.....	48
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 <i>GOVERNMENT AUDITING STANDARDS</i>.....	
Report on Internal Control Over Financial Reporting	49
Report on Compliance and Other Matters	50
Purpose of this Report.....	50

SUMMARY

SUMMARY OF REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

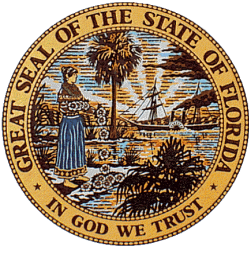
Our audit objectives were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinions. In doing so we:

- 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 Northwest Florida 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 Northwest Florida 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 16, 2025, on our consideration of Northwest Florida 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 16, 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.

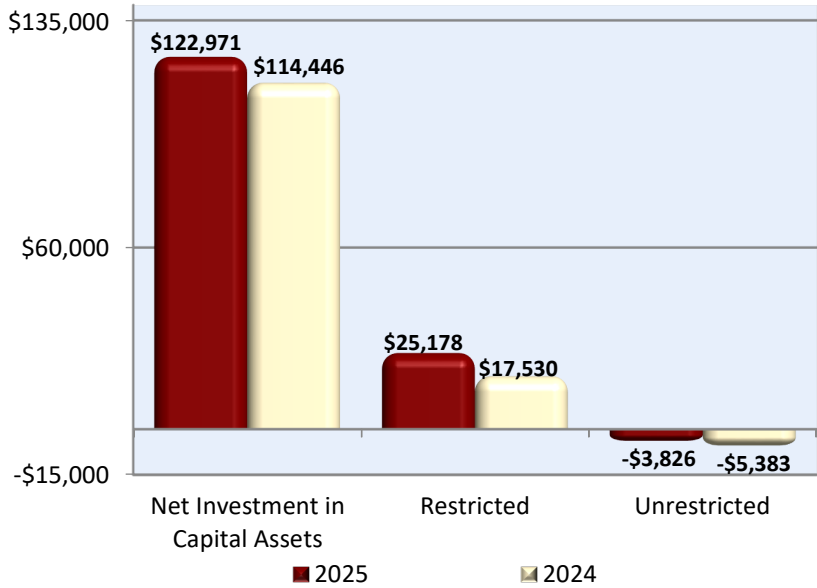
FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$190.3 million at June 30, 2025. This balance reflects a \$14.9 million, or 8.5 percent, increase as compared to the 2023-24 fiscal year, primarily resulting from increases in accounts receivable (mainly due to Triumph Gulf Coast receivables) and capital assets. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources decreased by \$2.8 million, or 5.7 percent, totaling \$46 million at June 30, 2025. This decrease primarily resulted from decreases in construction related payables and the note payable. As a result, the College's net position increased by \$17.7 million, resulting in a fiscal year-end balance of \$144.3 million.

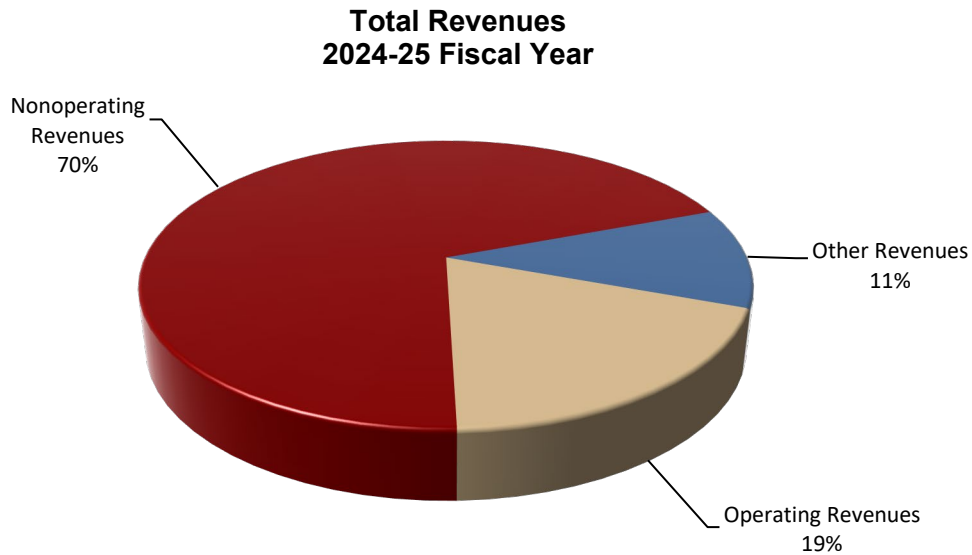
The College's operating revenues totaled \$16.9 million for the 2024-25 fiscal year, representing a 9.6 percent increase compared to the 2023-24 fiscal year due mainly to an increase in State and local grants and contracts which was offset by an increase in scholarship allowances. Operating expenses totaled \$70.7 million for the 2024-25 fiscal year, representing a decrease of 1.7 percent as compared to the 2023-24 fiscal year, due mainly to a decrease in materials and supplies which was offset by increases in personnel services, contractual services, and depreciation.

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:

**Net Position
(In Thousands)**



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 Northwest Florida State College Foundation, Inc. (Foundation). Based on the application of the criteria for determining

component units, the Foundation is included within the College reporting entity as a discretely presented component unit.

