

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

PALM BEACH 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, Ava L. Parker served as President of Palm Beach State College and the following individuals served as Members of the Board of Trustees:

Jon Harrison, Chair from 8-21-24
Dr. Daniel Z. Epstein, Vice Chair from 8-21-24
Patrice Bishop, Chair through 8-20-24
Omar Soto through 8-20-24, Vice Chair
Michael A. Barnett from 2-14-25
Tracy Caruso from 6-27-25
Dr. Melissa Friedman-Levine through 6-26-25

Note: One Trustee position was vacant from 8-21-24,
through 2-13-25.

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 Yun (Paula) Yue, and the audit was supervised by Yvonne McNaughton, CPA.

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

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

FLAuditor.gov

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

State of Florida Auditor General

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

PALM BEACH 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	4
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>	49
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 Palm Beach 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

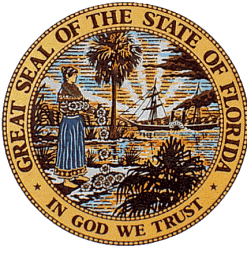
Our audit objectives were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinions. In doing so we:

- 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

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



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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Palm Beach 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 Palm Beach 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.

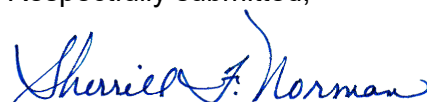
Required Supplementary Information

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 March 17, 2026, on our consideration of the Palm Beach 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
March 17, 2026

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.

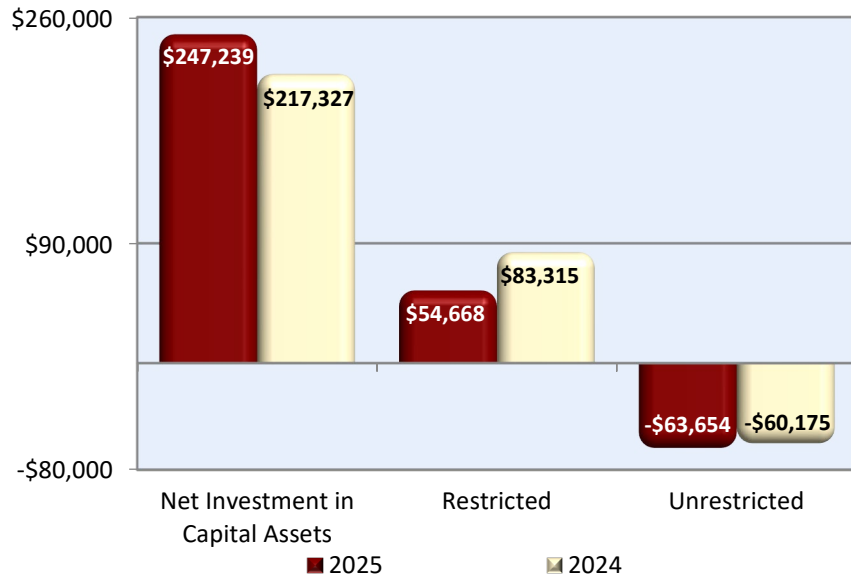
FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$354 million at June 30, 2025. This balance reflects a \$6 million, or 1.7 percent, decrease as compared to the 2023-24 fiscal year, primarily resulting from a \$13.7 million decrease in current assets and a \$18.3 million decrease in other noncurrent assets offset by an increase of \$25.8 million in net capital assets. Liabilities decreased by \$9.1 million and deferred inflows of resources increased by \$5.3 million, for a combined total of \$115.7 million at June 30, 2025, compared to \$119.5 million at June 30, 2024. The decrease in assets and deferred outflows of resources and the decrease in liabilities and deferred inflows of resources resulted in a decrease of \$2.2 million in the College's net position for the year with a year-end balance of \$238.3 million compared to \$240.5 million in the previous fiscal year.

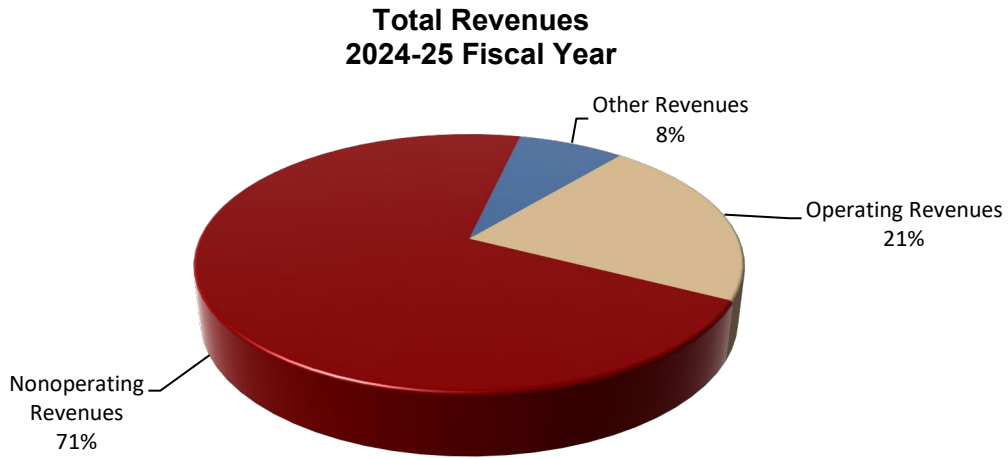
The College's operating revenues totaled \$51.1 million for the 2024-25 fiscal year, representing a \$0.9 million increase, or 1.8 percent, compared to the 2023-24 fiscal year. This growth was primarily due to an increase in grants and contracts of \$4.4 million, however this is offset by higher scholarship allowances applied to student balances. Operating expenses totaled \$240.7 million for the 2024-25 fiscal year, representing an increase of \$9.6 million, or 4.1 percent, as compared to the 2023-24 fiscal year due mainly to increases in scholarships and waivers of \$11.1 million and materials and supplies of \$3.1 million offset by a decrease in personnel services of \$6.8 million. Net nonoperating revenues increased \$16.9 million or 11.1 percent for a total of \$169.5 million in the 2024-25 fiscal year. Other revenues increased by \$8.9 million, or 99.5 percent, due primarily to an increase of Palm Beach State College Foundation, Inc., capital financing of \$2.1 million and an increase of State capital outlay appropriations of \$6.8 million.

