

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

GULF COAST STATE COLLEGE

For the Fiscal Year Ended
June 30, 2025



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

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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.

This audit was supervised by Shelly G. Curti, CPA.

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

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SUMMARY

SUMMARY OF REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

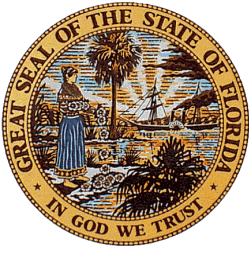
Our audit objectives were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinions. In doing so we:

- 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.
- Determined whether corrective action was taken for the finding included in our report No. 2025-138.

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

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Gulf Coast State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 Gulf Coast 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.

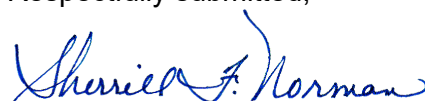
Required Supplementary Information

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 23, 2026, on our consideration of the Gulf Coast State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 23, 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

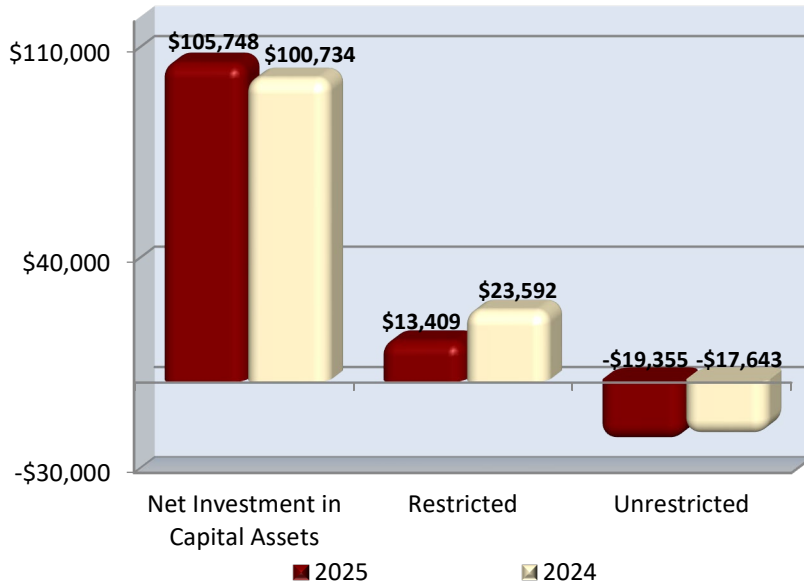
The College's assets and deferred outflows of resources totaled \$145 million at June 30, 2025. This balance reflects a \$0.3 million, or 0.2 percent, increase as compared to the 2023-24 fiscal year, resulting from the following: a \$2.4 million increase in current assets – unrestricted cash and cash equivalents, a \$32.2 million increase in noncurrent assets – depreciable capital assets, net, and an increase in inventories and prepaid expenses totaling \$0.2 million, offset by a \$0.8 million decrease in current assets – restricted cash and cash equivalents, a \$0.3 million decrease in current assets – accounts receivable, a \$5.4 million decrease in current assets – due from other governmental agencies, a \$6.9 million decrease in noncurrent assets – restricted cash and cash equivalents, a \$20.9 million decrease in noncurrent assets – nondepreciable capital assets, and a decrease totaling \$0.2 million in deposits and other assets, notes receivable, and deferred outflows of resources.

While assets and deferred outflows of resources only slightly increased, liabilities and deferred inflows of resources increased by \$7.2 million, or 18.9 percent, totaling \$45.2 million at June 30, 2025, resulting from the following: a \$0.3 million increase in current liabilities – salary and payroll taxes payable, a \$0.2 million increase in current liabilities – retainage payable, a \$0.8 million increase in long-term liabilities – current portion consisting primarily of the addition of a subscription based IT arrangement (SBITA) in the amount of \$0.6 million, an increase in noncurrent liabilities in the amount of \$4.9 million, resulting primarily from an increase of the noncurrent portion of long-term liabilities – SBITA of \$5.7 million and compensated absences of \$0.9 million, offset by decreases in bonds, pension, and OPEB payables totaling \$1.7 million, and an increase in deferred inflows of resources totaling \$1.1 million.

The College's operating revenues totaled \$13.2 million for the 2024-25 fiscal year, representing a 6.8 percent increase compared to the 2023-24 fiscal year due primarily to increases of \$0.3 million in student tuition and fees, \$0.5 million in State and local grants and contracts, and \$0.2 million in other operating revenues. Operating expenses totaled \$70.3 million for the 2024-25 fiscal year, representing an increase of 9.6 percent as compared to the 2023-24 fiscal year due mainly to a \$2.1 million increase in scholarship and waivers, an increase of \$1.6 million in materials and supplies, and an increase of \$1.4 million in depreciation/amortization.

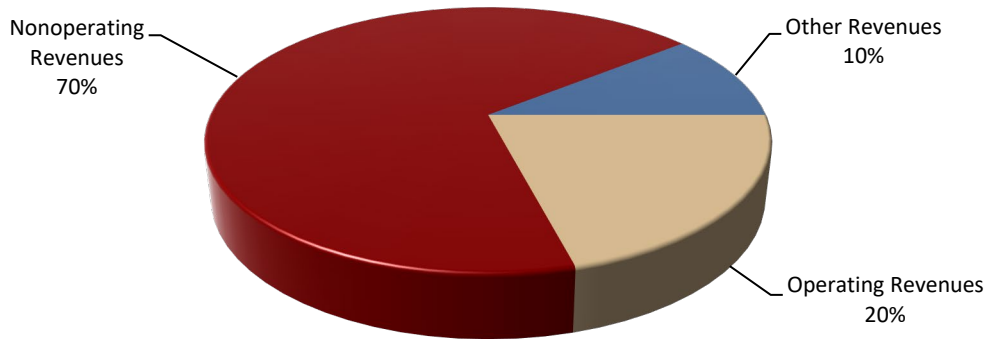
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2025, and June 30, 2024, is shown in the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

**Net Position
(In Thousands)**



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

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

The financial activities of the Gulf Coast Commodore Club, Inc. are not included in the College's financial statements as the total assets related to this component unit represent less than one percent of the total aggregate component units' assets.