Information regarding the Foundation is presented in the notes to financial statements. This MD&A focuses on the College, excluding the Foundation. The Foundation reports under GASB standards, and the MD&A information is included in its 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)

	2025	2024
Assets		
Current Assets	\$ 41,368	\$ 34,592
Capital Assets, Net	142,962	135,888
Other Noncurrent Assets	1,787	-
Total Assets	186,117	170,480
Deferred Outflows of Resources	4,224	4,926
Liabilities		
Current Liabilities	3,614	5,014
Noncurrent Liabilities	39,838	42,020
Total Liabilities	43,452	47,034
Deferred Inflows of Resources	2,566	1,779
Net Position		
Net Investment in Capital Assets	122,971	114,446
Restricted	25,178	17,530
Unrestricted	(3,826)	(5,383)
Total Net Position	\$ 144,323	\$ 126,593

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)

	2024-25	2023-24
Operating Revenues	\$ 16,919	\$ 15,439
Less, Operating Expenses	70,730	71,935
Operating Loss	(53,811)	(56,496)
Net Nonoperating Revenues	61,427	50,651
Income (Loss) Before Other Revenues	7,616	(5,845)
Other Revenues	10,031	10,369
Net Increase In Net Position	17,647	4,524
Net Position, Beginning of Year	126,593	122,069
Adjustment to Beginning Net Position (1)	83	-
Net Position, Beginning of Year, as Restated	126,676	122,069
Net Position, End of Year	\$ 144,323	\$ 126,593

(1) For the 2024-25 fiscal year, the College's beginning net position was increased due to the implementation of GASB Statement No. 101, *Compensated Absences*. Additional information can be found in Note 2. to the financial statements.

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.

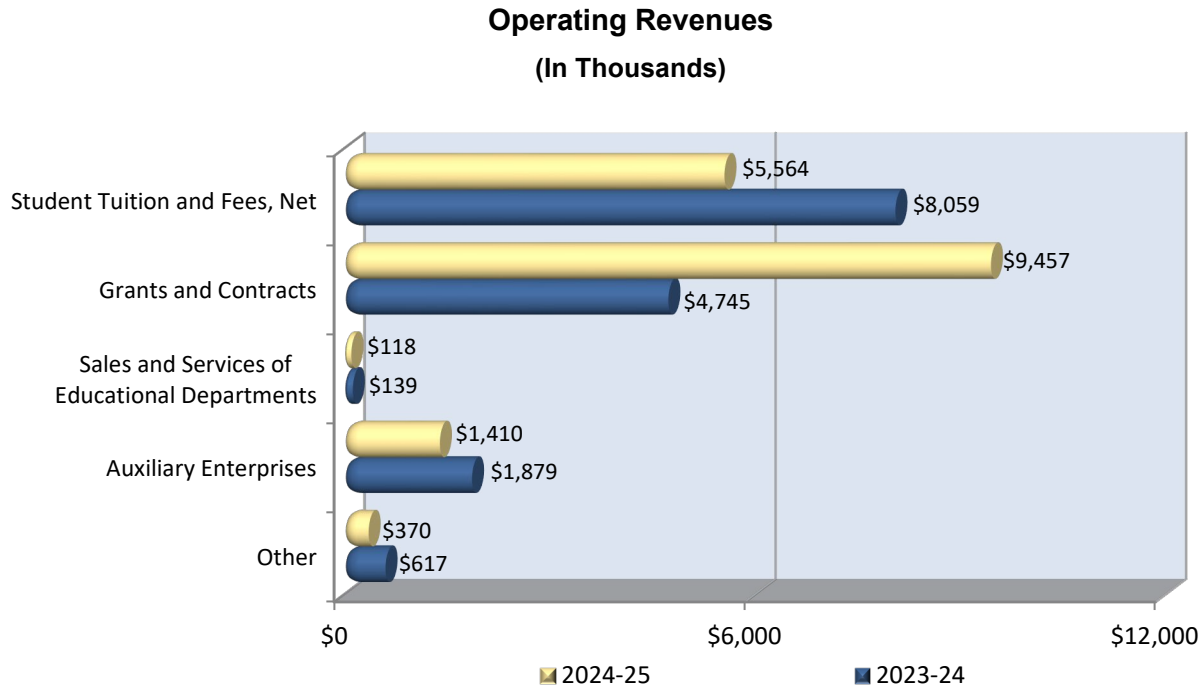
The following summarizes the operating revenues by source that were used to fund operating activities for the 2024-25 and 2023-24 fiscal years:

**Operating Revenues
For the Fiscal Years**

(In Thousands)

	2024-25	2023-24
Student Tuition and Fees, Net	\$ 5,564	\$ 8,059
Grants and Contracts	9,457	4,745
Sales and Services of Educational Departments	118	139
Auxiliary Enterprises	1,410	1,879
Other	370	617
Total Operating Revenues	\$ 16,919	\$ 15,439