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, Palm Beach State College Foundation, Inc. (Foundation). Based on the application of the criteria for determining component units, the Foundation is included within the College reporting entity as a discretely presented component unit.

This MD&A focuses on the College, excluding the discretely presented component unit. The component unit reports under GASB standards, MD&A information is included in their separately issued audit report.

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets	\$ 56,900	\$ 70,619
Capital Assets, Net	254,229	228,456
Other Noncurrent Assets	<u>20,993</u>	<u>39,310</u>
Total Assets	<u>332,122</u>	<u>338,385</u>
Deferred Outflows of Resources	<u>21,840</u>	<u>21,531</u>
Liabilities		
Current Liabilities	10,677	11,285
Noncurrent Liabilities	<u>90,036</u>	<u>98,483</u>
Total Liabilities	<u>100,713</u>	<u>109,768</u>
Deferred Inflows of Resources	<u>14,996</u>	<u>9,681</u>
Net Position		
Net Investment in Capital Assets	247,239	217,327
Restricted	54,668	83,315
Unrestricted	<u>(63,654)</u>	<u>(60,175)</u>
Total Net Position	<u>\$ 238,253</u>	<u>\$ 240,467</u>

The College’s net position decreased by \$2.2 million. Further information related to pension expenses, liabilities, deferred inflows and outflows, and other relevant actuarial data are found in the notes and supplementary information of this report.

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	\$ 51,071	\$ 50,191
Less, Operating Expenses	240,709	231,148
Operating Loss	(189,638)	(180,957)
Net Nonoperating Revenues	169,514	152,616
Loss Before Other Revenues	(20,124)	(28,341)
Other Revenues	17,910	8,979
Net Decrease In Net Position	(2,214)	(19,362)
Net Position, Beginning of Year	240,467	259,829
Net Position, End of Year	\$ 238,253	\$ 240,467

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:

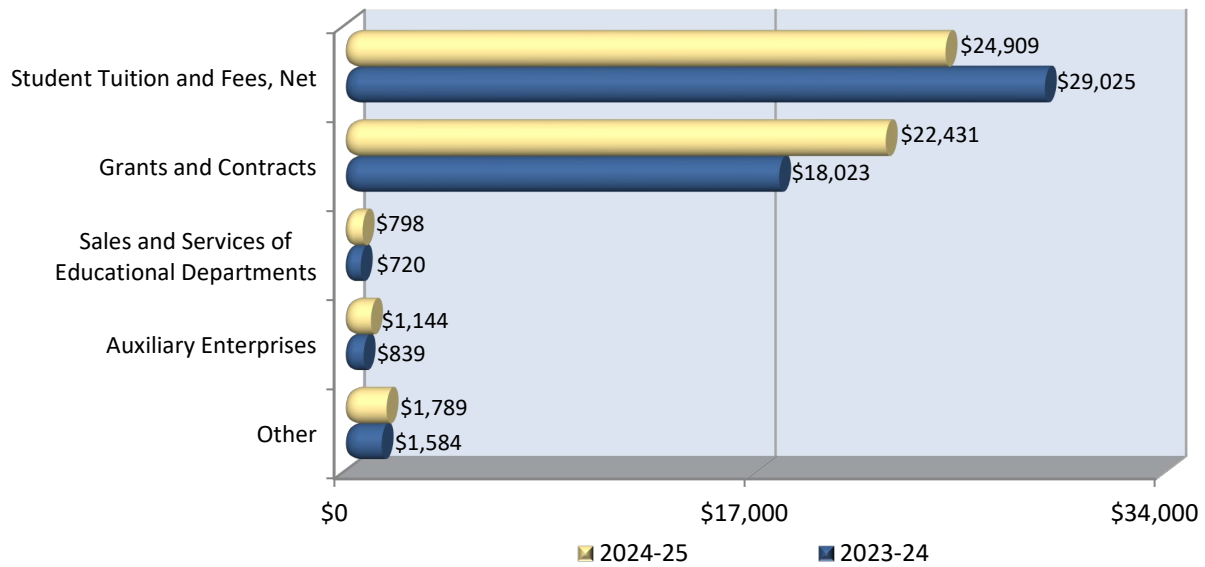
**Operating Revenues
For the Fiscal Years**

(In Thousands)

	2024-25	2023-24
Student Tuition and Fees, Net	\$ 24,909	\$ 29,025
Grants and Contracts	22,431	18,023
Sales and Services of Educational Departments	798	720
Auxiliary Enterprises	1,144	839
Other	1,789	1,584
Total Operating Revenues	\$ 51,071	\$ 50,191

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

Operating Revenues (In Thousands)



College’s operating revenue changes resulted from the following factors:

- Student tuition and fees, net revenue decreased by \$4.1 million or 14.2 percent. The change is the result of two factors; gross student tuition and fee revenue increased \$4.1 million or 7.2 percent while scholarship allowances increased \$8.2 million or 29.6 percent which was netted against gross student tuition and fees. Of the \$8.2 million increase in scholarship allowances, \$6.1 million was attributed to increases in Federal Pell Grant awards. The \$4.1 million growth in gross tuition and fees revenue was driven by an increase in full-time equivalent (FTE) student enrollment which rose by 1,350 FTEs or 8.2 percent.
- Grants and contracts revenue increased by \$4.4 million or 24.5 percent, mainly due to a \$2.1 million or 83.3 percent increase in State grant spending and revenue attributable to programs supporting the Florida Partnership for Minority and Underrepresented Student Achievement (The Partnership Program).

