

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2024-074
December 2023

VALENCIA COLLEGE

For the Fiscal Year Ended
June 30, 2023



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2022-23 fiscal year, Dr. Kathleen A. Plinske served as President of Valencia College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Daisy Lopez-Cid, Chair	Osceola
Beth Smith, Vice Chair	Orange
John F. Davis	Orange
Angel de la Portilla	Orange
Guillermo Hansen	Osceola
John Martinez	Orange
Michael A. Sasso	^a
Tracey Stockwell	Orange

^a Confidential pursuant to Section 119.071(4), Florida Statutes.

Note: One Trustee position was vacant for 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 Jonathan Agnelli, and the audit was supervised by Jeff Brizendine, CPA.

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

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SUMMARY

SUMMARY OF REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

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

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

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

AUDIT METHODOLOGY

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



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Valencia 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, 2023, 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 other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Valencia College and of its discretely presented component unit as of June 30, 2023, 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, 2023. 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. 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 auditing standards generally accepted in the United States of America, 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 November 30, 2023, on our consideration of Valencia 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
November 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2023, 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, 2023, and June 30, 2022.

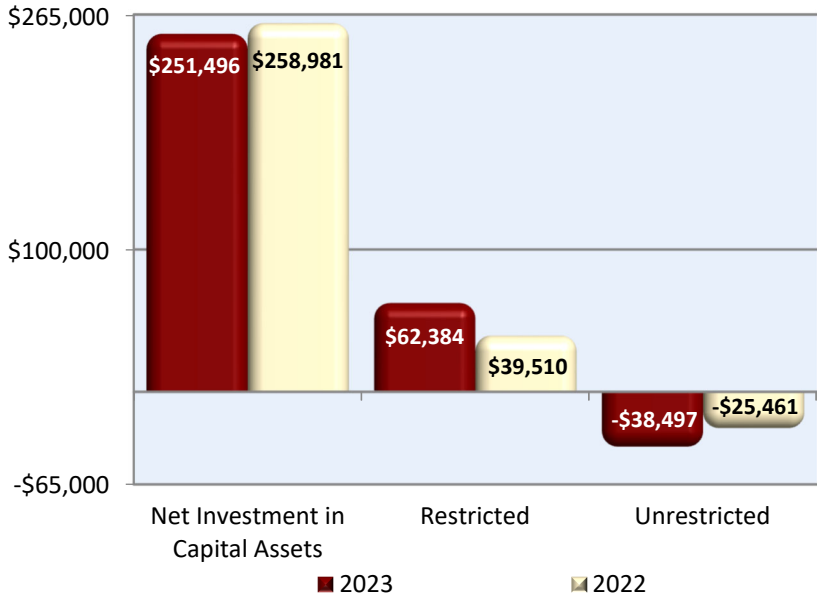
FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$487.1 million at June 30, 2023. This balance reflects a \$27.4 million, or 6 percent, increase as compared to the 2021-22 fiscal year, resulting from a receivable from the State of Florida for deferred maintenance projects and the receipt of funding for the Osceola County Prosper Class of 2023 Scholarship Program. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources also increased by \$25.1 million, or 13.4 percent, totaling \$211.7 million at June 30, 2023, resulting from a decrease in the Florida Retirement System (FRS) defined benefit pension plan investment returns. As a result, the College's net position increased by \$2.4 million, resulting in a year-end balance of \$275.4 million.

The College's operating revenues totaled \$76.7 million for the 2022-23 fiscal year, representing a 0.1 percent decrease compared to the 2021-22 fiscal year due mainly to an increase in continuing education program tuition offset by a decrease in bookstore sales. Operating expenses totaled \$338 million for the 2022-23 fiscal year, representing a decrease of 17.7 percent as compared to the 2021-22 fiscal year due mainly to a decrease in the disbursement of Higher Education Emergency Relief Funds (HEERF) aid directly to students.