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



Operating Expenses

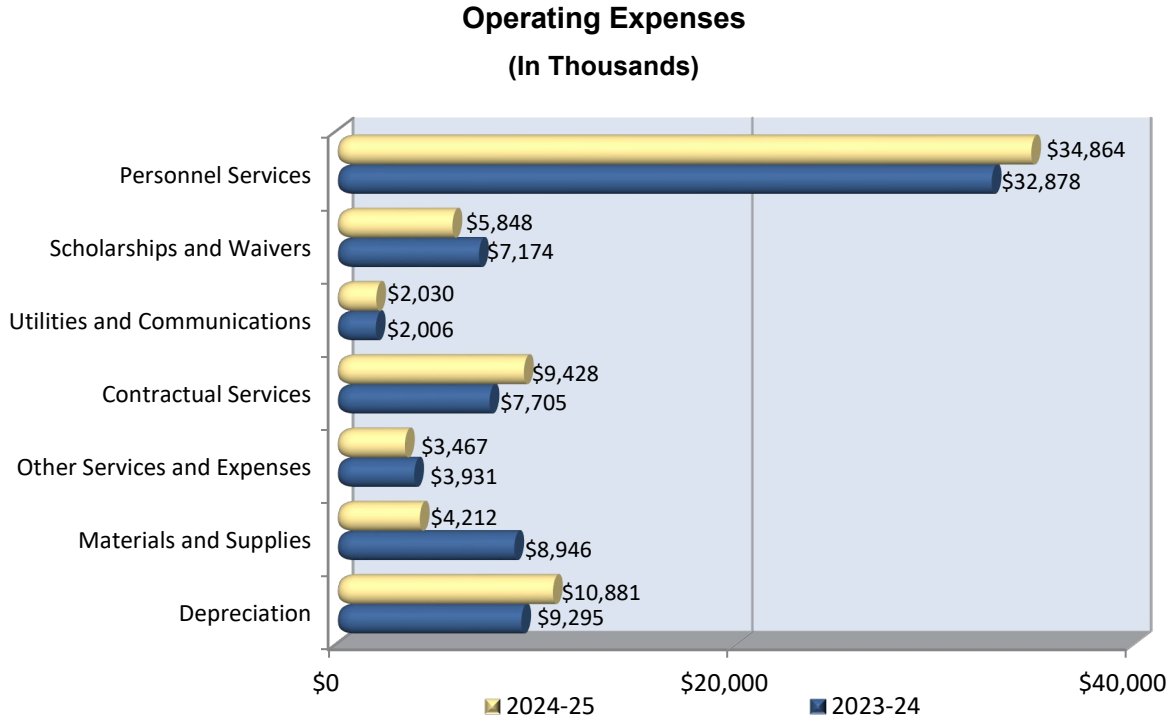
Expenses are categorized as operating or nonoperating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen 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	\$ 34,864	\$ 32,878
Scholarships and Waivers	5,848	7,174
Utilities and Communications	2,030	2,006
Contractual Services	9,428	7,705
Other Services and Expenses	3,467	3,931
Materials and Supplies	4,212	8,946
Depreciation	10,881	9,295
Total Operating Expenses	<u><u>\$ 70,730</u></u>	<u><u>\$ 71,935</u></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)

	<u>2024-25</u>	<u>2023-24</u>
State Noncapital Appropriations	\$ 31,763	\$ 31,895
Federal and State Student Financial Aid	6,924	6,422
Gifts and Grants	22,984	12,384
Investment Income	517	678
Other Nonoperating Revenues	3	67
Interest on Capital Asset-Related Debt	<u>(764)</u>	<u>(795)</u>
Net Nonoperating Revenues	<u><u>\$ 61,427</u></u>	<u><u>\$ 50,651</u></u>

Gifts and grants revenue increased significantly mainly due to large Nursing Expansion Project reimbursements due from Triumph Gulf Coast.

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)

	<u>2024-25</u>	<u>2023-24</u>
State Capital Appropriations	\$ 8,779	\$ 8,415
Capital Grants, Contracts, Gifts, and Fees	1,252	1,954
Total	<u>\$ 10,031</u>	<u>\$ 10,369</u>

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)

	<u>2024-25</u>	<u>2023-24</u>
Cash Provided (Used) by:		
Operating Activities	\$(45,526)	\$(45,113)
Noncapital Financing Activities	61,646	50,702
Capital and Related Financing Activities	(10,904)	(9,816)
Investing Activities	518	678
Net Increase (Decrease) in Cash and Cash Equivalents	5,734	(3,549)
Cash and Cash Equivalents, Beginning of Year	10,014	13,563
Cash and Cash Equivalents, End of Year	<u>\$ 15,748</u>	<u>\$ 10,014</u>

Major sources of funds came from State noncapital appropriations (\$31.8 million), noncapital gifts and grants (\$23 million), State capital appropriations (\$10 million), grants and contracts (\$7.5 million), Federal and State student financial aid (\$6.9 million), and net student tuition and fees (\$5.2 million). Major uses of funds were for payments to employees and for employee benefits (\$34.3 million), purchases of capital assets (\$19.9 million), payments to suppliers (\$17.9 million), and payments for scholarships (\$5.8 million).

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION
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Capital Assets

At June 30, 2025, the College had \$268.1 million in capital assets, less accumulated depreciation of \$125.1 million, for net capital assets of \$143 million. Depreciation charges for the current fiscal year totaled \$10.9 million. The following table summarizes the College’s capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30
(In Thousands)

	2025	2024
Land	\$ 2,901	\$ 2,901
Capitalized Collections	802	800
Software License	-	232
Construction in Progress	-	20,832
Buildings	111,613	87,558
Other Structures and Improvements	19,217	15,096
Furniture, Machinery, and Equipment	4,685	4,548
Lease Assets	3,744	3,921
Capital Assets, Net	\$142,962	\$135,888

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

Capital Expenses and Commitments

Major capital expenses during the 2024-25 fiscal year were incurred on the Allied Health Nursing Building. However, all major construction projects were completed at June 30, 2025.

Debt Administration

As of June 30, 2025, the College had \$20 million in outstanding long-term debt, representing a decrease of \$1.5 million, or 6.8 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30
(In Thousands)

	2025	2024
Bonds Payable	\$ -	\$ 24
Note Payable	15,361	16,819
Lease Payable	4,594	4,579
Total	\$ 19,955	\$ 21,422

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2024-25 fiscal year, there were no bond sales and debt repayments totaled \$24,000. Additional information about the College’s long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2025-26 fiscal year. Furthermore, the College is not increasing tuition or fees for the 2025-26 fiscal year.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President of Business Operations and Finance, Chief Financial Officer, Northwest Florida State College, 100 College Boulevard, Niceville, Florida 32578.