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:

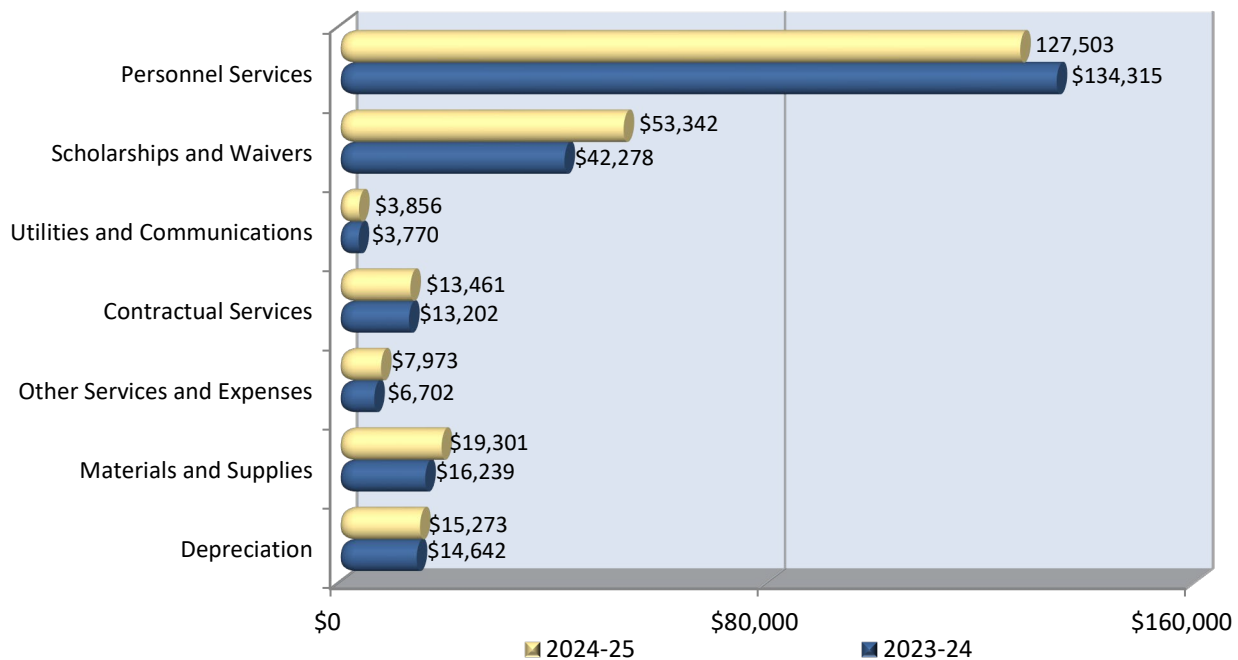
Operating Expenses For the Fiscal Years

(In Thousands)

	2024-25	2023-24
Personnel Services	\$ 127,503	\$ 134,315
Scholarships and Waivers	53,342	42,278
Utilities and Communications	3,856	3,770
Contractual Services	13,461	13,202
Other Services and Expenses	7,973	6,702
Materials and Supplies	19,301	16,239
Depreciation	15,273	14,642
Total Operating Expenses	\$ 240,709	\$ 231,148

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

Operating Expenses (In Thousands)



College operating expense changes were the result of the following factors:

- A decrease in personnel services of \$6.8 million or 5.1 percent mainly as a result of the net pension expense decreasing from \$21.1 million to \$6.7 million.
- An increase in scholarships and waivers of \$11.1 million or 26.2 percent, resulting primarily from increased scholarship disbursements to students. Eligibility criteria and Free Application for Federal Student Aid (FAFSA) simplification for Pell grant recipients which went into effect for the 2024-25 award year contributed to those changes.
- Other categories such as utilities, contractual services, other services, and depreciation remained relatively unchanged.

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:

	2024-25	2023-24
State Noncapital Appropriations	\$ 83,998	\$ 84,281
Federal and State Student Financial Aid	81,665	63,625
Gifts and Grants	1,789	2,963
Investment Income	1,787	1,340
Net Gain on Investments	45	663
Other Nonoperating Revenues	604	134
Interest on Capital Asset-Related Debt	<u>(374)</u>	<u>(390)</u>
Net Nonoperating Revenues	<u>\$ 169,514</u>	<u>\$ 152,616</u>

During the 2024-25 fiscal year, net nonoperating revenues increased \$16.9 million or 11.1 percent.

The majority of the change was due to Federal and State financial aid funding which increased by \$18 million, of which \$16.9 million is attributable to Federal Pell Grant funding. The implementation of the FAFSA Simplification Act which was aimed at making it easier for students and families to complete the FAFSA and expand access to Federal student aid, which increased Pell revenue and disbursements.

The gifts and grants decrease of \$1.2 million was largely attributable to the absence of Federal Government Stimulus funds in the 2024-25 fiscal year while \$1.1 million had been received in the 2023-24 fiscal year.

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:

	2024-25	2023-24
State Capital Appropriations	\$ 10,379	\$ 3,632
Capital Grants, Contracts, Gifts, and Fees	<u>7,531</u>	<u>5,347</u>
Total	<u>\$ 17,910</u>	<u>\$ 8,979</u>

Other revenues for the 2024-25 fiscal year totaled \$17.9 million, an increase of \$8.9 million, or 99.5 percent compared to the prior fiscal year. The funding sources include:

- State of Florida Department of Education capital allocation of \$9.8 million for the construction and deferred maintenance project to remodel the Central Library Media Center Building.
- Capital grants, contracts, gifts, and fees contributed \$7.5 million, which includes capital improvement fees of \$5.5 million, Palm Beach State College Foundation, Inc. capital financing of \$1.9 million and other gifts of \$0.1 million.

The Statement of Cash Flows

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

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

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

	2024-25	2023-24
Cash Provided (Used) by:		
Operating Activities	\$ (177,475)	\$ (147,152)
Noncapital Financing Activities	167,452	151,210
Capital and Related Financing Activities	(12,176)	(8,902)
Investing Activities	1,832	2,003
Net Decrease in Cash and Cash Equivalents	(20,367)	(2,841)
Cash and Cash Equivalents, Beginning of Year	58,942	61,783
Cash and Cash Equivalents, End of Year	\$ 38,575	\$ 58,942

Major sources of funds came from State noncapital appropriations of \$84 million, Federal and State student financial aid \$81.7 million, net student tuition and fees \$24.6 million, and grants and contracts \$21.2 million. Major uses of funds were for payments to employees and for employee benefits \$130.2 million, payments for scholarships \$53.4 million, and to providers of goods and services \$40.1 million. In capital and financing activities we used \$41.4 million, mainly due to the construction activities for the Dental and Health Innovation Building on the Loxahatchee Groves Campus along with other capital projects that are underway. This resulted in a net decrease of \$20.4 million in cash and cash equivalents from the prior fiscal year.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION
--

