

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

**POLK STATE COLLEGE**

For the Fiscal Year Ended  
June 30, 2025



Sherrill F. Norman, CPA  
Auditor General

## **Board of Trustees and President**

During the 2024-25 fiscal year, Dr. Angela Garcia Falconetti served as President of Polk State College and the following individuals served as Members of the Board of Trustees:

Cynthia Hartley Ross, Chair from 8-26-24,  
Vice Chair through 8-25-24  
Ann Barnhart, Vice Chair from 8-26-24  
Teresa V. Martinez, Chair through 8-25-24  
Ashley Bell Barnett  
Greg Littleton  
Ashley Troutman

Note: One Trustee position was vacant the entire period.

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

The team leader was Shaun Miller, CPA, and the audit was supervised by Mark A. Arroyo, CPA.

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

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**State of Florida Auditor General**

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**POLK STATE COLLEGE**  
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## SUMMARY

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### SUMMARY OF REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Polk 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. However, we did identify a certain deficiency in internal control that we consider to be a significant deficiency, as summarized below.

#### Significant Deficiency

**Finding No. 2025-001:** College procedures need improvement to ensure that transactions are properly recorded and reported for Public Education Capital Outlay appropriations.

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

### AUDIT OBJECTIVES AND SCOPE

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

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

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

## AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

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Tallahassee, Florida 32399-1450



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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 Polk 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 Polk 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 26, 2026, on our consideration of the Polk 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 26, 2026

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

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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.

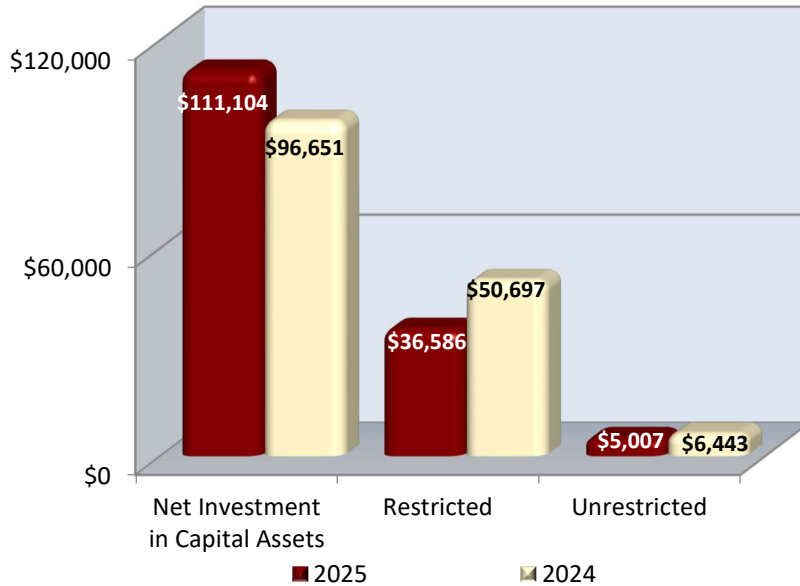
### **FINANCIAL HIGHLIGHTS**

The College's assets and deferred outflows of resources totaled \$219.1 million at June 30, 2025. This balance reflects a \$16.5 million, or 8.1 percent, increase as compared to the 2023-24 fiscal year, resulting from new construction on the Northeast Ridge campus, and renovations on the Lakeland Academic Center and Winter Haven Science buildings. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources increased by \$17.6 million, or 36 percent, totaling \$66.4 million at June 30, 2025, resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 101 for calculation of compensated absences, recognition of unearned revenue billed prior to year-end for Fall 2025, and an increase in deferred inflows of resources related to pensions. As a result, the College's net position decreased by \$1.1 million, resulting in a year-end balance of \$152.7 million.

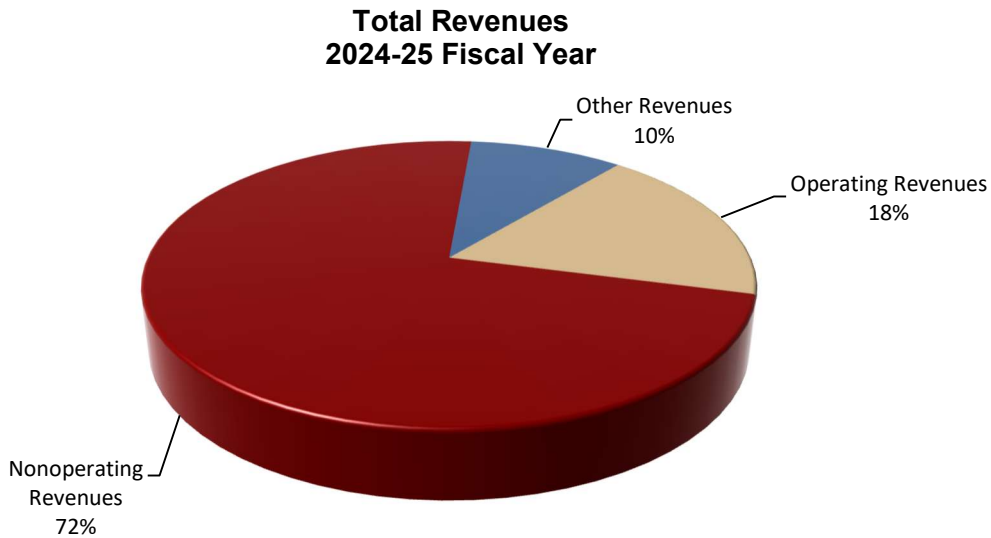
The College's operating revenues totaled \$20.8 million for the 2024-25 fiscal year, representing a 10.3 percent decrease compared to the 2023-24 fiscal year due mainly to the conclusion of the Civic Literacy grant in the prior fiscal year. Operating expenses totaled \$116.9 million for the 2024-25 fiscal year, representing an increase of 3.5 percent as compared to the 2023-24 fiscal year due mainly to an increase in other services and expenses for the College's enterprise resource planning system implementation; an increase in scholarships and waivers due to increased Pell awards and Institutional need monies used from prior fiscal year carryover; and an increase in materials and supplies for noncapitalized data software purchased and capital outlay expenses for noncapitalized repairs and maintenance.