BASIC FINANCIAL STATEMENTS

NORTHWEST FLORIDA 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	\$ 12,914,058	\$ 399,490
Restricted Cash and Cash Equivalents	1,046,372	-
Investments	-	657
Restricted Investments	-	32,416,290
Accounts Receivable, Net	7,776,097	-
Restricted Pledge Receivable	-	50,374
Due from Other Governmental Agencies	18,299,115	-
Due from Component Unit	2,368	-
Inventories	28,983	-
Prepaid Expenses	1,300,864	3,039
Total Current Assets	<u>41,367,857</u>	<u>32,869,850</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,787,665	-
Restricted Investments	-	41,786,785
Pledge Receivable	-	15,900
Depreciable Capital Assets, Net	139,259,177	-
Nondepreciable Capital Assets	3,702,569	12,830
Total Noncurrent Assets	<u>144,749,411</u>	<u>41,815,515</u>
TOTAL ASSETS	<u>186,117,268</u>	<u>74,685,365</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	58,615	-
Pensions	4,165,296	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,223,911</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	844,370	1,321
Salary and Payroll Taxes Payable	343,922	-
Retainage Payable	174,026	-
Due to College	-	2,368
Unearned Revenue	159,051	-
Deposits Held for Others	450,653	-
Long-Term Liabilities - Current Portion:		
Note Payable	1,512,507	-
Compensated Absences Payable	90,935	-
Other Postemployment Benefits Payable	16,250	-
Net Pension Liability	21,930	-
Total Current Liabilities	<u>3,613,644</u>	<u>3,689</u>

	<u>College</u>	<u>Component Unit</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Note Payable	13,848,062	-
Lease Payable	4,594,334	-
Compensated Absences Payable	4,455,811	-
Other Postemployment Benefits Payable	372,183	-
Net Pension Liability	16,568,390	-
Total Noncurrent Liabilities	<u>39,838,780</u>	<u>-</u>
TOTAL LIABILITIES	<u>43,452,424</u>	<u>3,689</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	209,131	-
Pensions	2,356,390	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,565,521</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	122,970,828	12,830
Restricted:		
Nonexpendable:		
Endowment	-	39,900,361
Expendable:		
Grants and Loans	6,087,719	-
Scholarships	337,601	-
Capital Projects	18,753,472	-
Other	-	32,941,578
Unrestricted	<u>(3,826,386)</u>	<u>1,826,907</u>
TOTAL NET POSITION	<u>\$ 144,323,234</u>	<u>\$ 74,681,676</u>

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

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NORTHWEST FLORIDA 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 \$4,787,403	\$ 5,563,518	\$ -
Federal Grants and Contracts	15,600	-
State and Local Grants and Contracts	9,147,075	-
Nongovernmental Grants and Contracts	295,201	-
Sales and Services of Educational Departments	117,916	-
Auxiliary Enterprises	1,410,342	-
Other Operating Revenues	369,744	91,025
Total Operating Revenues	16,919,396	91,025
EXPENSES		
Operating Expenses:		
Personnel Services	34,864,310	307,910
Scholarships and Waivers	5,847,942	798,117
Utilities and Communications	2,030,405	-
Contractual Services	9,428,291	389,028
Other Services and Expenses	3,466,788	1,915,188
Materials and Supplies	4,211,838	26,747
Depreciation	10,880,630	-
Total Operating Expenses	70,730,204	3,436,990
Operating Loss	(53,810,808)	(3,345,965)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	31,763,180	-
Federal and State Student Financial Aid	6,923,941	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	22,984,067	526,953
Investment Income	517,233	7,511,734
Other Nonoperating Revenues	-	31,315
Gain on Disposal of Capital Assets	3,000	-
Interest on Capital Asset-Related Debt	(764,165)	-
Net Nonoperating Revenues	61,427,256	8,070,002
Income Before Other Revenues	7,616,448	4,724,037
State Capital Appropriations	8,779,169	-
Capital Grants, Contracts, Gifts, and Fees	1,251,453	-
Other Revenues	-	808,005
Total Other Revenues	10,030,622	808,005
Increase in Net Position	17,647,070	5,532,042
Net Position, Beginning of Year	126,593,205	69,149,634
Adjustment to Beginning Net Position	82,959	-
Net Position, Beginning of Year, as Restated	126,676,164	69,149,634
Net Position, End of Year	\$ 144,323,234	\$ 74,681,676

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

NORTHWEST FLORIDA 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	\$ 5,157,850
Grants and Contracts	7,451,527
Payments to Suppliers	(17,878,724)
Payments for Utilities and Communications	(2,030,405)
Payments to Employees	(25,938,228)
Payments for Employee Benefits	(8,338,148)
Payments for Scholarships	(5,847,942)
Auxiliary Enterprises	1,198,941
Sales and Services of Educational Departments	117,916
Other Receipts	581,315
Net Cash Used by Operating Activities	(45,525,898)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	31,763,180
Federal and State Student Financial Aid	6,899,037
Gifts and Grants Received for Other Than Capital or Endowment Purposes	22,984,067
Net Cash Provided by Noncapital Financing Activities	61,646,284
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	10,033,003
Capital Grants and Gifts	1,213,829
Purchases of Capital Assets	(19,919,806)
Principal Paid on Capital Debt and Lease	(1,466,456)
Interest Paid on Capital Debt and Lease	(764,165)
Net Cash Used by Capital and Related Financing Activities	(10,903,595)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	517,233
Net Increase in Cash and Cash Equivalents	5,734,024
Cash and Cash Equivalents, Beginning of Year	10,014,071
Cash and Cash Equivalents, End of Year	\$ 15,748,095