Capital Assets

At June 30, 2025, the College had \$529.3 million in capital assets, less accumulated depreciation of \$275.1 million, for net capital assets of \$254.2 million. Depreciation charges for the current fiscal year totaled \$15.3 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	\$ 9,768	\$ 9,768
Construction in Progress	57,886	34,298
Buildings	172,276	169,777
Other Structures and Improvements	7,898	7,847
Furniture, Machinery, and Equipment	4,653	4,826
Lease Assets	1,748	1,940
Capital Assets, Net	\$254,229	\$228,456

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2025, were incurred for the Dental and Health Innovation Building at the Loxahatchee Groves Campus, and the Panther Plaza on the Lake Worth Campus. The College’s major construction commitments at June 30, 2025, are as follows:

	Amount (In Thousands)
Total Committed	\$ 67,421
Completed to Date	57,798
Balance Committed	\$ 9,623

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

Debt Administration

As of June 30, 2025, the College had \$5.2 million in outstanding bonds payable, and \$1.8 million in leases payable, representing a decrease of \$1.3 million, or 15.3 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)

	<u>2025</u>	<u>2024</u>
SBE Capital Outlay Bonds	\$ -	\$ 153
Capital Improvement Revenue Bonds	5,220	6,150
Leases Payable	<u>1,770</u>	<u>1,945</u>
Total	<u>\$ 6,990</u>	<u>\$ 8,248</u>

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2024-25 fiscal year, there were no bond sales and bond repayments totaled \$1.1 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition remains closely linked to that of the State of Florida. As is customary, we maintained a conservative approach to budgeting and spending, ensuring the delivery of high-quality services to our students. The 2025-26 fiscal year budget reflects a modest increase in State funding, and student enrollment is also projected to rise slightly. As a result, the College's overall financial outlook is stable. With adequate reserves in place and budget reduction strategies available if needed, the College is well-positioned to address potential economic challenges. The combination of stable operating revenues, projected enrollment growth, and a positive State economic outlook enables the College to continue providing strong support and services to our students and community.

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 Finance and Administration, Palm Beach State College, 4200 South Congress Avenue, MS #24, Lake Worth, Florida 33461.

BASIC FINANCIAL STATEMENTS

PALM BEACH STATE COLLEGE
A Component Unit of the State of Florida
Statement of Net Position

June 30, 2025

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 17,581,522	\$ 2,722,412
Restricted Investments	-	27,539,322
Accounts Receivable, Net	5,753,863	1,447,310
Due from Other Governmental Agencies	28,285,774	-
Due from Component Unit	1,203,576	-
Prepaid Expenses	4,075,302	37,973
Total Current Assets	56,900,037	31,747,017
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	20,993,329	-
Investments	-	22,951,302
Loans and Notes Receivable, Net	-	7,330,781
Depreciable Capital Assets, Net	186,574,997	-
Nondepreciable Capital Assets	67,653,983	-
Total Noncurrent Assets	275,222,309	30,282,083
TOTAL ASSETS	332,122,346	62,029,100
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	354,323	-
Pensions	21,485,198	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	21,839,521	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	4,510,451	449,735
Salary and Payroll Taxes Payable	1,556,062	-
Unearned Revenue	106,926	-
Deposits Held for Others	2,064,975	-
Long-Term Liabilities - Current Portion:		
Leases Payable	571,400	-
Bonds Payable	975,000	-
Other Postemployment Benefits Payable	31,440	-
Compensated Absences Payable	771,018	-
Net Pension Liability	89,787	57,000
Total Current Liabilities	10,677,059	506,735

	<u>College</u>	<u>Component Unit</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	4,245,000	-
Leases Payable	1,198,290	-
Compensated Absences Payable	9,736,795	-
Other Postemployment Benefits	866,110	-
Net Pension Liability	73,989,786	-
Other Noncurrent Liabilities	-	354,536
Total Noncurrent Liabilities	<u>90,035,981</u>	<u>354,536</u>
TOTAL LIABILITIES	<u>100,713,040</u>	<u>861,271</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	999,709	-
Pensions	13,995,976	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>14,995,685</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	247,239,291	-
Nonexpendable:		
Endowment	-	22,951,302
Expendable:		
Grants and Loans	6,124,507	-
Scholarships	1,273,322	32,396,243
Capital Projects	47,269,999	-
Unrestricted	(63,653,977)	5,820,284
TOTAL NET POSITION	<u>\$ 238,253,142</u>	<u>\$ 61,167,829</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

PALM BEACH 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 \$36,058,263	\$ 24,909,070	\$ -
Federal Grants and Contracts	7,808,948	-
State and Local Grants and Contracts	7,175,914	-
Nongovernmental Grants and Contracts	7,446,542	10,256,977
Sales and Services of Educational Departments	797,688	-
Auxiliary Enterprises	1,143,819	-
Other Operating Revenues	1,789,306	1,773,880
Total Operating Revenues	51,071,287	12,030,857
EXPENSES		
Operating Expenses:		
Personnel Services	127,502,318	-
Scholarships and Waivers	53,342,148	1,621,148
Utilities and Communications	3,856,268	-
Contractual Services	13,461,074	-
Other Services and Expenses	7,972,828	7,097,408
Materials and Supplies	19,301,309	-
Depreciation	15,272,870	-
Total Operating Expenses	240,708,815	8,718,556
Operating Income (Loss)	(189,637,528)	3,312,301
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	83,998,855	-
Federal and State Student Financial Aid	81,664,718	-
Gifts and Grants	1,788,869	214,054
Investment Income	1,787,017	-
Net Gain on Investments	44,668	5,932,443
Other Nonoperating Revenues	603,960	-
Interest on Capital Asset-Related Debt	(374,214)	-
Net Nonoperating Revenues	169,513,873	6,146,497
Income (Loss) Before Other Revenues	(20,123,655)	9,458,798
State Capital Appropriations	10,379,109	-
Capital Grants, Contracts, Gifts, and Fees	7,531,093	-
Total Other Revenues	17,910,202	-
Increase (Decrease) in Net Position	(2,213,453)	9,458,798
Net Position, Beginning of Year	240,466,595	51,709,031
Net Position, End of Year	\$ 238,253,142	\$ 61,167,829