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

**Net Position  
(In Thousands)**



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



**OVERVIEW OF FINANCIAL STATEMENTS**

Pursuant to the Governmental Accounting Standards Board (GASB) Statement No. 35, the College’s financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the College and its component units. The component unit is Polk State College Foundation, Inc. (Foundation). Based on the application of the criteria for determining

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

Information regarding the component unit 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>
<b>Assets</b>		
Current Assets	\$ 92,920	\$ 95,295
Capital Assets, Net	112,678	99,594
<b>Total Assets</b>	<u>205,598</u>	<u>194,889</u>
<b>Deferred Outflows of Resources</b>	<u>13,460</u>	<u>7,710</u>
<b>Liabilities</b>		
Current Liabilities	18,749	6,619
Noncurrent Liabilities	42,551	38,535
<b>Total Liabilities</b>	<u>61,300</u>	<u>45,154</u>
<b>Deferred Inflows of Resources</b>	<u>5,061</u>	<u>3,654</u>
<b>Net Position</b>		
Net Investment in Capital Assets	111,104	96,651
Restricted	36,586	50,697
Unrestricted	5,007	6,443
<b>Total Net Position</b>	<u>\$ 152,697</u>	<u>\$ 153,791</u>

Total assets and deferred outflows of resources increased by \$16.5 million primarily due to increases in construction in progress for construction and renovations of various buildings on campus and the Northeast Ridge campus project, and deferred outflow of resources for State pensions. Total liabilities increased by \$16.1 million due to an increase in accounts payable by \$4.2 million due to the amount of on-going constructions projects and the outstanding invoices related thereto at fiscal year end, and unearned revenue of \$7.8 million at fiscal year end for tuition and fees billed prior to June 30, 2025, for the Fall 2025 term. There is also an increase in compensated absences due to the implementation of GASB Statement No. 101, *Compensated Absences*, that totaled \$2 million.

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

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

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

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

(In Thousands)

	<u>2024-25</u>	<u>2023-24</u>
Operating Revenues	\$ 20,784	\$ 23,159
Less, Operating Expenses	116,933	113,016
<b>Operating Loss</b>	(96,149)	(89,857)
Net Nonoperating Revenues	83,788	91,472
<b>Income (Loss) Before Other Revenues</b>	(12,361)	1,615
Other Revenues	11,267	8,709
<b>Net Increase (Decrease) In Net Position</b>	(1,094)	10,324
Net Position, Beginning of Year	153,791	143,467
<b>Net Position, End of Year</b>	<u>\$ 152,697</u>	<u>\$ 153,791</u>

## **Operating Revenues**

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

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

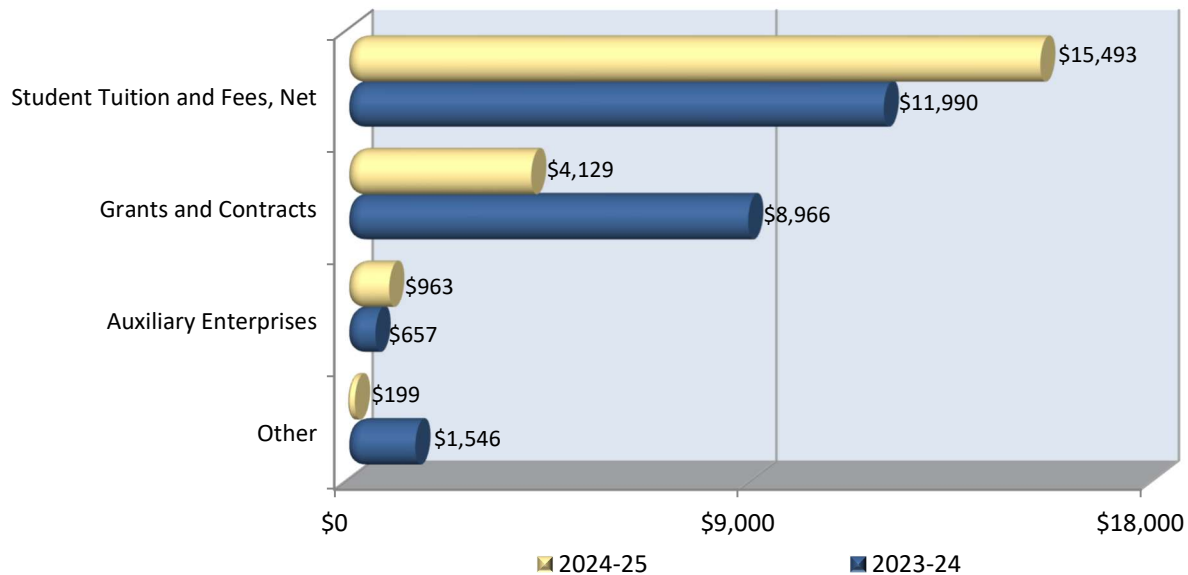
### **Operating Revenues For the Fiscal Years**

(In Thousands)

	<u>2024-25</u>	<u>2023-24</u>
Student Tuition and Fees, Net	\$ 15,493	\$ 11,990
Grants and Contracts	4,129	8,966
Auxiliary Enterprises	963	657
Other	199	1,546
<b>Total Operating Revenues</b>	<u>\$ 20,784</u>	<u>\$ 23,159</u>

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 were the result of the following factors:

- Tuition and fees increased due to an overall increase in enrollment and an increase in workforce education.
- The primary decrease is due to the conclusion of the Civics Literacy grant in 2023-24 fiscal year which represented a decrease in Federal grant revenues of \$5.3 million. There was also an increase in dual enrollment reimbursements from County government which offset some of the loss from the Civics Literacy grant.