	<u>College</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$(53,810,808)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	10,880,630
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(3,052,128)
Inventories	(15,716)
Prepaid Expenses	(990,367)
Payables	392,648
Unearned Revenue	(21,357)
Deposits Held for Others	211,573
Compensated Absences Payable	298,248
Other Postemployment Benefits Payable	(15,990)
Net Pension Liability	(890,894)
Deferred Outflows of Resources Related to Other Postemployment Benefits	5,740
Deferred Inflows of Resources Related to Other Postemployment Benefits	23,066
Deferred Outflows of Resources Related to Pensions	696,297
Deferred Inflows of Resources Related to Pensions	763,160
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$(45,525,898)</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH	
CAPITAL FINANCING ACTIVITIES	
Donations of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 37,627

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 Northwest Florida 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 eight 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 Okaloosa and Walton 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 Northwest Florida State College Foundation, Inc. (Foundation), a legally separate entity, is included within the College's reporting entity as a discretely presented component unit and is governed by a separate board.

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the Foundation's Executive Director, Northwest Florida State College, 100 College Boulevard, Niceville, Florida 32578. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2025.

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. 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, certain gifts and grants, investment income, and net gain on sale of capital assets. 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 determines its scholarship allowance by identifying those student transactions where the student's classes were paid by an applicable financial aid source. To the extent that those resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue.

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

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

College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by the Federal Deposit Insurance Corporation (FDIC), 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 \$9,188,401 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 47 days as of June 30, 2025. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost.

Section 218.409(8)(a), Florida Statutes, provides that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to

meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.” As of June 30, 2025, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

Inventories. Inventories consist of items for resale by the College’s Graphic Services department and are valued using the last invoice cost, which approximates the first-in, first-out method of inventory valuation. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

Capital Assets. College capital assets consist of land; capitalized collections; buildings; other structures and improvements; furniture, machinery, and equipment; and lease assets. 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, Athletic, and Minor Equipment – 5 years
 - Office Furniture and Equipment – 7 to 10 years
- Lease Assets – 30 years

Noncurrent Liabilities. Noncurrent liabilities include note payable, lease payable, compensated absences payable, other postemployment benefits payable, and net pension liability 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. Accounting Change

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. At implementation on July 1, 2024, the beginning balance of the compensated absences liability was decreased by \$82,959, which resulted in an increase to the beginning net position by the same amount as shown in the table below.

	<u>College</u>
Beginning Net Position, as previously reported	\$ 126,593,205
Change in accounting principle	<u>82,959</u>
Beginning Net Position as restated	<u>\$ 126,676,164</u>

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	\$ (5,503,785)
Auxiliary Funds	<u>1,677,399</u>
Total	<u>\$ (3,826,386)</u>

4. Investments

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

The College reported no investments at June 30, 2025, as the SBA Florida PRIME investments are reported as cash equivalents.

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

The Foundation's investments at June 30, 2025, are reported as follows:

Investments by Fair Value Level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
United States Government and Federally Guaranteed Bonds	\$ 14,988,643	\$ -	\$ 14,988,643	\$ -
Equity Mutual Funds	50,183,829	43,866,137	-	6,317,692
Life Insurance/Annuities	1,811,353	-	-	1,811,353
Raider Village Investments	5,356,474	-	-	5,356,474
Money Market	1,863,433	1,863,433	-	-
Total Component Unit Investments	<u>\$ 74,203,732</u>	<u>\$ 45,729,570</u>	<u>\$ 14,988,643</u>	<u>\$ 13,485,519</u>

The Foundation's investments are managed in accordance with an investment policy. The investment policy sets target allocations of investments of 25 to 45 percent for fixed income, 45 to 65 percent for equities, 5 to 15 percent for alternative investments, and 2 to 8 percent for cash and cash equivalents, in order to reduce risk by investing in a diversified portfolio of financial assets, primarily stock funds, bonds or bond funds, and cash equivalents.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy for the Foundation states at least 50 percent of the short-term funds shall be invested in instruments having maturities no greater than 2 years. No more than 25 percent may be invested in instruments that have maturities greater than 2 years and less than 5 years, and no more than 25 percent may be invested in instruments that have maturities greater than 5 years. The short-term funds are required to be invested in any of the following: obligations of the United States (U.S.) Government or agencies, obligations of agencies with implied Federal sponsorship and guarantees, certificates of deposit, deposits that are insured by the FDIC, repurchase agreements, money market accounts, or government security mutual funds. The investments meet the Foundation's investment policy restrictions.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Common stocks should be held in seasoned, quality, well-managed and highly marketable companies whose prospects appear good for growth of earnings, dividends, and appreciation. Fixed income securities should be of the four highest bond ratings or the two highest commercial paper ratings. Corporate bonds (included in U.S. Government and Federally Guaranteed Bonds) held by the Foundation at June 30, 2025, were rated as follows: \$5,708,415 AAA to A- and \$6,429,980 BBB+ to BBB-.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation's investment policy requires that

investments are to be diversified to the extent that no more than 4 percent of the funds may be invested in any one security, no more than 30 percent in any one industry, and the Foundation should not control more than 10 percent of the debt or stock in any one company. These restrictions do not apply to obligations of the Federal Government. As of June 30, 2025, the Foundation did not have a concentration of credit risk.