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

PALM BEACH 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	\$ 24,643,601
Grants and Contracts	21,240,265
Payments to Suppliers	(40,058,092)
Payments for Utilities and Communications	(3,856,268)
Payments to Employees	(96,913,449)
Payments for Employee Benefits	(33,252,767)
Payments for Scholarships	(53,364,463)
Auxiliary Enterprises	1,003,569
Sales and Services of Educational Departments	797,688
Other Receipts	2,285,350
	(177,474,566)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	83,998,855
Federal and State Student Financial Aid	81,664,718
Federal Direct Loan Program Receipts	21,294,434
Federal Direct Loan Program Disbursements	(21,294,434)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	1,788,869
	167,452,442
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	22,795,169
Capital Grants and Gifts	7,413,106
Proceeds from Sale of Capital Assets	603,960
Purchases of Capital Assets	(41,355,638)
Principal Paid on Capital Debt and Leases	(1,258,763)
Interest Paid on Capital Debt and Leases	(374,214)
	(12,176,380)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	1,831,685
	1,831,685
Net Decrease in Cash and Cash Equivalents	(20,366,819)
Cash and Cash Equivalents, Beginning of Year	58,941,670
Cash and Cash Equivalents, End of Year	\$ 38,574,851

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (189,637,528)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	15,272,870
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	577,299
Due from Other Governmental Agencies	(748,142)
Due from Component Unit	(786,302)
Deposits	38,583
Prepaid Expenses	171,882
Accounts Payable	406,773
Salaries and Payroll Taxes Payable	(1,037,767)
Unearned Revenue	13,884
Deposits Held for Others	457,462
Compensated Absences Payable	580,365
Other Postemployment Benefits Payable	101,160
Net Pension Liability	(7,890,850)
Deferred Outflows of Resources Related to Other Postemployment Benefits	6,128
Deferred Inflows of Resources Related to Other Postemployment Benefits	(143,290)
Deferred Outflows of Resources Related to Pensions	(314,811)
Deferred Inflows of Resources Related to Pensions	5,457,718
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (177,474,566)</u>

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The governing body of Palm Beach 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 five 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 Palm Beach County.

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 Palm Beach 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 Controller's Office, Palm Beach State College, 4200 South Congress Avenue, MS #11.5, Lake Worth, Florida 33461. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2024.

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

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

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

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

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

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

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College 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 fees revenue.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consist of cash on hand, cash in demand accounts, and cash invested with the State Treasury Special Purpose Investment Account (SPIA), the Florida Fixed Income Trust (FL-FIT) Preferred Deposit, Florida Public Assets for Liquidity Management (FL-PALM) and the State Board of Administration (SBA) Florida PRIME investment pools. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less, that are not held solely for income or profit, to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury SPIA, the FL-FIT Preferred Deposit, FL-PALM, and SBA Florida PRIME investment pools to be cash equivalents.

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

At June 30, 2025, the College reported as cash equivalents at fair value \$6,360,094 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 3.). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 3.33 years and fair value factor of 1.003 at June 30, 2025. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balance. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Annual Comprehensive Financial Report.

At June 30, 2025, the College reported as cash equivalents \$244,050 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.

At June 30, 2025, the College reported as cash equivalents \$27,378,220, comprised of \$13,684,522 for FL-FIT and \$13,693,698 for FL-PALM. The FL-FIT and FL-PALM were created under the laws of the State of Florida, to provide eligible units of local governments with an investment vehicle to pool the surplus funds and to reinvest such funds in one or more investment portfolios under the direction and daily supervision of an investment advisor. The FL-FIT & FL-PALM accounts are primarily composed of corporate bonds, commercial paper, and certificates of deposit; and the FL-FIT Preferred Deposit Pool carried a credit rating of AAAf/S1 by Fitch, and FL-PALM carried a rating of AAAM from Standard and Poor's. Although the FL-FIT & FL-PALM have no limitations on participant withdrawals and each participant has the ability to withdraw 100 percent of its account balance any business day, the FL-FIT & FL-PALM reserve the right to suspend withdrawals during a period of crisis in the United States financial markets. The investment in the FL-FIT is reported at fair value rather than amortized cost. FL-PALM investments are reported at amortized cost.

Cash and Cash Equivalents – Discretely Presented Component Unit. The amount reported for the Foundation as cash and cash equivalents consists of cash, money market accounts, and highly liquid fixed income investments with original maturities of 3 months or less.

Custodial Credit Risk. Cash deposits in excess of Federal Deposit Insurance Corporation (FDIC) limits at individual financial institutions and cash held in money market accounts are uninsured. Management does not consider this risk significant. Certain cash equivalents are held in brokerage house investment

accounts that are not insured by the FDIC. The total amount of cash and cash equivalents held by such institutions amounted to \$2,722,412 at December 31, 2024.

Capital Assets. College capital assets consist of land, construction in progress, 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 \$50,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

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

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

2. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (65,519,237)
Auxiliary Funds	<u>1,865,260</u>
Total	<u>\$ (63,653,977)</u>

3. Investments

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

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

Component Unit Investments.

Fair Value Measurement. The College's component unit 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.

Investments held by the College's component unit at December 31, 2024, are reported as follows:

Investments by fair value level	Fair Value Measurements Using	
	Quoted Prices in Active Markets for Identical Assets (Level 1)	
U.S. Guaranteed Obligations	\$	4,275,535
Corporate Bonds		3,161,170
Domestic Stocks		19,869,859
International Stocks		4,747,087
Mutual Funds		16,830,674
Real Estate Investments		1,606,299
Total Component Unit Investments measured at fair value	\$	50,490,624

The Foundation has developed an investment objective of growth and income over the long term. Per the Foundation's investment policy, the spending policy is to make available on an annual basis an amount equal to approximately 4 percent of the market value of the Foundation's assets as of the beginning of each fiscal year, plus approximately 1 percent to account for administrative expenses. These distributions may be from any combination of income, earnings, or principal value of contributions that are not donor or Board restricted. The following risks apply to the Foundation's investments:

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investments. The Foundation's policy for managing its exposure for changes in interest rates

is through maintaining diversification of its investments and investment maturity dates to minimize the impact of downturns in the market. As of December 31, 2024, the Foundation had investments in corporate bonds and is therefore subject to interest rate risk.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's policy for managing its exposure to credit risk is through maintaining its investments in securities rated "BBB" (or its equivalent) or higher at the time of purchase by a nationally recognized statistical rating agency. As of December 31, 2024, the credit quality of the Foundation's fixed income accounts was rated "B" or higher. The policy also recommends a target asset allocation strategy of 60 percent equities (minimum 50 percent and maximum 70 percent limits) and 40 percent fixed income and cash equivalents (minimum 25 percent and maximum 50 percent limits).