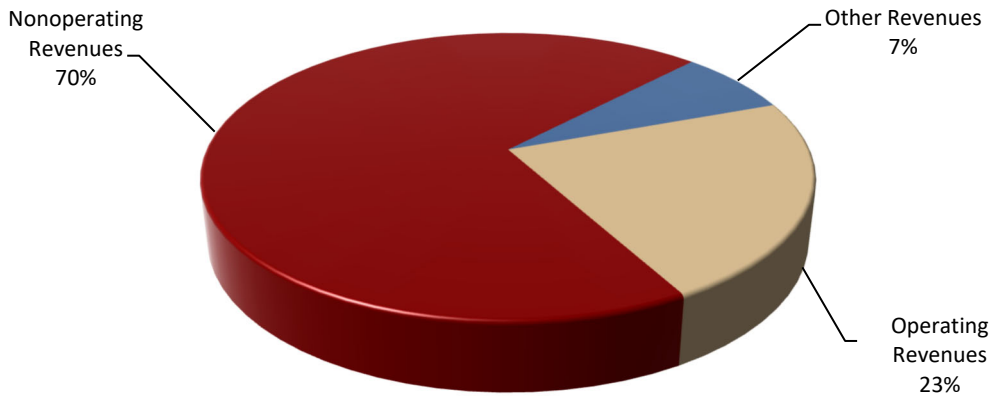
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2023, and June 30, 2022, is shown in the following graph:

**Net Position
(In Thousands)**



The following chart provides a graphical presentation of College revenues by category for the 2022-23 fiscal year:

**Total Revenues
2022-23 Fiscal Year**



OVERVIEW OF FINANCIAL STATEMENTS

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

the Foundation is included within the College reporting entity as a discretely presented component unit. This MD&A focuses on the College, excluding the discretely presented component unit.

The 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)

	2023	2022
Assets		
Current Assets	\$ 139,265	\$ 109,293
Capital Assets, Net	266,240	274,304
Other Noncurrent Assets	31,143	34,832
Total Assets	436,648	418,429
Deferred Outflows of Resources	50,425	41,225
Liabilities		
Current Liabilities	39,825	33,038
Noncurrent Liabilities	158,301	86,406
Total Liabilities	198,126	119,444
Deferred Inflows of Resources	13,564	67,180
Net Position		
Net Investment in Capital Assets	251,496	258,981
Restricted	62,384	39,510
Unrestricted	(38,497)	(25,461)
Total Net Position	\$ 275,383	\$ 273,030

Current assets increased as a result of an \$8.2 million advance payment for the Osceola County Prosper Class of 2023 Scholarship Program and a receivable from the State of Florida of \$17.5 million for the Deferred Maintenance Program. Current liabilities increased by \$6.8 million primarily due to the net change in the Osceola County Prosper Scholarship Program in which the Class of 2023 receipt was offset by the Class of 2022 recognized revenue for expenses incurred in the 2022-23 fiscal year. Noncurrent liabilities grew by \$71.9 million primarily due to an increase of \$68 million in the net pension liabilities. Deferred inflows of resources decreased by \$53.6 million primarily due to the reduction of

deferred pension inflows of \$53.8 million because of a significant change in the investment return rate on plan assets.

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 2022-23 and 2021-22 fiscal years:

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

(In Thousands)

	2022-23	2021-22
Operating Revenues	\$ 76,675	\$ 76,768
Less, Operating Expenses	338,003	410,787
Operating Loss	(261,328)	(334,019)
Net Nonoperating Revenues	239,017	366,873
Income (Loss) Before Other Revenues	(22,311)	32,854
Other Revenues	24,664	6,874
Net Increase In Net Position	2,353	39,728
Net Position, Beginning of Year	273,030	234,049
Adjustment to Beginning Net Position (1)	-	(747)
Net Position, Beginning of Year, as Restated	273,030	233,302
Net Position, End of Year	\$ 275,383	\$ 273,030

(1) For the 2021-22 fiscal year, the College’s beginning net position was decreased due to the implementation of GASB Statement No. 87, *Leases*.