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

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	<u>2025</u>	<u>2024</u>
Assets		
Current Assets	\$ 20,512	\$ 24,430
Capital Assets, Net	114,431	103,145
Other Noncurrent Assets	<u>2,875</u>	<u>9,762</u>
Total Assets	<u>137,818</u>	<u>137,337</u>
Deferred Outflows of Resources	<u>7,216</u>	<u>7,400</u>
Liabilities		
Current Liabilities	6,337	5,124
Noncurrent Liabilities	<u>34,332</u>	<u>29,439</u>
Total Liabilities	<u>40,669</u>	<u>34,563</u>
Deferred Inflows of Resources	<u>4,563</u>	<u>3,491</u>
Net Position		
Net Investment in Capital Assets	105,748	100,734
Restricted	13,409	23,592
Unrestricted	<u>(19,355)</u>	<u>(17,643)</u>
Total Net Position	<u>\$ 99,802</u>	<u>\$ 106,683</u>

Total assets increased by \$0.5 million resulting primarily from a \$2.4 million increase current assets – unrestricted cash and cash equivalents, and a \$32.2 million increase in noncurrent assets – depreciable capital assets, offset by a \$0.8 million decrease in current assets – restricted cash and cash equivalents, a \$6.9 million decrease in noncurrent assets – restricted cash and cash equivalents, a \$0.3 million decrease in current assets – accounts receivable, a \$20.9 million decrease in

noncurrent assets – nondepreciable capital assets, and a \$5.4 million decrease in current assets – due from other governmental agencies.

Total liabilities increased by \$6.1 million resulting primarily from a \$6.3 million increase in current and noncurrent liabilities – subscription-based IT agreements (SBITA) liabilities and a \$1 million increase in current and noncurrent compensated absences payable, and a \$0.2 million increase in current liabilities – retainage payable, offset by a \$1.4 million decrease in current and noncurrent liabilities – pension and other postemployment benefits payable. In addition, deferred inflows of resources – pensions increased by \$1.2 million. The effect of the increase of \$0.5 million in total assets and an increase of \$6.1 million in liabilities, along with \$1.1 million increase in deferred inflows of resources and \$0.2 million decrease in deferred outflows of resources, resulted in a decrease of \$6.9 million in total net position.

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

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

The following summarizes the College’s activity for the 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	\$ 13,231	\$ 12,384
Less, Operating Expenses	70,271	64,115
Operating Loss	(57,040)	(51,731)
Net Nonoperating Revenues	43,376	42,312
Loss Before Other Revenues	(13,664)	(9,419)
Other Revenues	6,783	5,150
Net Decrease In Net Position	(6,881)	(4,269)
Net Position, Beginning of Year	106,683	110,952
Net Position, End of Year	\$ 99,802	\$ 106,683

Operating Revenues

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

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

**Operating Revenues
For the Fiscal Years**

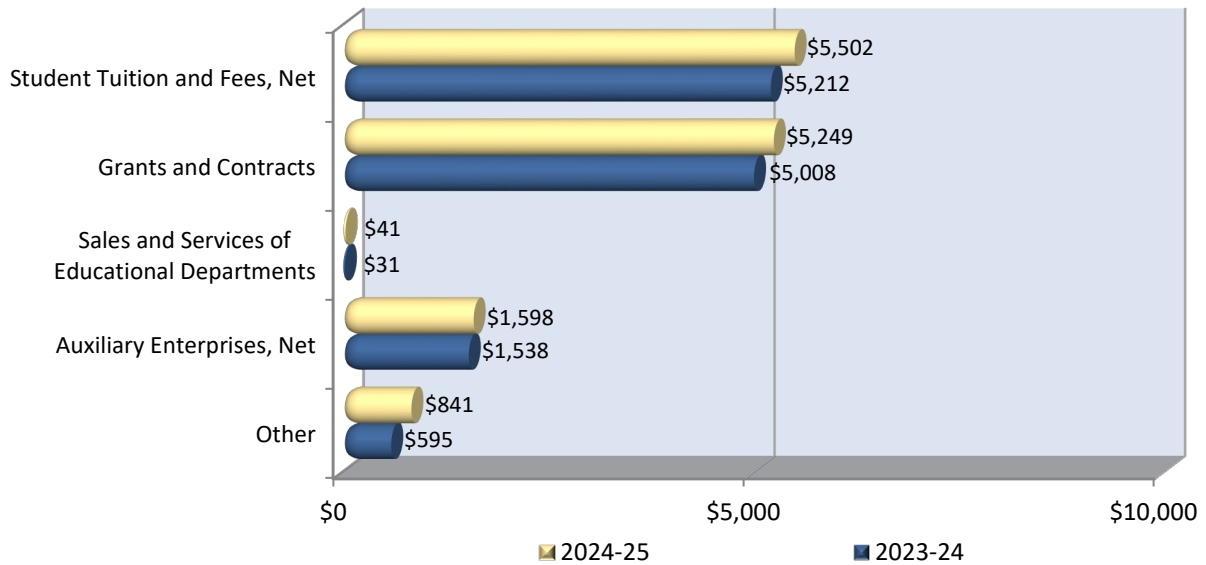
(In Thousands)

	<u>2024-25</u>	<u>2023-24</u>
Student Tuition and Fees, Net	\$ 5,502	\$ 5,212
Grants and Contracts	5,249	5,008
Sales and Services of Educational Departments	41	31
Auxiliary Enterprises, Net	1,598	1,538
Other	841	595
Total Operating Revenues	\$ 13,231	\$ 12,384

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

Operating Revenues

(In Thousands)



College operating revenue changes resulted primarily from an increase in student tuition and fees, State and local grants and contracts and other revenues.