Obligations of United States government agencies and instrumentalities and domestic equities do not require disclosure of credit quality. Mortgage-backed pass-throughs were not rated. Corporate bonds held by the Foundation at December 31, 2024, had credit quality ratings by nationally recognized rating agencies ranging AAA to BAA3 by Moody's and from AAA to BBB- by Standard & Poor's.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of the failure of the counterparty, the value of investments or collateral securities in the possession of an outside party will not be recoverable. Exposure to custodial risk relates to investment securities that are held by someone other than the Foundation and are not registered in the Foundation's name. The Foundation's investment policy does not address custodial credit risk.

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 invested assets be broadly diversified by asset class, investment style, number of issues, issue type, and other factors consistent with the investment objectives to reduce the risk of wide swings in market value from year-to-year or incurring large losses that may result from concentrated positions. Subject to the usual standards of fiduciary prudence, and to minimize the risk of large losses, each investment manager is to maintain adequate diversification in their portfolio.

4. Accounts Receivable

Accounts receivable represent amounts for student tuition charges, various ancillary services provided by the College, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a \$1,124,396 allowance for doubtful accounts.

5. Due From Other Governmental Agencies

The \$28.3 million due from other governmental agencies primarily consists of \$25 million allocations due from the State for deferred maintenance projects and construction of College facilities and \$0.9 million due from the State for dual enrollment tuition.

6. Due From Component Unit

The \$1.2 million due from the component unit is a receivable primarily consisting of \$0.5 million for scholarships and student aid and \$0.6 million for improvements. The College's financial statements are reported for the fiscal year ended June 30, 2025. The College's component unit financial statements are

reported for the fiscal year ended December 31, 2024. Although the College reported an amount due from the component unit, no amount is reported by the component unit as due to the College.

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>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 9,767,813	\$ -	\$ -	\$ 9,767,813
Construction in Progress	34,298,011	23,588,159	-	57,886,170
Total Nondepreciable Capital Assets	\$ 44,065,824	\$ 23,588,159	\$ -	\$ 67,653,983
Depreciable Capital Assets:				
Buildings	\$ 340,756,929	\$ 11,351,839	\$ -	\$ 352,108,768
Other Structures and Improvements	77,011,097	4,307,062	-	81,318,159
Furniture, Machinery, and Equipment	25,671,088	1,566,834	1,499,143	25,738,779
Lease Assets	2,221,688	510,761	280,768	2,451,681
Total Depreciable Capital Assets	445,660,802	17,736,496	1,779,911	461,617,387
Less, Accumulated Depreciation:				
Buildings	170,979,299	8,854,307	-	\$ 179,833,606
Other Structures and Improvements	69,164,433	4,255,258	-	73,419,691
Furniture, Machinery, and Equipment	20,845,028	1,739,870	1,499,143	21,085,755
Lease Assets	281,958	423,435	2,055	703,338
Total Accumulated Depreciation	261,270,718	15,272,870	1,501,198	275,042,390
Total Depreciable Capital Assets, Net	\$ 184,390,084	\$ 2,463,626	\$ 278,713	\$ 186,574,997

8. Unearned Revenue

Unearned revenue of \$106,926 at June 30, 2025, consists primarily of theatre tickets that were purchased for upcoming shows.

9. 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	\$ 6,303,000	\$ -	\$ 1,083,000	\$ 5,220,000	\$ 975,000
Leases Payable	1,945,452	510,761	686,523	1,769,690	571,400
Compensated Absences Payable	9,927,448	1,253,051	672,686	10,507,813	771,018
Other Postemployment Benefits Payable	796,391	132,599	31,440	897,550	31,440
Net Pension Liability	81,970,423	26,559,009	34,449,859	74,079,573	89,787
Other Noncurrent Liabilities	122,143	-	122,143	-	-
Total Long-Term Liabilities	\$ 101,064,857	\$ 28,455,420	\$ 37,045,651	\$ 92,474,626	\$ 2,438,645

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

- **SBE Capital Outlay Bonds.** The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College’s portion of the State-assessed motor vehicle license tax and by the State’s full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The final payment for Bond 2014A was paid in the 2024-25 fiscal year.
- **Capital Improvement Revenue Bonds, Series 2018A and 2021A.** These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Section 1009.23(11), Florida Statutes, by the Series 2018A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2018A bonds. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all colleges participating in any series of bonds then outstanding. The Series 2018A and 2021A bonds will share the lien of such additional bonds on the Series 2018A and 2021A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The Series 2018A and 2021A bonds refunded the outstanding 2008A and 2012A bonds that financed the construction and remodeling of educational facilities.

The College had the following bonds payable at June 30, 2025:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
Florida Department of Education			
Capital Improvement Revenue Bonds:			
Series 2018A	\$ 1,725,000	5.0	2028
Series 2021A	<u>3,495,000</u>	5.0	2032
Total	<u>\$ 5,220,000</u>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2025, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Capital Improvement Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 975,000	\$ 261,000	\$ 1,236,000
2027	1,025,000	212,250	1,237,250
2028	1,080,000	161,000	1,241,000
2029	495,000	107,000	602,000
2030	520,000	82,250	602,250
2031-2032	<u>1,125,000</u>	<u>85,000</u>	<u>1,210,000</u>
Total	<u>\$ 5,220,000</u>	<u>\$ 908,500</u>	<u>\$ 6,128,500</u>