Custodial Credit Risk: The Foundation will address investment custodial credit risk by permitting brokers that obtained investments for the Foundation to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) and excess SIPC coverage available. Securities purchased that exceed available SIPC coverages shall be transferred to the Foundation's custodian.

Foreign Currency Risk: Foreign currency risk is the risk that the changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Foundation's investment policy permits the hedging of non-U.S. dollar investments as long as the methods used to do such do not place the investments in a leveraged position, use investment securities purchased on a margin, or result in open-hedge positions.

5. Accounts Receivable

Accounts receivable represents 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 \$122,431 allowance for doubtful accounts.

6. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$16,770,517 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

7. Capital Assets

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Adjustments (1)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:					
Land	\$ 2,900,883	\$ -	\$ -	\$ -	\$ 2,900,883
Capitalized Collections	800,886	-	800	-	801,686
Software License	232,150	-	-	232,150	-
Construction in Progress	20,832,084	608,847	15,203,520	36,644,451	-
Total Nondepreciable Capital Assets	\$ 24,766,003	\$ 608,847	\$ 15,204,320	\$ 36,876,601	\$ 3,702,569
Depreciable Capital Assets:					
Buildings	\$ 169,066,389	\$ -	\$ 28,585,529	\$ -	\$ 197,651,918
Other Structures and Improvements	37,803,660	-	8,058,922	-	45,862,582
Furniture, Machinery, and Equipment	14,586,995	-	2,274,631	428,941	16,432,685
Lease Assets	5,585,712	-	239,973	1,457,699	4,367,986
Computer Software	7,226,006	-	-	7,226,006	-
Total Depreciable Capital Assets	234,268,762	-	39,159,055	9,112,646	264,315,171
Less, Accumulated Depreciation:					
Buildings	81,508,706	-	4,530,196	-	86,038,902
Other Structures and Improvements	22,708,146	-	3,937,722	-	26,645,868
Furniture, Machinery, and Equipment	10,039,017	42,006	1,996,613	329,944	11,747,692
Lease Assets	1,665,132	-	416,099	1,457,699	623,532
Computer Software	7,226,006	-	-	7,226,006	-
Total Accumulated Depreciation	123,147,007	42,006	10,880,630	9,013,649	125,055,994
Total Depreciable Capital Assets, Net	\$ 111,121,755	\$ (42,006)	\$ 28,278,425	\$ 98,997	\$ 139,259,177

(1) Adjustments were made to correct prior fiscal year accounting errors.

8. 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>
Bonds Payable	\$ 24,000	\$ -	\$ 24,000	\$ -	\$ -
Note Payable	16,818,549	-	1,457,980	15,360,569	1,512,507
Lease Payable	4,578,811	45,364	29,841	4,594,334	-
Compensated Absences Payable (1)	4,248,498	298,248	-	4,546,746	90,935
Other Postemployment					
Benefits Payable	404,423	43,762	59,752	388,433	16,250
Net Pension Liability	17,481,214	5,799,600	6,690,494	16,590,320	21,930
Total Long-Term Liabilities	\$ 43,555,495	\$ 6,186,974	\$ 8,262,067	\$ 41,480,402	\$ 1,641,622

(1) The compensated absences payable beginning balance was adjusted for GASB Statement No. 101, *Compensated Absences*, as discussed in Note 2. The change in compensated absences payable is presented as a net change.

Bonds Payable. The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had no bonds payable at June 30, 2025. SBE Capital Outlay Bonds: Series 2014A matured and were paid off in the amount of \$24,000.

Note Payable (from Direct Borrowing). On August 20, 2021, the original College loan made on January 22, 2018, was refinanced for \$20,584,746, at a stated interest rate of 2.14 percent, to refinance the cost of an energy performance-based contract that included equipment purchases and related services performed. The note matures on June 30, 2034, and principal and interest payments are made quarterly. The note contains a provision that, in an event of default, all remaining payments may be declared payable, and the College may be required to return all applicable equipment. Annual requirements to amortize the outstanding note as of June 30, 2025, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,512,507	\$ 316,633	\$ 1,829,140
2027	1,568,903	283,814	1,852,717
2028	1,627,228	249,774	1,877,002
2029	1,687,547	214,468	1,902,015
2030	1,723,742	178,066	1,901,808
2031-2034	7,240,642	324,421	7,565,063
Total	\$ 15,360,569	\$ 1,567,176	\$ 16,927,745

Lease Payable. An instructional building in the amount of \$4,367,986 is being leased by the College. The imputed interest rate for the building lease is 8.57 percent. The lease period began on April 1, 2021, for 20 years with the option to extend for two consecutive 5-year periods. Lease payments vary and are updated each year for changes in the consumer price index. The estimated lease payments in the table below assume a 2.6 percent increase each year through the remainder of the 30-year lease period. Future minimum payments under the lease agreement and the present value of the minimum payments as of June 30, 2025, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 355,233	\$ (40,045)	\$ 395,278
2027	364,468	(34,009)	398,477
2028	373,944	(27,185)	401,129
2029	383,667	(19,496)	403,163
2030	393,642	(10,860)	404,502
2031-2035	2,127,160	115,321	2,011,839
2036-2040	2,418,449	537,124	1,881,325
2041-2045	2,749,625	1,232,883	1,516,742
2046-2050	3,126,153	2,355,238	770,915
2051	502,856	485,363	17,493
Total Minimum Lease Payments	\$ 12,795,197	\$ 4,594,334	\$ 8,200,863

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 \$4,546,746. The current portion of the compensated absences liability is estimated to be \$90,935.