Operating Expenses

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

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

**Operating Expenses
For the Fiscal Years**

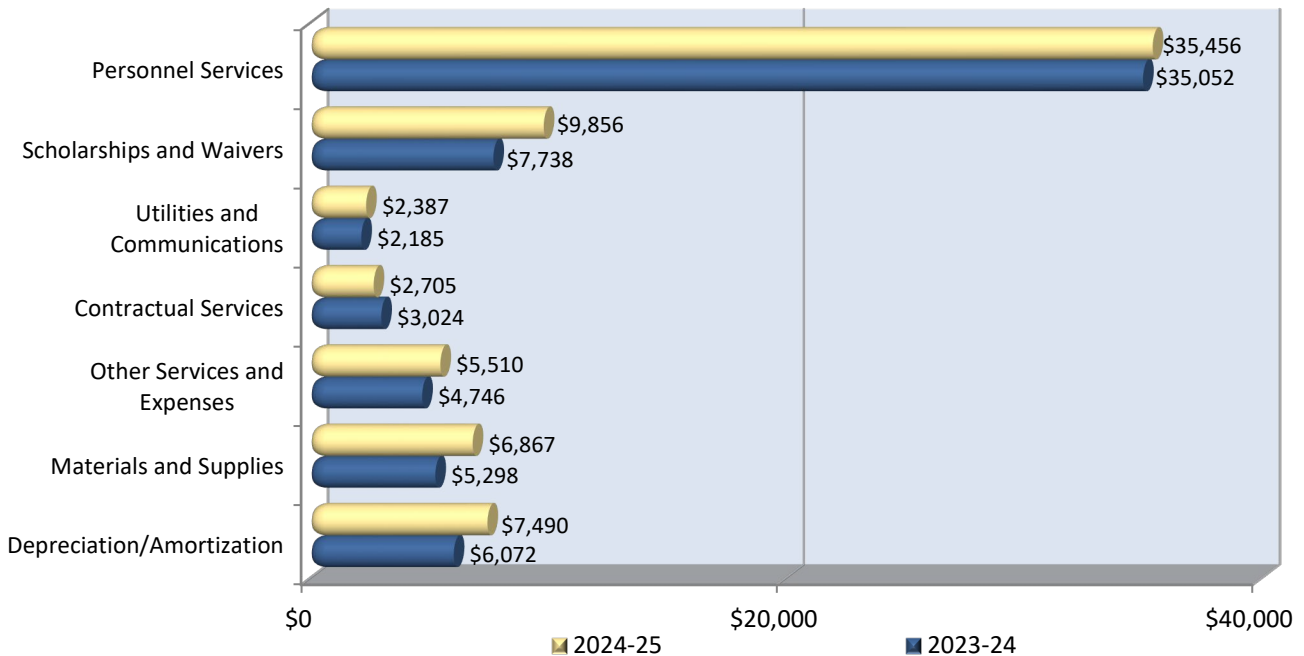
(In Thousands)

	<u>2024-25</u>	<u>2023-24</u>
Personnel Services	\$ 35,456	\$ 35,052
Scholarships and Waivers	9,856	7,738
Utilities and Communications	2,387	2,185
Contractual Services	2,705	3,024
Other Services and Expenses	5,510	4,746
Materials and Supplies	6,867	5,298
Depreciation/Amortization	7,490	6,072
Total Operating Expenses	\$ 70,271	\$ 64,115

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

Operating Expenses

(In Thousands)



College operating expenses increased by \$6.2 million. The changes were primarily the result of the following factors: a \$2.1 million increase in scholarships and waivers, a \$1.6 million increase in materials and supplies, a \$1.4 million increase in depreciation/amortization, a \$0.8 million increase in other services, a \$0.4 million increase in personnel services, and a \$0.2 million increase in utilities and communications, offset by a \$0.3 million decrease in contractual services.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital

financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2024-25 and 2023-24 fiscal years:

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

(In Thousands)

	2024-25	2023-24
State Noncapital Appropriations	\$ 31,936	\$ 40,160
Federal and State Student Financial Aid	12,883	10,379
Gifts and Grants	868	467
Investment Income	597	449
Loss on Disposal of Capital Assets	-	(44)
Interest on Capital Asset-Related Debt	(91)	(102)
Other Nonoperating Expenses	(2,817)	(8,997)
Net Nonoperating Revenues	\$ 43,376	\$ 42,312

The changes in net nonoperating revenues resulted primarily from the following: an increase in Federal and State student financial aid due to an overall increase in full-time equivalent enrollment and a decrease in State noncapital appropriations due to a decrease from State funding mainly for a mobile home tie-down grant. The decrease in nonoperating expenses is due to a decrease in funding for a Statewide Mobile Home Tie Down Program funded by the Legislature and administered by the College. In the 2023-24 fiscal year, the College had a large carryover of Mobile Home Tie-Down Program funds unused by the prior administrator which the College was able to disburse, and in the 2024-25 fiscal year available funding has now reverted back to the normal \$2.8 million appropriation.

Other Revenues

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

**Other Revenues
For the Fiscal Years**

(In Thousands)

	2024-25	2023-24
State Capital Appropriations	\$ 6,011	\$ 4,139
Capital Grants, Contracts, Gifts, and Fees	691	1,011
Other Revenues	81	-
Total	\$ 6,783	\$ 5,150

The College's other revenues in the current fiscal year only slightly increased as a result of a \$1.9 million increase in State capital appropriations for a classroom and emergency shelter facility at the College's Gulf/Franklin Campus in Port St. Joe, Florida, offset by a \$0.3 million decrease in capital grants, contracts, gifts, and fees.