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 2022-23 and 2021-22 fiscal years:

Operating Revenues For the Fiscal Years

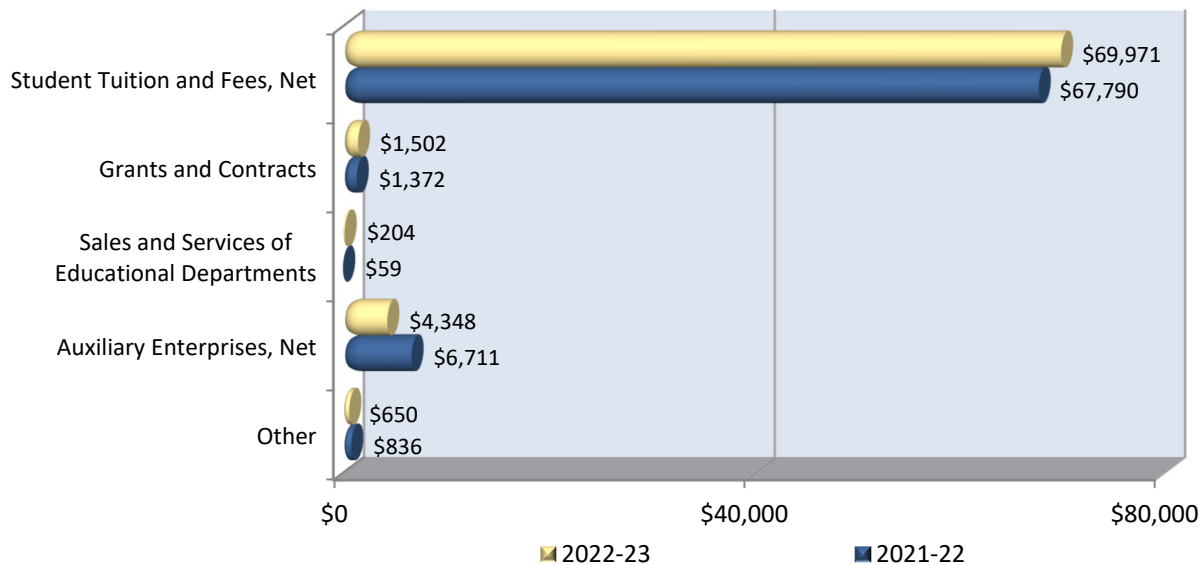
(In Thousands)

	2022-23	2021-22
Student Tuition and Fees, Net	\$ 69,971	\$ 67,790
Grants and Contracts	1,502	1,372
Sales and Services of Educational Departments	204	59
Auxiliary Enterprises, Net	4,348	6,711
Other	650	836
Total Operating Revenues	\$ 76,675	\$ 76,768

The following chart presents the College's operating revenues for the 2022-23 and 2021-22 fiscal years:

Operating Revenues

(In Thousands)



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

- Net student tuition and fees increased by \$2.2 million due to an increased enrollment in the continuing education language and accelerated skills training programs.
- Net auxiliary revenues decreased by \$2.4 million due to a decline in bookstore sales, the result of changing to a third-party vendor for fulfillment of student educational materials from the College operated campus stores beginning in Spring Term 2023.