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 (Consortium).

General Information about the OPEB Plan

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the Consortium that provides OPEB for all employees who satisfy the College’s retirement eligibility provisions. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College’s health and hospitalization plan for medical and prescription drug 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	5
Inactive Employees Entitled to But Not Yet Receiving Benefits	6
Active Employees	261
Total	<u>272</u>

Total OPEB Liability

The College’s total OPEB liability of \$388,433 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
Real Wage Growth	0.85 percent
Wage Inflation	3.25 percent
Salary increases including wage inflation	
Regular Employees	3.40 percent – 7.80 percent
Senior Management	4.10 percent – 8.20 percent
Special Risk	4.80 percent – 7.40 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.65 percent
Measurement Date	3.93 percent
Healthcare Cost Trend Rates:	
Pre-Medicare Medical and Prescription Drug	7.00 percent for 2023, decreasing to an ultimate rate of 4.40 percent for 2034
Medicare Medical and Prescription Drug	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, 2019, through June 30, 2024, 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 June 30, 2024	<u>\$ 404,423</u>
Changes for the year:	
Service Cost	28,142
Interest	15,620
Changes in Assumptions or Other Inputs	(50,444)
Net Benefit Payments	<u>(9,308)</u>
Net Changes	<u>(15,990)</u>
Balance at June 30, 2025	<u><u>\$ 388,433</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.65 percent in 2023 to 3.93 percent in 2024.

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	\$431,126	\$388,433	\$352,199

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	\$334,076	\$388,433	\$456,157

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 OPEB expense of \$29,067. 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	\$ 22,329	\$ 89,114
Change of assumptions or other inputs	20,036	120,017
Transactions subsequent to the measurement date	16,250	-
Total	<u>\$ 58,615</u>	<u>\$ 209,131</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$16,250 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	\$ (14,695)
2027	(13,523)
2028	(12,428)
2029	(23,042)
2030	(24,388)
Thereafter	(78,690)
Total	<u>\$ (166,766)</u>

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 \$16,590,320. Note 9. includes a complete discussion of defined benefit pension plans.

9. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

Essentially all regular employees of the College are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. 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 \$1,477,796 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.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members,

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

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 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
Special Risk Class	3.00

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 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
FRS, Special Risk	3.00	32.79
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 \$996,024 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 \$10,289,640 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 0.026598731 percent, which was a decrease of 0.000919298 from its proportionate share measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the College recognized pension expense of \$1,268,961. 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	\$ 1,039,530	\$ -
Change of assumptions	1,410,289	-
Net difference between projected and actual earnings on FRS Plan investments	-	683,903
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	4,298	826,193
College FRS contributions subsequent to the measurement date	966,024	-
Total	<u>\$ 3,420,141</u>	<u>\$ 1,510,096</u>

The deferred outflows of resources totaling \$966,024, 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	\$ (156,425)
2027	1,699,319
2028	123,878
2029	5,859
2030	93,284
Thereafter	(821,894)
Total	<u>\$ 944,021</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	\$18,099,117	\$10,289,640	\$3,747,547

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 \$409,565 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 \$6,300,680 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 0.042001796 percent, which was an increase of 0.00097155 from its proportionate share measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the College recognized pension expense of \$208,835. 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>
Difference between expected and actual experience	\$ 60,837	\$ -
Change of assumptions	111,507	745,920
Net difference between projected and actual earnings on HIS Plan investments	-	14,377
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	163,246	85,997
College contributions subsequent to the measurement date	409,565	-
Total	\$ 745,155	\$ 846,294

The deferred outflows of resources totaling \$409,565, 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	\$ (93,049)
2027	(116,384)
2028	(157,406)
2029	(93,876)
2030	(39,445)
Thereafter	(10,544)
Total	\$ (510,704)

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:

	<u>1% Decrease (2.93%)</u>	<u>Current Discount Rate (3.93%)</u>	<u>1% Increase (4.93%)</u>
College’s proportionate share of the net pension liability	\$7,172,514	\$6,300,680	\$5,576,916

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.

10. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State’s 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
FRS, Special Risk Regular	19.00

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 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 \$1,683,809 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 \$54,398 and employee contributions totaled \$31,688 for the 2024-25 fiscal year.

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

The Local Annuity Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the employee. The College contributes 10 percent of the employee's salary to the Local Annuity Program. Employees may make contributions toward the Local Annuity Program by way of salary reduction or by deduction of a percentage of the employee's gross compensation not to exceed the percentage contributed by the employer.

The College's contributions to the Local Annuity Program totaled \$38,059 for the 2024-25 fiscal year.

11. 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 obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. 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.