The Statement of Cash Flows

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

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

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

	<u>2024-25</u>	<u>2023-24</u>
Cash Provided (Used) by:		
Operating Activities	\$ (46,219)	\$ (41,019)
Noncapital Financing Activities	42,999	42,010
Capital and Related Financing Activities	(2,697)	2,672
Investing Activities	<u>596</u>	<u>449</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(5,321)	4,112
Cash and Cash Equivalents, Beginning of Year	<u>13,946</u>	<u>9,834</u>
Cash and Cash Equivalents, End of Year	<u>\$ 8,625</u>	<u>\$ 13,946</u>

Major sources of funds came from State noncapital appropriations (\$31.9 million), State capital appropriations (\$8.5 million), Federal and State student financial aid (\$12.9 million), Federal Direct Loan program receipts (\$2.4 million), net student tuition and fees (\$5.8 million), grants and contracts (\$5.8 million), auxiliary enterprise receipts (\$1.6 million), and capital grants and gifts (\$0.7 million). Major uses of funds were for payments to employees and for employee benefits (\$34.3 million), payments to suppliers (\$16 million), purchases of capital assets (\$11 million), payments for scholarships (\$9.9 million), disbursements to students for the Federal Direct Loan program (\$2.4 million), and payments for utilities and communications (\$2.4 million).

Changes in cash and cash equivalents were the result of the following factors: a decrease in grants and contracts due to funding for the mobile home tie-down grant, a decrease in State noncapital appropriations due to decreased State funding, an increase in Federal and State student financial aid due to an increase in full-time equivalent (FTE) enrollment, an increase in payments to suppliers for contractual services under the STEM Education Center Building and Deferred Maintenance Projects, a decrease in other nonoperating expenses due to decreased payments made related to the mobile home tie-down grant, an increase in payments made to personnel expenses due to an across the board raise, and an increase in payments for scholarships due to an increase in FTE.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2025, the College had \$203.2 million in capital assets, less accumulated depreciation/amortization of \$88.8 million, for net capital assets of \$114.4 million. Depreciation/amortization charges for the current fiscal year totaled \$7.5 million. The following table summarizes the College’s capital assets, net of accumulated depreciation/amortization, at June 30:

Capital Assets, Net at June 30
(In Thousands)

	2025	2024
Land	\$ 7,884	\$ 7,884
Construction in Progress	3,013	23,900
Buildings, Net	86,742	62,121
Other Structures and Improvements	6,147	4,549
Furniture, Machinery, and Equipment	4,307	4,691
Subscription-Based Information Technology Arrangements	6,338	-
Capital Assets, Net	\$ 114,431	\$ 103,145

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 on the STEM Education Center Building and the parking lots projects for the Health Sciences and Wellness buildings which are now completed, and the central corridor renovations, Nursing Simulation Center, and Gulf/Franklin Classrooms and Shelter projects which are construction in progress projects. The College’s major construction commitments at June 30, 2025, are as follows:

	Amount (In Thousands)
Total Committed	\$ 2,987
Completed to Date	(1,717)
Balance Committed	\$ 1,270

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 \$1.5 million in outstanding debt representing a decrease of \$0.3 million, or 14.6 percent. 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>
Florida Department of Education:		
Capital Improvement Revenue Bonds	<u>\$ 1,525</u>	<u>\$ 1,785</u>

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College’s economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding was received, which was more than offset by a much larger increase in employee health insurance costs for the 2025-26 fiscal year. However, the College’s current financial and capital plans indicate that the financial resources from State funding, increased student enrollments and reserves that have been accumulated over the past years will allow it to continue at the present level of service without a tuition increase for the 2025-26 fiscal year.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

GULF COAST STATE COLLEGE A Component Unit of the State of Florida Statement of Net Position

June 30, 2025

	<u>College</u>	<u>Component Unit</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 4,233,356	\$ 243,994
Restricted Cash and Cash Equivalents	1,516,948	-
Restricted Investments	-	22,138,097
Accounts Receivable, Net	558,457	16,821
Pledges Receivable	-	750,642
Notes Receivable, Net	61,053	-
Due from Other Governmental Agencies	12,770,653	-
Inventories	530,876	-
Prepaid Expenses	810,832	26,689
Deposits	16,242	-
Other Assets	13,887	-
Total Current Assets	<u>20,512,304</u>	<u>23,176,243</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	2,874,799	-
Restricted Investments	-	14,533,280
Pledges Receivable	-	717,078
Depreciable Capital Assets, Net	103,533,118	-
Nondepreciable Capital Assets	10,897,701	-
Other Assets	-	6,443
Total Noncurrent Assets	<u>117,305,618</u>	<u>15,256,801</u>
TOTAL ASSETS	<u>137,817,922</u>	<u>38,433,044</u>
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	528,003	-
Pensions	6,688,867	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>7,216,870</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,903,131	76,344
Salary and Payroll Taxes Payable	1,181,391	-
Retainage Payable	820,885	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	275,000	-
Subscription Arrangement Liability	623,684	-
Compensated Absences Payable	484,879	-
Other Postemployment Benefits Payable	22,239	-
Net Pension Liability	26,052	-
Total Current Liabilities	<u>6,337,261</u>	<u>76,344</u>

	<u>College</u>	<u>Component Unit</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	1,250,000	-
Subscription Arrangement Liability	5,713,984	-
Compensated Absences Payable	4,861,521	-
Other Postemployment Benefits Payable	1,034,569	-
Net Pension Liability	21,472,098	-
Total Noncurrent Liabilities	<u>34,332,172</u>	<u>-</u>
TOTAL LIABILITIES	<u>40,669,433</u>	<u>76,344</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	1,871,169	-
Pensions	2,691,782	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>4,562,951</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	105,748,074	-
Restricted:		
Nonexpendable:		
Endowment	-	14,485,593
Expendable:		
Scholarships	62,985	23,871,107
Capital Projects	13,346,386	-
Unrestricted	(19,355,037)	-
TOTAL NET POSITION	<u>\$ 99,802,408</u>	<u>\$ 38,356,700</u>