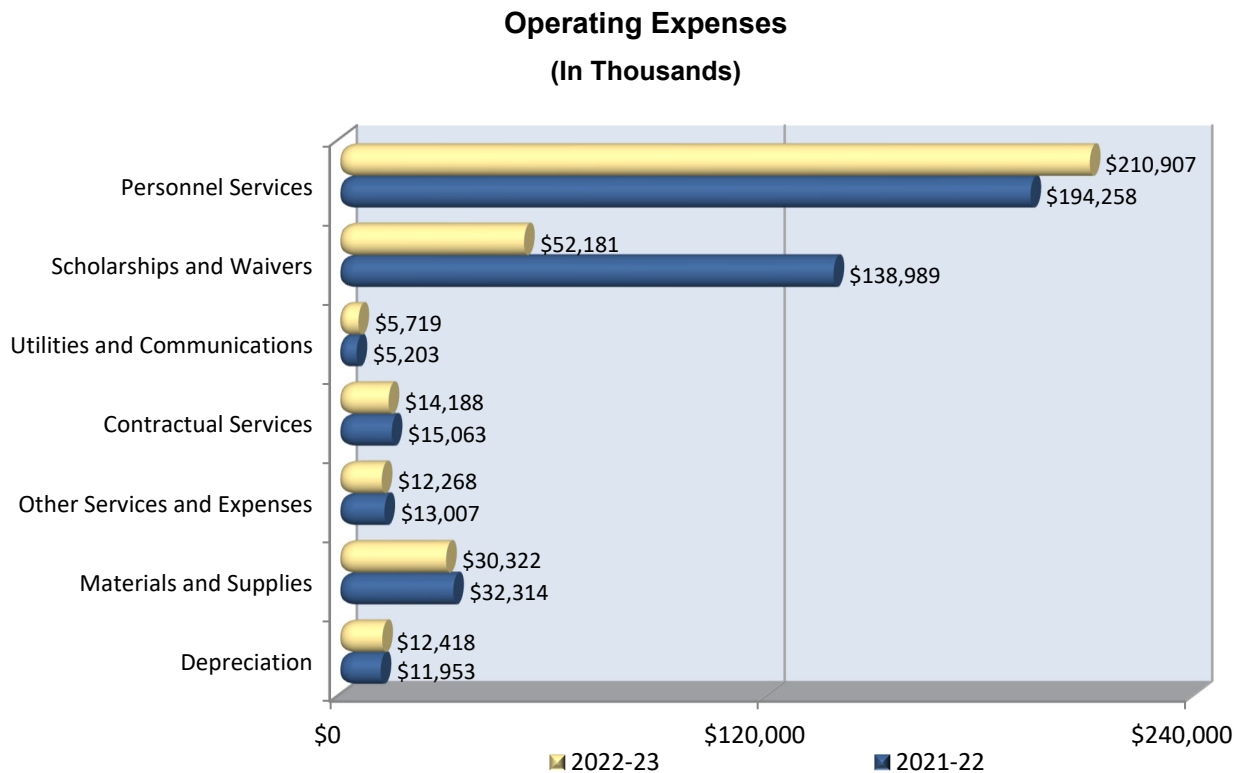
Operating Expenses

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 2022-23 and 2021-22 fiscal years:

Operating Expenses For the Fiscal Years		
(In Thousands)		
	<u>2022-23</u>	<u>2021-22</u>
Personnel Services	\$ 210,907	\$ 194,258
Scholarships and Waivers	52,181	138,989
Utilities and Communications	5,719	5,203
Contractual Services	14,188	15,063
Other Services and Expenses	12,268	13,007
Materials and Supplies	30,322	32,314
Depreciation	12,418	11,953
Total Operating Expenses	<u>\$ 338,003</u>	<u>\$ 410,787</u>

The following chart presents the College’s operating expenses for the 2022-23 and 2021-22 fiscal years:



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

- Personnel expenses increased by \$16.6 million primarily due to an increase in net pension expense of \$12.5 million because of an overall investment loss of 6.3 percent on plan assets in the 2022-23 fiscal year as compared to a 29.5 percent positive return in the 2021-22 fiscal year. In addition, all full-time staff and faculty received a 4 percent salary increase in the 2022-23 fiscal year.

- Scholarship expenses decreased by \$86.8 million mainly due to the reduction in the number of emergency aid award stipends disbursed to students in the 2022-23 fiscal year.