**Operating Expenses**

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

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

## Operating Expenses For the Fiscal Years

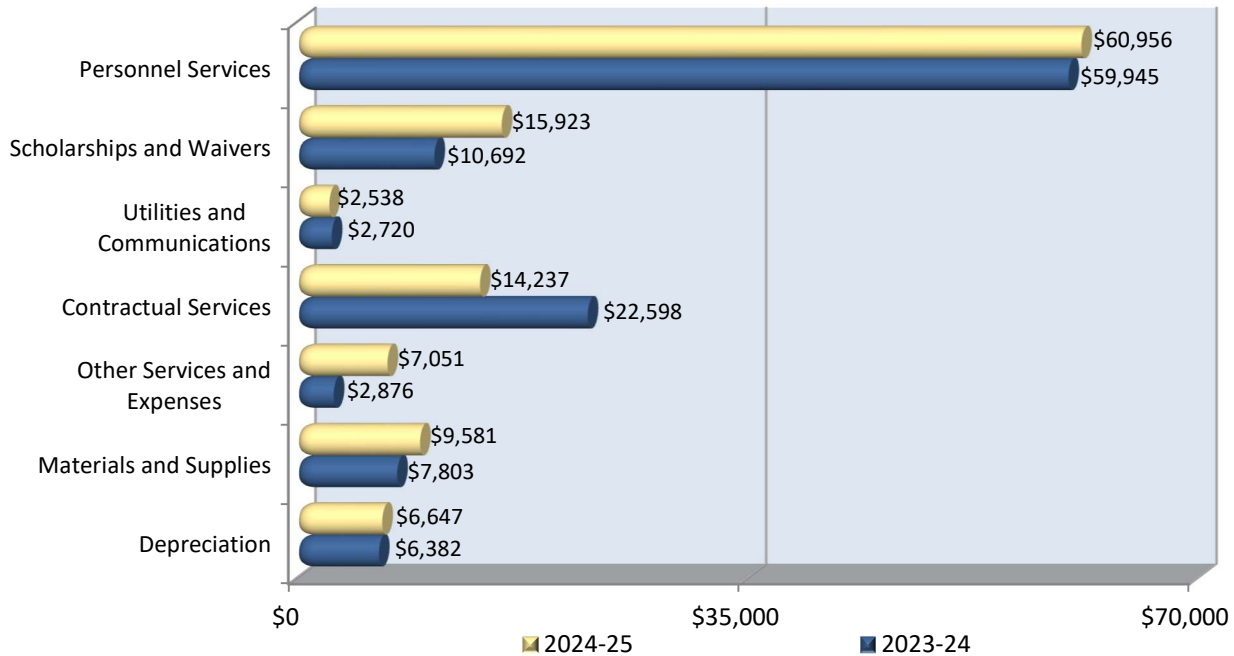
(In Thousands)

	2024-25	2023-24
Personnel Services	\$ 60,956	\$ 59,945
Scholarships and Waivers	15,923	10,692
Utilities and Communications	2,538	2,720
Contractual Services	14,237	22,598
Other Services and Expenses	7,051	2,876
Materials and Supplies	9,581	7,803
Depreciation	6,647	6,382
<b>Total Operating Expenses</b>	<b>\$ 116,933</b>	<b>\$ 113,016</b>

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

### Operating Expenses

(In Thousands)



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

- There was a \$5.2 million increase in scholarships and waivers primarily as a result of increased Pell Grant awards (\$3 million), as well as an increase in institutional need money used from prior fiscal year carryforward amounts.
- Contractual services decreased because of the expiration of 2023-24 fiscal year Civics Literacy Grant subrecipient expenses and Higher Education Emergency Relief Funds (HEERF) related institutional expenses.
- Other services and expenses increased due to increases in general repairs and maintenance.

## **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:

	<b>2024-25</b>	<b>2023-24</b>
State Noncapital Appropriations	\$ 51,132	\$ 51,555
Federal and State Student Financial Aid	21,637	26,124
Gifts and Grants	10,094	12,981
Investment Income	1,034	1,058
Interest on Capital Asset-Related Debt	(109)	(246)
<b>Net Nonoperating Revenues</b>	<b>\$ 83,788</b>	<b>\$ 91,472</b>

Federal and State student financial aid decreased primarily due to the conclusion of HEERF student award funding in the 2023-24 fiscal year. Gifts and grants was reduced due to the conclusion of HEERF institutional award funding in the 2023-24 fiscal year.

## **Other Revenues**

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

	<b>2024-25</b>	<b>2023-24</b>
State Capital Appropriations	\$ 8,340	\$ 6,311
Capital Grants, Contracts, Gifts, and Fees	2,927	2,398
<b>Total</b>	<b>\$ 11,267</b>	<b>\$ 8,709</b>

The increase in State capital appropriations is due to the increase of \$2 million in Public Education Capital Outlay revenues.

## **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)

	<b>2024-25</b>	<b>2023-24</b>
Cash Provided (Used) by:		
Operating Activities	\$ (84,053)	\$ (82,983)
Noncapital Financing Activities	82,375	91,156
Capital and Related Financing Activities	(1,070)	(4,161)
Investing Activities	1,034	1,058
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,714)	5,070
Cash and Cash Equivalents, Beginning of Year	43,854	38,784
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 42,140</b>	<b>\$ 43,854</b>

Major sources of funds came from State noncapital appropriations (\$51.1 million), Federal and State student financial aid (\$21.4 million), net student tuition and fees (\$18.1 million), State capital appropriations (\$15.2 million), Federal Direct Loan program receipts (\$6.5 million), and grants and contracts (\$4.6 million). Major uses of funds were for payments to employees and for employee benefits (\$59.8 million), payments to suppliers (\$29.2 million), purchases for construction of capital assets (\$16.9 million), payments for scholarships (\$16 million), and disbursements to students for the Federal Direct Loan program (\$6.5 million).