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

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

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$5,498,059	\$ 5,501,916	\$ -
Federal Grants and Contracts	2,495,561	-
State and Local Grants and Contracts	464,953	-
Nongovernmental Grants and Contracts	2,288,738	-
Sales and Services of Educational Departments	40,570	-
Auxiliary Enterprises, Net of Scholarship Allowances of \$559,451	1,598,320	-
Other Operating Revenues	841,028	4,922,798
Total Operating Revenues	13,231,086	4,922,798
EXPENSES		
Operating Expenses:		
Personnel Services	35,455,701	-
Scholarships and Waivers	9,855,724	2,396,791
Utilities and Communications	2,386,781	-
Contractual Services	2,705,097	-
Other Services and Expenses	5,509,975	992,450
Materials and Supplies	6,867,578	-
Depreciation/Amortization	7,490,348	-
Total Operating Expenses	70,271,204	3,389,241
Operating Income (Loss)	(57,040,118)	1,533,557
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	31,935,799	-
Federal and State Student Financial Aid	12,883,380	-
Gifts and Grants	868,331	-
Investment Income	596,615	-
Interest on Capital Asset-Related Debt	(90,809)	-
Other Nonoperating Expenses	(2,817,252)	-
Net Nonoperating Revenues	43,376,064	-
Income (Loss) Before Other Revenues	(13,664,054)	1,533,557
State Capital Appropriations	6,011,237	-
Capital Grants, Contracts, Gifts, and Fees	690,809	-
Other Revenues	81,757	-
Total Other Revenues	6,783,803	-
Increase (Decrease) in Net Position	(6,880,251)	1,533,557
Net Position, Beginning of Year	106,682,659	36,823,143
Net Position, End of Year	\$ 99,802,408	\$ 38,356,700

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

GULF COAST STATE COLLEGE
A Component Unit of the State of Florida
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2025

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 5,779,996
Grants and Contracts	5,802,830
Loans Issued to Students	(469,434)
Collection of Loans to Students	478,339
Payments to Suppliers	(16,023,481)
Payments for Utilities and Communications	(2,386,781)
Payments to Employees	(25,685,745)
Payments for Employee Benefits	(8,628,131)
Payments for Scholarships	(9,855,724)
Auxiliary Enterprises, Net	1,598,320
Sales and Services of Educational Departments	40,570
Nongovernmental Grants and Contracts	2,288,738
Other Receipts	841,028
	Net Cash Used by Operating Activities
	(46,219,475)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	31,935,799
Federal and State Student Financial Aid	12,883,380
Federal Direct Loan Program Receipts	2,366,785
Federal Direct Loan Program Disbursements	(2,366,785)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	868,331
Other Nonoperating Disbursements	(2,688,585)
	Net Cash Provided by Noncapital Financing Activities
	42,998,925
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	8,546,399
Capital Grants and Gifts	690,809
Purchases of Capital Assets	(10,959,542)
Principal Paid on Capital Debt and Leases	(883,736)
Interest Paid on Capital Debt and Leases	(90,809)
	Net Cash Used by Capital and Related Financing Activities
	(2,696,879)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	596,615
	Net Cash Provided by Investing Activities
	596,615
	Net Decrease in Cash and Cash Equivalents
	(5,320,814)
Cash and Cash Equivalents, Beginning of Year	13,945,917
	Cash and Cash Equivalents, End of Year
	\$ 8,625,103

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (57,040,118)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation/Amortization Expense	7,490,348
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	299,559
Due from Other Governmental Agencies	2,822,031
Notes Receivable, Net	8,905
Inventories	(98,618)
Prepaid Expenses	(83,363)
Deposits Receivable	119
Accounts Payable	(752,999)
Salaries and Payroll Taxes Payable	289,209
Unearned Revenue	(7,164)
Compensated Absences Payable	1,039,251
Other Postemployment Benefits Payable	(13,655)
Net Pension Liability	(1,427,823)
Deferred Outflows of Resources Related to Other Postemployment Benefits	130,529
Deferred Inflows of Resources Related to Other Postemployment Benefits	(158,703)
Deferred Outflows of Resources Related to Pensions	52,449
Deferred Inflows of Resources Related to Pensions	1,230,568
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (46,219,475)</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 Gulf Coast State College, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education (SBE) rules. However, the Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and SBE rules. The College serves Bay, Franklin, and Gulf Counties.

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

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following component units are included within the College's reporting entity:

- Gulf Coast State College Foundation, Inc. (Foundation): This legally separate organization provides funding and services to support and foster the pursuit of higher education at the College and is governed by a separate board.
- The Gulf Coast Commodore Club, Inc. (Commodore Club): This legally separate organization promotes educational, physical, and mental welfare of youth through amateur athletics and is governed by a separate board. Financial activities of this component unit are not included in the College's financial statements as the total assets related to this component unit represent less than one percent of the total aggregate component units' assets.

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the Vice President of Administration and Finance, Gulf Coast State College, 5230 West Highway 98, Panama City, Florida 32401. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended June 30, 2025.

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by

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

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

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

The College's component unit uses the economic resources measurement focus and the accrual basis of accounting, and follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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/amortization of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, investment income, and gifts and grants. Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

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

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

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

College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by 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 \$121,049 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities (Level 3 inputs, as discussed in Note 4.). Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of AA-f by Standard & Poor's, had an effective duration of 3.33 years and fair value factor of 1.003 at June 30, 2025. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balance. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Annual Comprehensive Financial Report.

At June 30, 2025, the College reported as cash equivalents \$3,193,451 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.

Capital Assets. College capital assets consist of land, construction in progress, buildings, other structures and improvements, subscription-based information technology (SBITA) assets, and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements, and \$1,500,000 for intangible assets. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- SBITA – 10 years

- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, and Educational Equipment – 5 years
 - Furniture – 7 years

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

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

2. Accounting Change

Change in Accounting Principle. The College implemented GASB Statement No. 101, *Compensated Absences*, whose objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective was achieved by aligning the recognition and measurement guidance under a unified model and by amending previously required note disclosures.

3. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (23,755,204)
Auxiliary Funds	4,400,167
Total	<u>\$ (19,355,037)</u>

4. Investments

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

instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; and other investments approved by the Board of Trustees as authorized by law. SBE Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments.

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

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

The College reported no investments at June 30, 2025.