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 2022-23 and 2021-22 fiscal years:

Nonoperating Revenues (Expenses)		
For the Fiscal Years		
(In Thousands)		
	2022-23	2021-22
State Noncapital Appropriations	\$ 109,816	\$ 99,731
Federal and State Student Financial Aid	95,782	150,831
Gifts and Grants	29,680	115,974
Investment Income (Loss)	3,956	(199)
Other Nonoperating Revenues	379	1,514
Interest on Capital Asset-Related Debt	(596)	(978)
Net Nonoperating Revenues	\$ 239,017	\$ 366,873

- State noncapital appropriations increased by \$10.1 million primarily due to increases from the Florida College System Program Fund of general revenue (\$3.3 million) and Lottery (\$3.4 million). In addition, the College received a new State appropriation for nursing education (\$1.4 million).
- Federal and State student financial aid decreased by \$55 million primarily due to the College not receiving any additional HEERF Emergency aid grants in the 2022-23 fiscal year.
- Gifts and grants decreased \$86.3 million primarily due to the College not receiving any supplemental HEERF Institutional or Minority Serving Institutions grant awards during the current 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 2022-23 and 2021-22 fiscal years:

Other Revenues		
For the Fiscal Years		
(In Thousands)		
	2022-23	2021-22
State Capital Appropriations	\$ 1,128	\$ 1,087
Capital Grants, Contracts, Gifts, and Fees	23,536	5,787
Total	\$ 24,664	\$ 6,874

Other revenues increased by \$17.8 million primarily due to funds received from the State's allocation of Federal Coronavirus State Fiscal Recovery Fund monies for deferred maintenance projects totaling \$17.6 million.

The Statement of Cash Flows

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

The following summarizes the College's cash flows for the 2022-23 and 2021-22 fiscal years:

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

	2022-23	2021-22
Cash Provided (Used) by:		
Operating Activities	\$ (240,735)	\$ (331,040)
Noncapital Financing Activities	267,378	350,033
Capital and Related Financing Activities	3,553	(5,218)
Investing Activities	18,717	264
Net Increase in Cash and Cash Equivalents	48,913	14,039
Cash and Cash Equivalents, Beginning of Year	78,959	64,920
Cash and Cash Equivalents, End of Year	\$ 127,872	\$ 78,959

Major sources of funds came from State noncapital appropriations (\$109.8 million), Federal and State student financial aid (\$95.8 million), net student tuition and fees (\$70 million), and Federal Direct Loan program receipts (\$39.3 million). Major uses of funds were for payments to employees and for employee benefits (\$201.4 million), suppliers (\$58.1 million), scholarships (\$52.2 million), and disbursements to students for the Federal Direct Loan program (\$39.4 million).

Changes in cash and cash equivalents were the result of the following factors:

- Cash used by operating activities decreased by \$90.3 million because of a decrease in HEERF emergency aid scholarship payments (\$86.8 million), a reduction in grants and contracts receivables (\$19.5 million), and an increase in net tuition and fees related to growth in continuing education program enrollment (\$15 million).
- Cash provided by noncapital financing activities decreased by \$82.7 million primarily due to the reduction of funds from HEERF aid and institutional grant funds.
- Cash provided by investing activities increased by \$18.5 million mainly due to the liquidation of the investment portfolio (\$14.6 million). These funds were reinvested into the State Board of

Administration (SBA) Florida PRIME investment pool which resulted in an increase of investment income (\$3.8 million).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the College had \$446.8 million in capital assets, less accumulated depreciation of \$180.6 million, for net capital assets of \$266.2 million. Depreciation charges for the current fiscal year totaled \$12.4 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)

	2023	2022
Land	\$ 32,988	\$ 32,988
Construction in Progress	470	106
Buildings	202,136	209,604
Other Structures and Improvements	1,659	1,954
Furniture, Machinery, and Equipment	6,177	5,535
Leasehold Improvements	10,762	11,247
Assets Under Leases	12,048	12,870
Capital Assets, Net	\$266,240	\$274,304