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

**Capital Assets**

At June 30, 2025, the College had \$208.4 million in capital assets, less accumulated depreciation of \$95.7 million, for net capital assets of \$112.7 million. Depreciation charges for the current fiscal year totaled \$6.6 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

## Capital Assets, Net at June 30

(In Thousands)

	<u>2025</u>	<u>2024</u>
Land	\$ 6,388	\$ 6,388
Artwork	12	12
Construction in Progress	36,368	20,411
Buildings	60,559	63,204
Other Structures and Improvements	3,901	1,348
Furniture, Machinery, and Equipment	2,170	2,661
Leasehold Improvements	74	74
Lease Assets	672	1,580
Subscription-Based Information Technology Arrangements	<u>2,534</u>	<u>3,916</u>
<b>Capital Assets, Net</b>	<b><u>\$112,678</u></b>	<b><u>\$ 99,594</u></b>

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 Northeast Ridge, Building 1 Lakeland, and Building 3 Winter Haven projects. The College's major construction commitments at June 30, 2025, are as follows:

	<b><u>Amount</u></b> <b><u>(In Thousands)</u></b>
Total Committed	\$ 52,207
Completed to Date	<u>12,241</u>
<b>Balance Committed</b>	<b><u>\$ 39,966</u></b>

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 \$710,629 in outstanding leases payable, representing a decrease of \$601,020, or 45.8 percent, from the prior fiscal year. Additionally, the College had a subscription arrangement liability of \$863,508.

## 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, no increase in State funding is anticipated in the 2025-26 fiscal year. There will not be a tuition increase for the 2026-27 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 for Financial Services, Cindy Baker, Polk State College, 999 Avenue H Northeast, Winter Haven, Florida 33881.

# BASIC FINANCIAL STATEMENTS

## POLK STATE COLLEGE A Component Unit of the State of Florida Statement of Net Position

June 30, 2025

	<u>College</u>	<u>Component Unit</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 32,495,357	\$ 6,856,036
Restricted Cash and Cash Equivalents	9,644,965	-
Contributions Receivable, Net	-	1,380,197
Accounts Receivable, Net	9,237,292	-
Notes Receivable, Net	-	10,900
Due from Other Governmental Agencies	40,700,091	-
Due from Component Unit	834,280	-
Prepaid Expenses	7,782	-
Other Current Assets	-	64,940
<b>Total Current Assets</b>	<u>92,919,767</u>	<u>8,312,073</u>
Noncurrent Assets:		
Investments	-	40,940,042
Contributions Receivable, Net	-	1,981,558
Notes Receivable, Net	-	133,198
Depreciable Capital Assets, Net	69,911,196	-
Nondepreciable Capital Assets	42,767,405	32,782
<b>Total Noncurrent Assets</b>	<u>112,678,601</u>	<u>43,087,580</u>
<b>TOTAL ASSETS</b>	<u>205,598,368</u>	<u>51,399,653</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	195,576	-
Pensions	13,264,812	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>13,460,388</u>	<u>-</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	5,243,857	1,619,973
Salary and Payroll Taxes Payable	2,561,224	-
Retainage Payable	668,670	-
Unearned Revenue	7,764,765	-
Deposits Held for Others	742,530	-
Long-Term Liabilities - Current Portion:		
Leases Payable	396,469	-
Subscription Arrangement Liability	863,508	-
Compensated Absences Payable	459,927	-
Other Postemployment Benefits Payable	6,150	-
Net Pension Liability	42,309	-
<b>Total Current Liabilities</b>	<u>18,749,409</u>	<u>1,619,973</u>

	<b>College</b>	<b>Component Unit</b>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Leases Payable	314,160	-
Compensated Absences Payable	6,907,167	-
Other Postemployment Benefits Payable	796,234	-
Net Pension Liability	34,533,731	-
<b>Total Noncurrent Liabilities</b>	<b>42,551,292</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>61,300,701</b>	<b>1,619,973</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	522,865	-
Pensions	4,537,693	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>5,060,558</b>	<b>-</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	111,104,464	32,782
Restricted:		
Nonexpendable:		
Endowment	-	25,392,049
Expendable:		
Grants and Loans	6,868,257	21,058,292
Scholarships	-	1,377,000
Capital Projects	29,717,690	-
Unrestricted	5,007,086	1,919,557
<b>TOTAL NET POSITION</b>	<b>\$ 152,697,497</b>	<b>\$ 49,779,680</b>

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

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**POLK 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>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$9,247,704	\$ 15,492,889	\$ -
Federal Grants and Contracts	2,074,555	-
State and Local Grants and Contracts	1,827,047	-
Nongovernmental Grants and Contracts	227,430	-
Auxiliary Enterprises	963,211	-
Other Operating Revenues	199,524	189,436
<b>Total Operating Revenues</b>	<u>20,784,656</u>	<u>189,436</u>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	60,955,785	698,889
Scholarships and Waivers	15,922,765	1,376,524
Utilities and Communications	2,538,083	115,200
Contractual Services	14,237,393	273,871
Other Services and Expenses	7,051,288	815,725
Materials and Supplies	9,580,352	5,599
Depreciation	6,647,252	-
<b>Total Operating Expenses</b>	<u>116,932,918</u>	<u>3,285,808</u>
<b>Operating Loss</b>	<u>(96,148,262)</u>	<u>(3,096,372)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	51,132,008	-
Federal and State Student Financial Aid	21,636,837	-
Gifts and Grants	10,094,125	5,002,648
Investment Income	1,033,699	4,493,399
Interest on Capital Asset-Related Debt	(108,981)	-
Other Nonoperating Receipts	-	3,164
<b>Net Nonoperating Revenues</b>	<u>83,787,688</u>	<u>9,499,211</u>
<b>Income (Loss) Before Other Revenues</b>	<u>(12,360,574)</u>	<u>6,402,839</u>
State Capital Appropriations	8,340,400	-
Capital Grants, Contracts, Gifts, and Fees	2,926,876	-
<b>Total Other Revenues</b>	<u>11,267,276</u>	<u>-</u>
<b>Increase (Decrease) in Net Position</b>	<u>(1,093,298)</u>	<u>6,402,839</u>
Net Position, Beginning of Year	153,790,795	43,376,841
<b>Net Position, End of Year</b>	<u>\$ 152,697,497</u>	<u>\$ 49,779,680</u>