Component Unit Investments. The College's component unit investments for the Foundation at June 30, 2025, are reported as follows:

Investments by fair value level	Amount	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	\$ 169,869	\$ 169,869	\$ -
Fixed Income	10,333,816	10,333,816	-
Public Equity	22,789,742	22,789,742	-
Real Assets	1,130,043	1,130,043	-
Alternative Assets	1,957,851	1,791,304	166,547
Total investments by fair value level	<u>\$ 36,381,321</u>	<u>\$ 36,214,774</u>	<u>\$ 166,547</u>
Investments measured at the net asset value (NAV)			
Secondary Partners	<u>242,369</u>		
Total investments measured at NAV	<u>242,369</u>		
Total investments measured at fair value	<u>\$ 36,623,690</u>		

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

5. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for vending machine sales, unused credit memos, uncollected installment plans, book scholarships, and contract and grant reimbursements due from third parties. These accounts receivable are reported net of a \$427,940 allowance for doubtful accounts.

6. Notes Receivable

Notes receivable represent student loans made under the College's short-term loan program. Notes receivable are reported net of a \$75,986 allowance for doubtful notes.

7. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$9,897,637 Public Education Capital Outlay allocations due from the State for construction of College facilities, and the amount of \$1,135,128 is due for reimbursement from the Mobile Home Tie-Down Program administered by the Florida Division of Emergency Management for which the College has been assigned oversight of funds.

8. Capital Assets

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Adjustments (1)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:					
Land	\$ 7,884,470	\$ -	\$ -	\$ -	\$ 7,884,470
Construction in Progress	23,899,333	-	2,165,336	23,051,438	3,013,231
Total Nondepreciable Capital Assets	\$ 31,783,803	\$ -	\$ 2,165,336	\$23,051,438	\$ 10,897,701
Depreciable Capital Assets:					
Buildings	\$121,510,838	\$ -	\$ 28,094,530	\$ 2,373,167	\$147,232,201
Other Structures and Improvements	16,046,656	134,360	2,736,402	1,339,671	17,577,747
Furniture, Machinery, and Equipment	20,394,486	-	1,916,684	1,798,713	20,512,457
Subscription-Based Information					
Technology Arrangement	-	-	6,961,404	-	6,961,404
Total Depreciable Capital Assets	157,951,980	134,360	39,709,020	5,511,551	192,283,809
Less, Accumulated Depreciation/Amortization					
Buildings	59,389,501	(62,163)	3,356,664	2,192,346	60,491,656
Other Structures and Improvements	11,497,432	-	1,272,528	1,339,671	11,430,289
Furniture, Machinery, and Equipment	15,704,140	8,026	2,291,557	1,798,713	16,205,010
Subscription-Based Information					
Technology Arrangement	-	-	623,736	-	623,736
Total Accumulated Depreciation/Amortization	86,591,073	(54,137)	7,544,485	5,330,730	88,750,691
Total Depreciable Capital Assets, Net	\$ 71,360,907	\$ 188,497	\$ 32,164,535	\$ 180,821	\$103,533,118

(1) Adjustments were made to correct accounting errors.

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	\$ 1,785,000	\$ -	\$ 260,000	\$ 1,525,000	\$ 275,000
Subscription-Based Information Technology Arrangement	-	6,337,668	-	6,337,668	623,684
Compensated Absences Payable	4,307,149	1,524,130	484,879	5,346,400	484,879
Other Postemployment Benefits Payable	1,070,463	126,504	140,159	1,056,808	22,239
Net Pension Liability	22,925,973	7,076,388	8,504,211	21,498,150	26,052
Total Long-Term Liabilities	\$ 30,088,585	\$ 15,064,690	\$ 9,389,249	\$ 35,764,026	\$ 1,431,854

Bonds Payable. The Florida Department of Education issued Capital Improvement Revenue Bonds, Series 2021A, as authorized by Article VII, Section 11(d) of the Florida Constitution, Sections 215.57 through 215.83 and Section 1009.23, Florida Statutes, and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Section 1009.23(11), Florida Statutes, by the Series 2021A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2021A bonds. The Series 2021A bonds constitute the sixth series of bonds to be issued pursuant to a Master Authorizing Resolution. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenue of all colleges participating in any series of bonds then outstanding. The Series 2021A bonds will share the lien of such additional bonds on the Series 2021A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The bonds were issued to refund the outstanding 2010A bonds that financed the new construction and equipment and renovation and remodeling of education facilities.

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

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rate (Percent)</u>	<u>Annual Maturity To</u>
Florida Department of Education Capital Improvement Revenue Bonds: Series 2021A	<u>\$ 1,525,000</u>	5.00	2030

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	\$ 275,000	\$ 76,250	\$ 351,250
2027	290,000	62,500	352,500
2028	305,000	48,000	353,000
2029	320,000	32,750	352,750
2030	335,000	16,750	351,750
Total	\$ 1,525,000	\$ 236,250	\$ 1,761,250

Subscription-Based Information Technology Arrangement. The College has a SBITA for the right to use Ellucian’s Banner SaaS Essentials Cloud Software, an enterprise resource planning system asset, totaling \$8,080,066. The subscription term ends July 2027, which the College expects to renew for seven additional years on a year-to-year basis until July 2034. The College has discounted the future minimum payments using its incremental borrowing rate of 3 percent. The present value of the remaining minimum payments for the SBITA liability 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	\$ 644,261	\$ 623,684	\$ 20,577
2027	663,806	623,637	40,169
2028	710,272	647,594	62,678
2029	759,991	672,471	87,520
2030	813,190	698,304	114,886
2031-2034	3,863,251	3,071,978	791,273
Total	\$ 7,454,771	\$ 6,337,668	\$ 1,117,103

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. Compensated absences are estimated and accrued as liabilities to the extent that it is more likely than not that the leave will be used for time off or otherwise paid in cash or settled through noncash means. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2025, the estimated liability for compensated absences, which includes the College’s share of the Florida Retirement System and FICA contributions, totaled \$5,346,400. The current portion of the compensated absences liability, \$484,879, is the amount expected to be paid in the coming fiscal year. This amount was estimated by performing an analysis of the last five years’ payments made to employees for unused leave at the time of termination.