Leases Payable. Fleet vehicles and copier equipment, in the amount of \$2,451,681, are being acquired under a lease agreement. The stated interest rate is 21 percent. 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	\$ 644,196	\$ 548,708	\$ 95,488
2027	622,050	518,299	103,751
2028	535,775	435,174	100,601
2029	262,953	207,735	55,218
2030	72,817	59,774	13,043
Total Minimum Lease Payments	\$ 2,137,791	\$ 1,769,690	\$ 368,101

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2025, the estimated liability for compensated absences, which include the College's share of the Florida Retirement System and FICA contributions, totaled \$10,507,813. The current portion of the compensated absences liability, \$771,018, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

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

General Information about the OPEB Plan

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

Benefits Provided. The OPEB Plan provides healthcare benefits consisting of medical and prescription drug coverage 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	36
Inactive Employees Entitled to But Not Yet Receiving Benefits	43
Active Employees	1,126
Total	<u>1,205</u>

Total OPEB Liability

The College's total OPEB liability of \$897,550 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	2.4 percent
Real Wage Growth	0.85 percent
Wage Inflation	3.5 percent
Salary increases	
Regular Employees	3.65 - 6.35 percent
Senior Management Employees	4.20 - 9.30 percent
Discount rate	
Prior Measurement Date	3.65 percent
Measurement Date	3.93 percent
Healthcare cost trend rates	
Pre Medicare	7.00 percent for 2023 decreasing to an ultimate rate of 4.40 percent by 2034
Medicare	5.125 percent for 2023 decreasing to an ultimate rate of 4.40 percent by 2027

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

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

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

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

Changes in the Total OPEB Liability

	Amount
Balance at 06/30/24	<u>\$ 796,391</u>
Changes for the year:	
Service Cost	49,666
Interest	30,312
Changes in Assumptions or Other Inputs	52,621
Benefit Payments	<u>(31,440)</u>
Net Changes	<u>101,159</u>
Balance at 06/30/25	<u><u>\$ 897,550</u></u>

Changes of Assumptions 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	\$1,042,551	\$897,550	\$782,116

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	\$737,567	\$897,550	\$1,110,504

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 \$883. 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	\$ 173,070	\$ 186,613
Change of assumptions or other inputs	144,369	813,096
Transactions subsequent to the measurement date	36,884	-
Total	\$ 354,323	\$ 999,709

Of the total amount reported as deferred outflows of resources related to OPEB, \$36,884 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	\$ (79,096)
2027	(75,252)
2028	(69,012)
2029	(68,056)
2030	(72,417)
Thereafter	(318,437)
Total	\$ (682,270)

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 \$74,079,573. Note 10. includes a complete discussion of defined benefit pension plans.

10. 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 \$6,658,232 for the fiscal year ended June 30, 2025.

FRS Pension Plan

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

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

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

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

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating

the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

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

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

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

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

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

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

The College's contributions to the Plan totaled \$7,067,607 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 \$48,282,882 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 0.124811306 percent, which was a decrease of 0.009536566 from its proportionate share measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the College recognized pension expense of \$6,074,498. 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	\$ 4,877,867	\$ -
Change of assumptions	6,617,611	-
Net difference between projected and actual earnings on FRS Plan investments	-	3,209,132
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	688,722	5,023,393
College FRS contributions subsequent to the measurement date	<u>7,067,607</u>	<u>-</u>
Total	<u>\$ 19,251,807</u>	<u>\$ 8,232,525</u>

The deferred outflows of resources totaling \$7,067,607, 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	\$ (2,058,341)
2027	6,950,080
2028	(547,336)
2029	(658,558)
2030	<u>265,830</u>
Total	<u>\$ 3,951,675</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 3.5 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	\$84,927,901	\$48,282,882	\$17,584,908

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 \$1,455,921 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 \$25,796,691 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 0.171966734 percent, which was a decrease of 0.007092837 from its proportionate share measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the College recognized pension expense of \$583,734. 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>
Change of assumptions	\$ 456,541	\$ 3,053,997
Differences between expected and actual experience	249,085	49,533
Net difference between projected and actual earnings on HIS Plan investments	-	9,330
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	71,844	2,650,591
College contributions subsequent to the measurement date	<u>1,455,921</u>	<u>-</u>
Total	<u>\$ 2,233,391</u>	<u>\$ 5,763,451</u>

The deferred outflows of resources totaling \$1,455,921, 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	\$ (1,079,841)
2027	(1,236,832)
2028	(1,237,275)
2029	(825,180)
2030	(475,983)
Thereafter	<u>(130,870)</u>
Total	<u>\$ (4,985,981)</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
Municipal bond rate	3.93 percent

Salary increases were changed from 3.25 percent in the previous valuation to 3.5 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	\$29,366,216	\$25,796,691	\$22,833,406

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.

11. Retirement Plans – Defined Contribution Pension Plans

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

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

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

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

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

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

The College’s Investment Plan pension expense totaled \$4,792,385 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 \$143,995 and employee contributions totaled \$83,882 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 9 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 \$31,130 and employee contributions totaled \$10,377 for the 2024-25 fiscal year.

12. Construction Commitments

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

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Loxahatchee Groves Dental/Medical Building	\$ 67,227,303	\$ 57,752,360	\$ 9,474,943
Panther Athletics Complex	88,800	42,400	46,400
Emergency Response Training Center	104,996	3,617	101,379
Total	\$ 67,421,099	\$ 57,798,377	\$ 9,622,722

13. 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 (through December 31, 2024), life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

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

14. Litigation

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

15. 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	\$ 64,338,722
Public Services	487,963
Academic Support	18,864,081
Student Services	28,612,539
Institutional Support	30,123,549
Operation and Maintenance of Plant	28,895,863
Scholarships and Waivers	53,342,148
Depreciation	15,272,870
Auxiliary Enterprises	771,080
Total Operating Expenses	\$ 240,708,815