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

**POLK STATE COLLEGE**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2025**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 18,065,336
Grants and Contracts	4,640,725
Payments to Suppliers	(29,174,468)
Payments for Utilities and Communications	(2,538,083)
Payments to Employees	(44,328,333)
Payments for Employee Benefits	(15,507,284)
Payments for Scholarships	(16,022,008)
Auxiliary Enterprises	611,870
Other Receipts	199,524
	<b>(84,052,721)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	51,132,008
Federal and State Student Financial Aid	21,411,218
Federal Direct Loan Program Receipts	6,504,798
Federal Direct Loan Program Disbursements	(6,504,798)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	10,094,125
Other Nonoperating Payments	(262,061)
	<b>82,375,290</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	15,231,757
Capital Grants and Gifts	2,063,508
Purchases of Capital Assets	(16,886,706)
Principal Paid on Capital Debt and Leases	(1,369,250)
Interest Paid on Capital Debt and Leases	(108,981)
	<b>(1,069,672)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	1,033,699
	<b>1,033,699</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(1,713,404)</b>
Cash and Cash Equivalents, Beginning of Year	43,853,726
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 42,140,322</b>

	<u>College</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (96,148,262)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	6,647,252
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(4,580,946)
Due from Other Government Agencies	(1,203,192)
Due from Component Unit	643,305
Accounts Payable	1,704,189
Salaries and Payroll Taxes Payable	(50,129)
Unearned Revenue	7,764,765
Compensated Absences Payable	2,049,064
Other Postemployment Benefits Payable	13,195
Net Pension Liability	3,452,224
Deferred Outflows of Resources Related to OPEB	41,601
Deferred Inflows of Resources Related to OPEB	(17,077)
Deferred Outflows of Resources Related to Pensions	(5,792,033)
Deferred Inflows of Resources Related to Pensions	1,423,323
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (84,052,721)</u>

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

# **NOTES TO FINANCIAL STATEMENTS**

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## **1. Summary of Significant Accounting Policies**

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

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the Vice President for Financial Services, Cindy Baker, Polk State College, 999 Avenue H Northeast, Winter Haven, Florida 33881. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2024.

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

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

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

The College's component unit uses the economic resources measurement focus and the accrual basis of accounting 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 of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, gifts and grants, and investment income. Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third-party making payment on behalf of the student. The College determines its scholarship allowance by identifying those student transactions where the students' classes were paid

by an applicable financial aid source. To the extent that those resources are used to pay student charges, the College records a scholarship allowance against tuition and fee revenue.

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

**Cash and Cash Equivalents.** Cash and cash equivalents consist of cash on hand, cash in demand accounts, and cash in money market accounts. 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.

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.

**Capital Assets.** College capital assets consist of land, artwork, construction in progress, buildings, other structures and improvements, furniture, machinery, and equipment, leasehold improvements, lease assets, and subscription-based information technology arrangements. 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. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 years
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
  - Computer Equipment – 3 years
  - Vehicles, Office Machines, and Educational Equipment – 5 years
  - Furniture – 7 years
- Leasehold Improvements – Life of Lease – 20 years
- Lease Assets – 3 to 6 years
- Subscription-Based Information Technology Arrangements - 3 years

**Noncurrent Liabilities.** Noncurrent liabilities include leases 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. Investments

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

Investments and interest held by the Foundation on December 31, 2024, 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 2)	Significant Unobservable Inputs (Level 3)
Bonds	\$ 3,846,137	\$ 3,846,137	\$ -	\$ -
Mutual Funds:				
Stock Funds	25,621,550	25,621,550	-	-
Bonds Funds	9,051,276	9,051,276	-	-
Interval Funds	2,421,079	-	2,421,079	-
<b>Total investments by fair value level</b>	<b>\$ 40,940,042</b>	<b>\$ 38,518,963</b>	<b>\$ 2,421,079</b>	<b>\$ -</b>
Beneficial Interest in Trust Assets (1)	848,218	-	-	848,218
<b>Total Assets</b>	<b>\$ 41,788,260</b>	<b>\$ 38,518,963</b>	<b>\$ 2,421,079</b>	<b>\$ 848,218</b>

(1) The Beneficial Interest in Trust Assets were reported in Contributions Receivable, Net.

## 4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a \$1.3 million allowance for doubtful accounts.

## 5. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of \$39 million of Public Education Capital Outlay allocations due from the State for maintenance, renovation, and construction of College facilities.

## 6. Capital Assets

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 6,387,601	\$ -	\$ -	\$ 6,387,601
Artwork	11,700	-	-	11,700
Construction in Progress	20,410,921	19,356,820	3,399,637	36,368,104
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 26,810,222</b>	<b>\$ 19,356,820</b>	<b>\$ 3,399,637</b>	<b>\$ 42,767,405</b>
Depreciable Capital Assets:				
Buildings	\$ 129,280,621	\$ -	\$ -	\$ 129,280,621
Other Structures and Improvements	10,414,089	3,399,637	-	13,813,726
Furniture, Machinery, and Equipment	12,101,236	375,002	263,306	12,212,932
Leasehold Improvements	493,964	-	-	493,964
Lease Assets	4,752,205	-	-	4,752,205
Subscription-Based Information Technology Arrangements	5,068,092	-	-	5,068,092
<b>Total Depreciable Capital Assets</b>	<b>162,110,207</b>	<b>3,774,639</b>	<b>263,306</b>	<b>165,621,540</b>
Less, Accumulated Depreciation:				
Buildings	66,076,465	2,645,097	-	68,721,562
Other Structures and Improvements	9,066,478	845,739	-	9,912,217
Furniture, Machinery, and Equipment	9,439,939	866,332	263,306	10,042,965
Leasehold Improvements	419,869	-	-	419,869
Lease Assets	3,171,808	907,877	-	4,079,685
Subscription-Based Information Technology Arrangements	1,151,839	1,382,207	-	2,534,046
<b>Total Accumulated Depreciation</b>	<b>89,326,398</b>	<b>6,647,252</b>	<b>263,306</b>	<b>95,710,344</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 72,783,809</b>	<b>\$ (2,872,613)</b>	<b>\$ -</b>	<b>\$ 69,911,196</b>

## 7. Unearned Revenue

Unearned revenue at June 30, 2025, includes student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2025, the College reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	7,764,765
<b>Total Unearned Revenue</b>	<b>\$ 7,764,765</b>

## 8. Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Leases Payable	\$ 1,311,649	\$ -	\$ 601,020	\$ 710,629	\$ 396,469
Subscription Arrangement Liability	1,631,738	-	768,230	863,508	863,508
Compensated Absences Payable (1)	5,318,030	2,049,064	-	7,367,094	459,927
Other Postemployment Benefits Payable	789,189	92,333	79,138	802,384	6,150
Net Pension Liability	31,123,816	16,453,780	13,001,556	34,576,040	42,309
<b>Total Long-Term Liabilities</b>	<b>\$ 40,174,422</b>	<b>\$ 18,595,177</b>	<b>\$ 14,449,944</b>	<b>\$ 44,319,655</b>	<b>\$ 1,768,363</b>

(1) The change in compensated absences payable is presented as a net change.