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 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	31
Inactive Employees Entitled to But Not Yet Receiving Benefits	17
Active Employees	370
Total	<u>418</u>

Total OPEB Liability

The College’s total OPEB liability of \$1,056,808 was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2023.

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

Inflation	2.40 percent
Real wage growth	0.85 percent
Wage inflation	3.25 percent
Salary increases, including wage inflation	
Regular Employees	3.65 percent to 6.35 percent
Senior Management Employees	4.20 percent to 9.30 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.65 percent
Measurement Date	3.93 percent
Healthcare cost trend rates	
Pre-Medicare	7.00 percent for 2023, decreasing to an ultimate rate of 4.40 percent by 2034
Medicare	5.125 percent for 2023, decreasing to an ultimate rate of 4.40 percent by 2027

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

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

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

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

Changes in the Total OPEB Liability

	Amount
Balance at 6/30/24	<u>\$ 1,070,463</u>
Changes for the year:	
Service Cost	84,871
Interest	41,633
Changes in Assumptions or Other Inputs	(110,469)
Benefit Payments	<u>(29,690)</u>
Net Changes	<u>(13,655)</u>
Balance at 6/30/25	<u><u>\$ 1,056,808</u></u>

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

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

	<u>1% Decrease (2.93%)</u>	<u>Current Discount Rate (3.93%)</u>	<u>1% Increase (4.93%)</u>
Total OPEB liability	\$1,360,067	\$1,056,808	\$826,526

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	\$792,237	\$1,056,808	\$1,424,448

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

For the fiscal year ended June 30, 2025, the College recognized negative OPEB expense of \$19,590. 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	\$ 183,204	\$ 916,463
Change of assumptions or other inputs	322,560	954,706
Transactions subsequent to the measurement date	22,239	-
Total	\$ 528,003	\$ 1,871,169

Of the total amount reported as deferred outflows of resources related to OPEB, \$22,239 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	\$ (134,234)
2027	(114,569)
2028	(127,847)
2029	(157,136)
2030	(172,930)
Thereafter	(658,689)
Total	\$ (1,365,405)

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 \$21,498,150. 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 \$2,385,199 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 \$2,145,225 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 \$14,013,345 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 0.036224508 percent, which was a decrease of 0.001381948 from its proportionate share measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the College recognized pension expense of \$2,157,512. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,415,724	\$ -
Change of assumptions	1,920,657	-
Net difference between projected and actual earnings on FRS Plan investments	-	931,400
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	459,645	664,367
College FRS contributions subsequent to the measurement date	<u>2,145,225</u>	<u>-</u>
Total	<u>\$ 5,941,251</u>	<u>\$ 1,595,767</u>

The deferred outflows of resources totaling \$2,145,225, 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	\$ (169,995)
2027	2,318,331
2028	28,882
2029	(79,092)
2030	<u>102,133</u>
Total	<u>\$ 2,200,259</u>

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

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

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

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

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

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

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

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

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

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

	<u>1% Decrease (5.70%)</u>	<u>Current Discount Rate (6.70%)</u>	<u>1% Increase (7.70%)</u>
College's proportionate share of the net pension liability	\$24,648,980	\$14,013,345	\$5,103,742

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.

Payables to the Pension Plan. At June 30, 2025, the College reported a payable of \$251,239 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2025.

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 \$456,885 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 \$7,484,805 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 0.049895459 percent, which was a decrease of 0.000106583 from its proportionate share measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the College recognized pension expense of \$227,687. 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	\$ 72,271	\$ 14,372
Change of assumptions	132,463	886,105
Net difference between projected and actual earnings on HIS Plan investments	-	2,707
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	85,997	192,831
College contributions subsequent to the measurement date	456,885	-
Total	<u>\$ 747,616</u>	<u>\$ 1,096,015</u>

The deferred outflows of resources totaling \$456,885, 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	\$ (159,545)
2027	(191,380)
2028	(219,612)
2029	(136,536)
2030	(75,701)
Thereafter	(22,510)
Total	<u>\$ (805,284)</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 3.50 percent in the current valuation.

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

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

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

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

	1% Decrease (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
College’s proportionate share of the net pension liability	\$8,520,490	\$7,484,805	\$6,625,021

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.

Payables to the Pension Plan. At June 30, 2025, the College reported a payable of \$5,127 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2025.

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

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

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

The College’s Investment Plan pension expense totaled \$1,541,078 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 \$75,499 and employee contributions totaled \$43,984 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>
Central Corridor Renovations	\$ 1,329,783	\$ 1,092,991	\$ 236,792
Nursing Simulation Center	1,274,766	561,111	713,655
Gulf-Franklin Campus Classrooms & Shelter	<u>382,468</u>	<u>63,319</u>	<u>319,149</u>
Total	<u>\$ 2,987,017</u>	<u>\$ 1,717,421</u>	<u>\$ 1,269,596</u>

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, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

Beginning in January 2025, College employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State’s risk financing activities associated with State group health insurance, such as risk of loss related to medical 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. 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	\$ 20,141,354
Public Services	621,516
Academic Support	3,333,674
Student Services	5,556,733
Institutional Support	9,487,174
Operation and Maintenance of Plant	12,392,885
Scholarships and Waivers	10,000,111
Depreciation/Amortization	7,490,348
Auxiliary Enterprises	<u>1,247,409</u>
Total Operating Expenses	<u><u>\$ 70,271,204</u></u>