12. 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	\$ 23,578,849
Research	545,252
Public Services	1,238,260
Academic Support	4,404,120
Student Services	4,569,611
Institutional Support	10,064,680
Operation and Maintenance of Plant	5,611,836
Scholarships and Waivers	5,847,942
Depreciation	10,880,630
Auxiliary Enterprises	3,989,024
Total Operating Expenses	<u><u>\$ 70,730,204</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	\$ 28,142	\$ 28,680	\$ 35,939	\$ 30,572	\$ 27,144
Interest	15,620	15,638	10,586	12,291	18,464
Difference between expected and actual experience	-	(48,200)	-	(77,360)	-
Changes of assumptions or other inputs	(50,444)	5,313	(72,249)	(22,277)	(5,962)
Benefit Payments	(9,308)	(19,961)	(10,932)	(18,323)	(10,598)
Net change in Total OPEB liability	(15,990)	(18,530)	(36,656)	(75,097)	29,048
Total OPEB Liability - beginning	404,423	422,953	459,609	534,706	505,658
Total OPEB Liability - ending	\$ 388,433	\$ 404,423	\$ 422,953	\$ 459,609	\$ 534,706
Covered-Employee Payroll	\$ 14,761,285	\$ 14,761,285	\$ 13,592,323	\$ 13,592,323	\$ 14,168,523
Total OPEB Liability as a percentage of covered-employee payroll	2.63%	2.74%	3.11%	3.38%	3.77%
	<u>2019</u>	<u>2018</u>	<u>2017</u>		
Total OPEB Liability					
Service cost	\$ 26,615	\$ 26,914	\$ 28,178		
Interest	14,053	12,362	10,189		
Difference between expected and actual experience	65,403	-	-		
Changes of assumptions or other inputs	45,869	(8,345)	(15,048)		
Benefit Payments	(18,649)	(11,533)	(17,596)		
Net change in Total OPEB liability	133,291	19,398	5,723		
Total OPEB Liability - beginning	372,367	352,969	347,246		
Total OPEB Liability - ending	\$ 505,658	\$ 372,367	\$ 352,969		
Covered-Employee Payroll	\$ 14,168,523	\$ 13,583,167	\$ 13,583,167		
Total OPEB Liability as a percentage of covered-employee payroll	3.57%	2.74%	2.60%		

**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	0.026598731%	0.027518029%	0.030151325%	0.030789806%
College's proportionate share of the FRS net pension liability	\$ 10,289,640	\$ 10,965,064	\$ 11,218,716	\$ 2,325,820
College's covered payroll (2)	\$ 18,851,107	\$ 17,509,791	\$ 17,313,533	\$ 16,393,592
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	54.58%	62.62%	64.80%	14.19%
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	\$ 966,024	\$ 1,972,917	\$ 1,286,612	\$ 1,285,254
FRS contributions in relation to the contractually required contribution	<u>(966,024)</u>	<u>(1,972,917)</u>	<u>(1,286,612)</u>	<u>(1,285,254)</u>
FRS contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
College's covered payroll (2)	\$ 21,531,807	\$ 18,851,107	\$ 17,509,791	\$ 17,313,533
FRS contributions as a percentage of covered payroll	4.49%	10.47%	7.35%	7.42%

(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>
0.031227325%	0.031293719%	0.030952360%	0.035130157%	0.035587109%	0.038607095%
\$ 13,534,383	\$ 10,777,121	\$ 9,323,011	\$ 10,391,265	\$ 8,985,773	\$ 4,986,624
\$ 17,571,500	\$ 16,677,374	\$ 15,894,022	\$ 16,938,197	\$ 17,138,610	\$ 18,000,576
77.02%	64.62%	58.66%	61.35%	52.43%	27.70%
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>
\$ 1,181,564	\$ 865,787	\$ 970,331	\$ 934,339	\$ 914,524	\$ 867,848
<u>(1,181,564)</u>	<u>(865,787)</u>	<u>(970,331)</u>	<u>(934,339)</u>	<u>(914,524)</u>	<u>(867,848)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 16,393,592	\$ 17,571,500	\$ 16,677,374	\$ 15,894,022	\$ 16,938,197	\$ 17,138,610
7.21%	4.93%	5.82%	5.88%	5.40%	5.06%

**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	0.042001796%	0.041030246%	0.040990788%	0.041042758%
College's proportionate share of the HIS net pension liability	\$ 6,300,680	\$ 6,516,150	\$ 4,341,579	\$ 5,034,511
College's covered payroll (2)	\$ 17,761,411	\$ 16,312,250	\$ 14,954,685	\$ 14,556,260
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.47%	39.95%	29.03%	34.59%
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	\$ 409,565	\$ 355,228	\$ 270,783	\$ 248,248
HIS contributions in relation to the contractually required HIS contribution	<u>(409,565)</u>	<u>(355,228)</u>	<u>(270,783)</u>	<u>(248,248)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 20,478,243	\$ 17,761,411	\$ 16,312,250	\$ 14,954,685
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>
0.042756513%	0.042589063%	0.041504600%	0.045581760%	0.047110843%	0.048895787%
\$ 5,220,501	\$ 4,765,290	\$ 4,392,893	\$ 4,873,812	\$ 5,490,574	\$ 4,986,601
\$ 14,875,349	\$ 14,232,056	\$ 13,752,903	\$ 14,564,136	\$ 17,138,610	\$ 18,000,576
35.09%	33.48%	31.94%	33.46%	32.04%	27.70%
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>
\$ 241,634	\$ 246,930	\$ 132,059	\$ 256,210	\$ 241,232	\$ 241,473
(241,634)	(246,930)	(132,059)	(256,210)	(241,232)	(241,473)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 14,556,260	\$ 14,875,349	\$ 14,232,056	\$ 13,752,903	\$ 14,564,136	\$ 17,138,610
1.66%	1.66%	0.93%	1.86%	1.66%	1.41%

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:

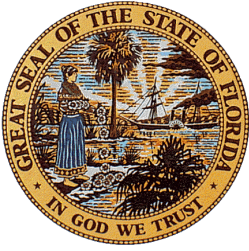
- Mortality, retirement, disability and termination rates.
- Salary increases.
- The discount rate.

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.



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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 Northwest Florida 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 16, 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*.

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 16, 2025