**Leases Payable.** Facilities and information technology equipment in the amount of \$4,752,205 were acquired under lease agreements. The interest rates range from 1.9 to 4 percent. Future minimum payments under the lease agreements and the present value of the minimum payments as of June 30, 2025, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 409,446	\$ 396,469	\$ 12,977
2027	273,363	268,652	4,711
2028	45,561	45,508	53
<b>Total Minimum Lease Payments</b>	<b>\$ 728,370</b>	<b>\$ 710,629</b>	<b>\$ 17,741</b>

**Subscription Arrangement Liability.** The College has a 3-year subscription-based information technology arrangement (SBITA) for the right to use ERP system totaling \$5,068,092. The College has discounted the future minimum payments using its incremental borrowing rate of 8.5 percent. Future minimum payments under the SBITA and the present value of the minimum payments as of June 30, 2025, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 875,784	\$ 863,508	\$ 12,276

**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 \$7,367,094. The current portion of the compensated

absences liability, \$459,927 is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

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

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

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	33
Inactive Employees Entitled to But Not Yet Receiving Benefits	9
Active Employees	475
<b>Total</b>	<u>517</u>

**Total OPEB Liability**

The College’s total OPEB liability of \$802,384 was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2023.

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

Inflation	2.4 percent
Real wage inflation	0.85 percent
Wage Inflation	3.5 percent
Salary increases, including wage inflation	
Regular Employees	3.65 to 6.35 percent
Senior Management Employees	4.2 to 9.3 percent
Discount rate	
Prior Measurement Date	3.65 percent
Measurement Date	3.93 percent
Healthcare cost trend rates	
Pre-Medicare	7.0 percent for 2023, decreasing to an ultimate rate of 4.4 percent for 2034
Medicare	5.125 percent for 2023 decreasing to an ultimate rate of 4.4 percent by 2027

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

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

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

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

### ***Changes in the Total OPEB Liability***

	<b>Amount</b>
<b>Balance at 6/30/24</b>	<u>\$ 789,189</u>
<b>Changes for the year:</b>	
Service Cost	61,686
Interest	30,647
Changes in Assumptions or Other Inputs	(56,467)
Benefit Payments	<u>(22,671)</u>
<b>Net Changes</b>	<u>13,195</u>
<b>Balance at 6/30/25</b>	<u><u>\$ 802,384</u></u>

Changes of assumptions and other inputs since prior measurement date:

- Change in mortality, retirement, disability, and termination rates.
- Change in DROP entry assumptions.
- Change in salary increases.
- Change in 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	\$1,010,130	\$802,384	\$643,287

*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	\$611,510	\$802,384	\$1,064,744

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

For the fiscal year ended June 30, 2025, the College recognized OPEB expense of \$43,869. At June 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,333	\$ 203,643
Change of assumptions or other inputs	167,093	319,222
Transactions subsequent to the measurement date	6,150	-
<b>Total</b>	<u>\$ 195,576</u>	<u>\$ 522,865</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$6,150 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	\$ (48,464)
2027	(45,101)
2028	(39,327)
2029	(42,010)
2030	(46,452)
Thereafter	(112,085)
<b>Total</b>	<b>\$ (333,439)</b>

**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 \$34,576,040. Note 9. includes a complete discussion of defined benefit pension plans.

## **9. Retirement Plans – Defined Benefit Pension Plans**

### ***General Information about the Florida Retirement System (FRS)***

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

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

The College's FRS and HIS pension expense totaled \$4,134,992 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:

<b><u>Class, Initial Enrollment, and Retirement Age/Years of Service</u></b>	<b><u>% Value</u></b>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
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
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
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
<b>Senior Management Service Class</b>	<b>2.00</b>

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:

<b><u>Class</u></b>	<b><u>Percent of Gross Salary</u></b>	
	<b><u>Employee</u></b>	<b><u>Employer (1)</u></b>
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 \$3,288,658 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 \$22,420,151 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

0.057956114 percent, which was an increase of 0.007479184 from its proportionate share measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the College recognized pension expense of \$3,531,332. 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	\$ 2,265,037	\$ -
Change of assumptions	3,072,887	-
Net difference between projected and actual earnings on FRS Plan investments	-	1,490,160
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	1,983,806	1,043,205
College FRS contributions subsequent to the measurement date	3,288,658	-
<b>Total</b>	<u>\$ 10,610,388</u>	<u>\$ 2,533,365</u>

The deferred outflows of resources totaling \$3,288,658, 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	\$ (184,690)
2027	3,852,124
2028	410,349
2029	372,514
2030	338,068
<b>Total</b>	<u>\$ 4,788,365</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%
<b>Total</b>	<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	\$39,436,259	\$22,420,151	\$8,165,550

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

## **HIS Pension Plan**

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

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

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

The College's contributions to the HIS Plan totaled \$679,242 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 \$12,155,889 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 0.081033985 percent, which was an increase of 0.011705066 from its proportionate share measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the College recognized pension expense of \$603,660. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 117,373	\$ 23,341
Change of assumptions	215,131	1,439,101
Net difference between projected and actual earnings on HIS Plan investments	-	4,396
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	1,642,678	537,490
College contributions subsequent to the measurement date	679,242	-
<b>Total</b>	<b>\$ 2,654,424</b>	<b>\$ 2,004,328</b>

The deferred outflows of resources totaling \$679,242 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	\$ (56,545)
2027	(98,279)
2028	(129,746)
2029	27,344
2030	170,541
Thereafter	57,539
<b>Total</b>	<b>\$ (29,146)</b>

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

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

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

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

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

*Discount Rate.* The discount rate used to measure the total pension liability was 3.93 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion

date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 3.65 percent to 3.93 percent.