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	\$ 49,666	\$ 75,290	\$ 104,265	\$ 112,858	\$ 97,065
Interest	30,312	47,670	35,610	32,566	50,514
Difference between expected and actual experience	-	(179,461)	-	(56,158)	-
Changes of assumptions or other inputs	52,621	(395,274)	(364,288)	151,196	(74,529)
Benefit Payments	<u>(31,440)</u>	<u>(45,926)</u>	<u>(51,384)</u>	<u>(62,208)</u>	<u>(54,793)</u>
Net change in total OPEB liability	101,159	(497,701)	(275,797)	178,254	18,257
Total OPEB Liability - beginning	<u>796,391</u>	<u>1,294,092</u>	<u>1,569,889</u>	<u>1,391,635</u>	<u>1,373,378</u>
Total OPEB Liability - ending	<u>\$ 897,550</u>	<u>\$ 796,391</u>	<u>\$ 1,294,092</u>	<u>\$ 1,569,889</u>	<u>\$ 1,391,635</u>
Covered-Employee Payroll	\$ 66,036,462	\$ 66,036,462	\$ 58,839,806	\$ 58,839,806	\$ 67,304,889
Total OPEB Liability as a percentage of covered-employee payroll	1.36%	1.21%	2.20%	2.67%	2.07%
	<u>2019</u>	<u>2018</u>	<u>2017</u>		
Total OPEB Liability					
Service cost	\$ 79,470	\$ 81,121	\$ 86,514		
Interest	47,193	42,136	35,019		
Difference between expected and actual experience	448,506	-	-		
Changes of assumptions or other inputs	(393,241)	(41,131)	(76,306)		
Benefit Payments	<u>(55,501)</u>	<u>(37,191)</u>	<u>(13,197)</u>		
Net change in total OPEB liability	126,427	44,935	32,030		
Total OPEB Liability - beginning	<u>1,246,951</u>	<u>1,202,016</u>	<u>1,169,986</u>		
Total OPEB Liability - ending	<u>\$ 1,373,378</u>	<u>\$ 1,246,951</u>	<u>\$ 1,202,016</u>		
Covered-Employee Payroll	\$ 67,304,889	\$ 63,273,633	\$ 58,826,331		
Total OPEB Liability as a percentage of covered-employee payroll	2.04%	1.97%	2.04%		

**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	0.124811306%	0.134347872%	0.141381038%	0.148545287%
College's proportionate share of the FRS net pension liability	\$ 48,282,882	\$ 53,533,375	\$ 52,605,108	\$ 11,220,908
College's covered payroll (2)	\$ 75,960,676	\$ 74,088,427	\$ 70,124,329	\$ 72,670,573
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	63.56%	72.26%	75.02%	15.44%
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	\$ 7,067,607	\$ 6,462,997	\$ 6,032,986	\$ 5,658,934
FRS contributions in relation to the contractually required contribution	<u>(7,067,607)</u>	<u>(6,462,997)</u>	<u>(6,032,986)</u>	<u>(5,658,934)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 80,709,128	\$ 75,960,676	\$ 74,088,427	\$ 70,124,329
FRS contributions as a percentage of covered payroll	8.76%	8.51%	8.14%	8.07%

- (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>
0.141157108%	0.151726749%	0.152627780%	0.139873431%	0.136912322%	0.143178626%
\$ 61,179,571	\$ 52,252,580	\$ 45,972,279	\$ 41,373,623	\$ 34,570,469	\$ 18,493,440
\$ 78,454,059	\$ 81,910,005	\$ 78,245,049	\$ 69,739,633	\$ 64,274,429	\$ 63,227,836
77.98%	63.79%	58.75%	59.33%	53.79%	29.25%
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>
\$ 4,690,025	\$ 5,036,513	\$ 5,098,898	\$ 4,349,769	\$ 3,641,250	\$ 3,338,825
<u>(4,690,025)</u>	<u>(5,036,513)</u>	<u>(5,098,898)</u>	<u>(4,349,769)</u>	<u>(3,641,250)</u>	<u>(3,338,825)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 72,670,573	\$ 78,454,059	\$ 81,910,005	\$ 78,245,049	\$ 69,739,633	\$ 64,274,429
6.45%	6.42%	6.23%	5.56%	5.22%	5.19%

**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	0.171966734%	0.179059571%	0.183000135%	0.193704937%
College's proportionate share of the HIS net pension liability	\$ 25,796,691	\$ 28,437,048	\$ 19,382,637	\$ 23,760,823
College's covered payroll (2)	\$ 72,881,544	\$ 71,019,947	\$ 66,809,105	\$ 68,764,893
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.40%	40.04%	29.01%	34.55%
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	\$ 1,455,921	\$ 1,177,885	\$ 1,107,305	\$ 1,138,599
HIS contributions in relation to the contractually required HIS contribution	\$ (1,455,921)	(1,177,885)	(1,107,305)	(1,138,599)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
College's covered payroll (2)	\$ 77,921,431	\$ 72,881,544	\$ 71,019,947	\$ 66,809,105
HIS contributions as a percentage of covered payroll	1.87%	1.62%	1.56%	1.70%

(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>
0.200836639%	0.213350128%	0.212277534%	0.193337985%	0.189908652%	0.186691279%
\$ 24,521,827	\$ 23,871,744	\$ 22,467,693	\$ 20,672,589	\$ 22,133,067	\$ 19,039,574
\$ 73,658,488	\$ 76,826,509	\$ 72,405,681	\$ 63,717,054	\$ 58,869,058	\$ 56,874,553
33.29%	31.07%	31.03%	32.44%	37.60%	33.48%
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>
\$ 1,157,327	\$ 1,222,731	\$ 1,275,320	\$ 1,151,186	\$ 1,023,200	\$ 973,403
<u>(1,157,327)</u>	<u>(1,222,731)</u>	<u>(1,275,320)</u>	<u>(1,151,186)</u>	<u>(1,023,200)</u>	<u>(973,403)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 68,764,893	\$ 73,658,488	\$ 76,826,509	\$ 72,405,681	\$ 63,717,054	\$ 58,869,058
1.68%	1.66%	1.66%	1.59%	1.61%	1.65%

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

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

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

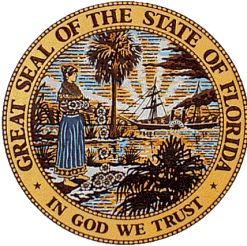
- The discount rate increased from 3.65 percent to 3.93 percent due to a change in the Municipal Bond Index Rate.
- Changes occurred in retirement rates, mortality rates, disability rates, termination rates, DROP entry assumptions, and salary increases.

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

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

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

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



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Palm Beach 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 March 17, 2026, 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
March 17, 2026