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2024	2023	2022	2021	2020
Total OPEB Liability					
Service cost	\$ 84,871	\$ 121,207	\$ 182,975	\$ 155,130	\$ 105,890
Interest	41,633	78,158	59,970	60,032	73,720
Difference between expected and actual experience	-	(1,108,997)	-	302,456	-
Changes of assumptions or other inputs	(110,469)	(80,764)	(702,497)	(447,755)	411,135
Benefit Payments	(29,690)	(51,157)	(43,475)	(31,965)	(27,775)
Net change in total OPEB liability	(13,655)	(1,041,553)	(503,027)	37,898	562,970
Total OPEB Liability - beginning	1,070,463	2,112,016	2,615,043	2,577,145	2,014,175
Total OPEB Liability - ending	<u>\$ 1,056,808</u>	<u>\$ 1,070,463</u>	<u>\$ 2,112,016</u>	<u>\$ 2,615,043</u>	<u>\$ 2,577,145</u>
Covered-Employee Payroll	\$ 19,294,384	\$ 19,294,384	\$ 16,886,366	\$ 16,886,366	\$ 16,715,021
Total OPEB Liability as a percentage of covered-employee payroll	5.48%	5.55%	12.51%	15.49%	15.42%
	2019	2018	2017		
Total OPEB Liability					
Service cost	\$ 65,873	\$ 71,539	\$ 85,002		
Interest	57,568	54,391	49,750		
Difference between expected and actual experience	12,258	-	-		
Changes of assumptions or other inputs	414,215	(113,993)	(215,318)		
Benefit Payments	(46,131)	(58,253)	(30,885)		
Net change in total OPEB liability	503,783	(46,316)	(111,451)		
Total OPEB Liability - beginning	1,510,392	1,556,708	1,668,159		
Total OPEB Liability - ending	<u>\$ 2,014,175</u>	<u>\$ 1,510,392</u>	<u>\$ 1,556,708</u>		
Covered-Employee Payroll	\$ 16,715,021	\$ 17,211,561	\$ 17,211,561		
Total OPEB Liability as a percentage of covered-employee payroll	12.05%	8.78%	9.04%		

**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	0.036224508%	0.037606456%	0.037857801%	0.039594372%
College's proportionate share of the FRS net pension liability	\$ 14,013,345	\$ 14,984,982	\$ 14,086,144	\$ 2,990,905
College's covered payroll (2)	\$ 24,938,391	\$ 23,001,835	\$ 22,064,784	\$ 21,371,664
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	56.19%	65.15%	63.84%	13.99%
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	\$ 2,145,225	\$ 2,120,787	\$ 1,804,469	\$ 1,673,756
FRS contributions in relation to the contractually required contribution	<u>(2,145,225)</u>	<u>(2,120,787)</u>	<u>(1,804,469)</u>	<u>(1,673,756)</u>
FRS contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
College's covered payroll (2)	\$ 25,768,612	\$ 24,938,391	\$ 23,001,835	\$ 22,064,784
FRS contributions as a percentage of covered payroll	8.32%	8.50%	7.84%	7.59%

- (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>
0.034717439%	0.035907676%	0.035509083%	0.036607557%	0.037934738%	0.042908563%
\$ 15,047,050	\$ 12,366,104	\$ 10,695,520	\$ 10,828,270	\$ 9,578,551	\$ 5,542,216
\$ 21,223,407	\$ 21,508,431	\$ 20,789,546	\$ 21,686,784	\$ 21,042,665	\$ 20,940,363
70.90%	57.49%	51.45%	49.93%	45.52%	26.47%
78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
\$ 1,596,696	\$ 1,038,034	\$ 1,129,352	\$ 1,011,980	\$ 952,985	\$ 952,099
<u>(1,596,696)</u>	<u>(1,038,034)</u>	<u>(1,129,352)</u>	<u>(1,011,980)</u>	<u>(952,985)</u>	<u>(952,099)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 21,371,664	\$ 21,223,407	\$ 21,508,431	\$ 20,789,546	\$ 21,686,784	\$ 21,042,665
7.47%	4.89%	5.25%	4.87%	4.39%	4.52%

**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	0.049895459%	0.050002042%	0.049130603%	0.050113412%
College's proportionate share of the HIS net pension liability	\$ 7,484,805	\$ 7,940,991	\$ 5,203,716	\$ 6,147,163
College's covered payroll (2)	\$ 23,057,194	\$ 21,228,293	\$ 19,958,074	\$ 19,578,762
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	32.46%	37.41%	26.07%	31.40%
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	\$ 456,885	\$ 425,008	\$ 322,846	\$ 298,278
HIS contributions in relation to the contractually required HIS contribution	<u>(456,885)</u>	<u>(425,008)</u>	<u>(322,846)</u>	<u>(298,278)</u>
HIS contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
College's covered payroll (2)	\$ 24,302,505	\$ 23,057,194	\$ 21,228,293	\$ 19,958,074
HIS contributions as a percentage of covered payroll	1.88%	1.84%	1.52%	1.49%

(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>
0.050489618%	0.053423183%	0.052348116%	0.054856322%	0.055821393%	0.056726536%
\$ 6,164,700	\$ 5,977,520	\$ 5,540,583	\$ 5,865,490	\$ 6,505,752	\$ 5,785,214
\$ 19,459,020	\$ 19,695,915	\$ 18,948,605	\$ 19,351,552	\$ 18,903,691	\$ 18,848,928
31.68%	30.35%	29.24%	30.31%	34.42%	30.69%
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>
\$ 295,577	\$ 294,353	\$ 296,652	\$ 283,885	\$ 290,315	\$ 286,120
<u>(295,577)</u>	<u>(294,353)</u>	<u>(296,652)</u>	<u>(283,885)</u>	<u>(290,315)</u>	<u>(286,120)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 19,578,762	\$ 19,459,020	\$ 19,695,915	\$ 18,948,605	\$ 19,351,552	\$ 18,903,691
1.51%	1.51%	1.51%	1.50%	1.50%	1.51%

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

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

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

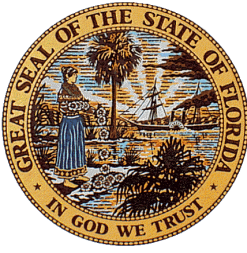
- The discount rate increased from 3.65 percent to 3.93 percent due to a change in the Municipal Bond Index Rate.
- Changes occurred in retirement rates, termination rates, disability rates, mortality rates, DROP entry assumptions, and salary increases.

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

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

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

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



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Gulf Coast State College a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 23, 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 23, 2026

PRIOR AUDIT FOLLOW-UP

The College had taken corrective action for the finding included in our report No. 2025-138.