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

	<u>1% Decrease (2.93%)</u>	<u>Current Discount Rate (3.93%)</u>	<u>1% Increase (4.93%)</u>
College’s proportionate share of the net pension liability	\$13,837,918	\$12,155,889	\$10,759,534

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

**10. Retirement Plans – Defined Contribution Pension Plans**

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2024-25 fiscal year were as follows:

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

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 \$1,960,204 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 \$109,799 and employee contributions totaled \$63,961 for the 2024-25 fiscal year.

## 11. 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>
Northeast Ridge - Phase 1	\$ 34,377,606	\$ 7,464,749	\$ 26,912,857
Building 3-Remodel	12,944,386	3,606,439	9,337,947
Building 1-Renovations	4,885,312	1,170,447	3,714,865
<b>Total</b>	<b>\$ 52,207,304</b>	<b>\$ 12,241,635</b>	<b>\$ 39,965,669</b>

## 12. 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 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 a risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

Bonding and Business Travel Accident Insurance for the members of the Board of Trustees is provided through purchased commercial insurance with minimum deductibles.

## 13. Litigation

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

## 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	\$ 42,429,819
Public Services	1,011
Academic Support	14,375,667
Student Services	10,541,714
Institutional Support	17,803,931
Operation and Maintenance of Plant	8,263,741
Scholarships and Waivers	15,922,765
Depreciation	6,647,252
Auxiliary Enterprises	947,018
<b>Total Operating Expenses</b>	<b>\$ 116,932,918</b>

## 15. Related Party Transactions

The College has deposited its surplus funds in an interest-bearing money market account with a local bank. A reconciliation of this account, its activity, and any interest earned is reported monthly to the College's Board of Trustees. The money market account totaled \$17,199,663 as of June 30, 2025. The President and Chief Executive Officer of the local bank is a member of the College's Board of Trustees.

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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
<b>Total OPEB Liability</b>					
Service cost	\$ 61,686	\$ 42,064	\$ 58,123	\$ 76,250	\$ 85,618
Interest	30,647	24,117	17,657	23,409	37,080
Difference between expected and actual experience	-	(94,990)	-	(191,533)	-
Changes of assumptions or other inputs	(56,467)	188,809	(176,825)	(108,981)	(82,511)
Benefit Payments	(22,671)	(19,890)	(18,303)	(27,260)	(34,587)
<b>Net change in total OPEB liability</b>	13,195	140,110	(119,348)	(228,115)	5,600
Total OPEB Liability - beginning	789,189	649,079	768,427	996,542	990,942
<b>Total OPEB Liability - ending</b>	<u>\$ 802,384</u>	<u>\$ 789,189</u>	<u>\$ 649,079</u>	<u>\$ 768,427</u>	<u>\$ 996,542</u>
Covered-Employee Payroll	\$ 26,144,296	\$ 26,144,296	\$ 21,630,465	\$ 21,630,465	\$ 24,776,542
<b>Total OPEB Liability as a percentage of covered-employee payroll</b>	3.07%	3.02%	3.00%	3.55%	4.02%
	<b>2019</b>	<b>2018</b>	<b>2017</b>		
<b>Total OPEB Liability</b>					
Service cost	\$ 56,852	\$ 58,568	\$ 63,489		
Interest	32,179	28,997	24,827		
Difference between expected and actual experience	60,841	-	-		
Changes of assumptions or other inputs	27,004	(37,899)	(69,697)		
Benefit Payments	(34,536)	(30,894)	(27,005)		
<b>Net change in total OPEB liability</b>	142,340	18,772	(8,386)		
Total OPEB Liability - beginning	848,602	829,830	838,216		
<b>Total OPEB Liability - ending</b>	<u>\$ 990,942</u>	<u>\$ 848,602</u>	<u>\$ 829,830</u>		
Covered-Employee Payroll	\$ 24,776,542	\$ 25,058,702	\$ 25,058,702		
<b>Total OPEB Liability as a percentage of covered-employee payroll</b>	4.00%	3.39%	3.31%		

**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	0.057956114%	0.050476930%	0.056051740%	0.056460429%
College's proportionate share of the FRS net pension liability	\$ 22,420,151	\$ 20,113,459	\$ 20,855,752	\$ 4,265,469
College's covered payroll (2)	\$ 37,044,089	\$ 29,443,323	\$ 28,623,037	\$ 27,986,308
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	60.52%	68.31%	72.86%	15.24%
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	\$ 3,288,658	\$ 2,428,265	\$ 2,391,830	\$ 2,150,898
FRS contributions in relation to the contractually required contribution	<u>(3,288,658)</u>	<u>(2,428,265)</u>	<u>(2,391,830)</u>	<u>(2,150,898)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 36,142,561	\$ 37,044,089	\$ 29,443,323	\$ 28,623,037
FRS contributions as a percentage of covered payroll	9.10%	6.56%	8.12%	7.51%

(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>
0.055959339%	0.055835791%	0.056341509%	0.057645793%	0.056206639%	0.060926073%
\$ 24,254,127	\$ 19,229,068	\$ 16,970,354	\$ 17,051,239	\$ 14,192,219	\$ 7,869,419
\$ 29,910,699	\$ 29,310,169	\$ 28,639,027	\$ 28,609,721	\$ 27,955,584	\$ 27,576,807
81.09%	65.61%	59.26%	59.60%	50.77%	28.54%
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>
\$ 2,023,237	\$ 1,865,705	\$ 1,731,312	\$ 1,610,892	\$ 1,507,576	\$ 1,370,689
<u>(2,023,237)</u>	<u>(1,865,705)</u>	<u>(1,731,312)</u>	<u>(1,610,892)</u>	<u>(1,507,576)</u>	<u>(1,370,689)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 27,986,308	\$ 29,910,699	\$ 29,310,169	\$ 28,639,027	\$ 28,609,721	\$ 27,955,584
7.23%	6.21%	5.91%	5.62%	5.27%	4.90%

**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	0.081033985%	0.069328919%	0.071653816%	0.072870834%
College's proportionate share of the HIS net pension liability	\$ 12,155,889	\$ 11,010,357	\$ 7,589,284	\$ 8,938,703
College's covered payroll (2)	\$ 32,700,922	\$ 27,635,503	\$ 26,733,105	\$ 25,814,496
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	37.17%	39.84%	28.39%	34.63%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	4.80%	4.12%	4.81%	3.56%

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

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

**Schedule of College Contributions – Health Insurance Subsidy Pension Plan**

	<u>2025 (1)</u>	<u>2024 (1)</u>	<u>2023 (1)</u>	<u>2022 (1)</u>
Contractually required HIS contribution	\$ 679,242	\$ 456,058	\$ 433,566	\$ 565,713
HIS contributions in relation to the contractually required HIS contribution	(679,242)	(456,058)	(433,566)	(565,713)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
College's covered payroll (2)	\$ 34,069,470	\$ 32,700,922	\$ 27,635,503	\$ 26,773,105
HIS contributions as a percentage of covered payroll	1.99%	1.39%	1.57%	2.12%

(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>
0.078943245%	0.079765187%	0.079507541%	0.081025883%	0.081660814%	0.081268911%
\$ 9,638,842	\$ 8,924,926	\$ 8,415,167	\$ 8,663,661	\$ 9,517,230	\$ 8,288,151
\$ 27,442,745	\$ 26,704,719	\$ 25,973,789	\$ 25,863,487	\$ 25,239,845	\$ 24,667,665
35.12%	33.42%	32.40%	33.50%	37.71%	33.60%
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>
\$ 428,335	\$ 454,913	\$ 442,928	\$ 431,171	\$ 429,334	\$ 418,564
(428,335)	(454,913)	(442,928)	(431,171)	(429,334)	(418,564)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 25,814,496	\$ 24,442,745	\$ 26,704,719	\$ 25,973,789	\$ 25,863,487	\$ 25,239,845
1.66%	1.66%	1.66%	1.66%	1.66%	1.66%

**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.* In 2024, the discount rate increased from 3.65 percent to 3.93 percent due to a change in the municipal bond index rate. Also, there were changes in mortality, retirement, disability, and termination rates, DROP entry assumptions, and salary increases.

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

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

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

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



Sherrill F. Norman, CPA  
Auditor General

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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 Polk 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 26, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying **FINDING AND RECOMMENDATION** section of this report as Financial Statement Finding No. 2025-001 that we consider to be a significant deficiency.

### **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*.

### **College's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the College's response to the finding identified in our audit and included as College Response on pages 49 and 50 and in Finding No. 2025-001. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 26, 2026

# FINDING AND RECOMMENDATION

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## FINANCIAL RECORDING AND REPORTING

<b>Finding Number</b>	<b>2025-001</b>
<b>Opinion Unit</b>	Polk State College
<b>Financial Statements Account Title</b>	Due from Other Governmental Agencies and State Capital Appropriations
<b>Adjustment Amounts</b>	Adjustments to increase: Due From Other Governmental Agencies (debit) – \$8.1 million State Capital Appropriations (credit) – Same Amount
<b>Statistically Valid Sample</b>	Not Applicable
<b>Prior Year Finding</b>	Not Applicable
<b>Finding</b>	College procedures need improvement to ensure that transactions are properly recorded and reported for Public Education Capital Outlay (PECO) appropriations.
<b>Criteria</b>	<p>Pursuant to State Board of Education Rule 6A-14.072, Florida Administrative Code, and the Florida Department of Education (FDOE) 2024-25 fiscal year instructions, the College was responsible for submission of the annual financial report (AFR) for the 2024-25 fiscal year to the FDOE.</p> <p>Generally accepted accounting principles and the <i>Accounting Manual for Florida's College System</i> require the College to appropriately record and report account balances and transactions, and to recognize revenue in the fiscal year in which the revenue is earned and measurable, even if cash is not received in that fiscal year. For nonexchange activities, such as legislatively authorized appropriations for PECO, the College should record revenue when all applicable eligibility requirements, including time requirements, are met.</p> <p>In addition, general ledger accounting entries are made as necessary to revise amounts for asset, liability, revenue, and expense accounts. Effective internal controls help ensure that individuals who prepare accounting entries and the AFR and those who document independent verification of that information are properly trained to perform those functions. Such controls provide reasonable assurance that transactions are appropriately recorded and reported, and that errors or fraud, should they occur, are promptly detected and resolved before submission of the AFR to the FDOE.</p>
<b>Condition</b>	For the 2024-25 fiscal year, the Legislature appropriated a PECO appropriation totaling \$8.1 million to the College to construct the Northeast Ridge Phase 1 Project. As of August 2024, the College had received FDOE approval to use the funds. While the College met the eligibility requirements for the funding in the 2024-25 fiscal year, the College did not record and report the receivable and revenue in that fiscal year.
<b>Cause</b>	Due to a misunderstanding, College personnel recorded the PECO activities in the 2025-26 fiscal year instead of the 2024-25 fiscal year when the funds were legislatively appropriated and authorized by the FDOE.
<b>Effect</b>	Recording and reporting errors may cause financial information users to misunderstand the College's most significant accounts, their related balances, and other financial activities, and incorrectly assess the College's financial position. Ultimately, the College accepted our recommended audit adjustments to properly report revenues and receivables; however, our audit procedures

cannot substitute for management's responsibility for proper financial recording and reporting.

**Recommendation**

The College should enhance procedures to ensure that account balances and transactions are properly recorded and reported. Such enhancements should include appropriate training for College personnel responsible for accounting entry and AFR processes and effective review procedures to detect and correct accounting entry and financial statement reporting errors before the AFR is submitted to the FDOE.

**College Response**

The College has reviewed procedures related to recognition of PECO fund appropriations and acknowledges that the written authorization for use of PECO funds from the State of Florida Department of Education should be the determination for revenue recognition. We will also ensure staff is appropriately trained that transactions are recorded once the written authorization is received.