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

Debt Administration

As of June 30, 2023, the College had \$14.7 million in outstanding State Board of Education (SBE) capital outlay bonds and leases payable representing a decrease of \$0.6 million, or a 3.8 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt at June 30

(In Thousands)

	2023	2022
SBE Capital Outlay Bonds	\$ 1,186	\$ 1,327
Leases	13,558	13,996
Total	\$ 14,744	\$ 15,323

The SBE issues capital outlay bonds on behalf of the College. During the 2022-23 fiscal year, there were no bond sales and debt repayments totaled \$0.8 million. Additional information about the College’s long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. Factors such as economic and State of Florida policy can result in the realignment of State resources which could indicate changes to the College's State appropriations during any fiscal year. The College's current financial and capital plans indicate that there are adequate financial resources to maintain its present level of services.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Chief Financial Officer, Valencia College, Post Office Box 3028, Orlando, Florida 32802.

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BASIC FINANCIAL STATEMENTS

VALENCIA COLLEGE A Component Unit of the State of Florida Statement of Net Position

June 30, 2023

	College	Component Unit
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 69,877,940	\$ 2,392,438
Restricted Cash and Cash Equivalents	29,184,904	-
Accounts Receivable, Net	11,659,483	790,203
Lease Receivable, Net	223,287	-
Due from Other Governmental Agencies	23,046,432	-
Due from Component Unit	401,854	-
Inventories	934,868	-
Prepaid Expenses	3,936,303	-
Deposits	156	-
Other Assets	-	6,783,081
Total Current Assets	139,265,227	9,965,722
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	28,808,915	-
Restricted Investments	30,328	95,667,763
Lease Receivable, Net	2,302,851	-
Depreciable Capital Assets, Net	232,782,582	-
Nondepreciable Capital Assets	33,457,653	2,603,062
Total Noncurrent Assets	297,382,329	98,270,825
TOTAL ASSETS	436,647,556	108,236,547
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	47,937,077	-
Other Postemployment Benefits	2,488,401	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	50,425,478	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	3,771,151	179,126
Salary and Payroll Taxes Payable	8,820,513	-
Retainage Payable	160,860	-
Due to Other Governmental Agencies	757,037	-
Due to Component Unit/College	6,506	1,643,130
Unearned Revenue	18,403,969	162,650
Estimated Insurance Claims Payable	4,658,235	-
Deposits Held for Others	940,803	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	145,000	-
Leases Payable	578,413	-
Special Termination Benefits Payable	70,327	-
Compensated Absences Payable	1,512,492	-
Total Current Liabilities	39,825,306	1,984,906

	<u>College</u>	<u>Component Unit</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	1,041,000	-
Leases Payable	12,980,053	-
Special Termination Benefits Payable	285,230	-
Compensated Absences Payable	16,378,139	-
Net Pension Liability	122,942,781	-
Other Postemployment Benefits Payable	4,673,691	-
Total Noncurrent Liabilities	<u>158,300,894</u>	<u>-</u>
TOTAL LIABILITIES	<u>198,126,200</u>	<u>1,984,906</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions	7,022,271	-
Other Postemployment Benefits	4,070,578	-
Lease Agreements	2,471,293	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>13,564,142</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	251,495,768	2,603,062
Restricted:		
Nonexpendable:		
Endowment	-	35,736,458
Expendable:		
Grants and Loans	13,710,584	51,817,674
Scholarships	2,163,438	-
Capital Projects	46,479,106	-
Debt Service	30,328	-
Unrestricted	<u>(38,496,532)</u>	<u>16,094,447</u>
TOTAL NET POSITION	<u>\$ 275,382,692</u>	<u>\$ 106,251,641</u>

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

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VALENCIA 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, 2023

	<u>College</u>	<u>Component Unit</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$54,800,188	\$ 69,971,051	\$ -
Federal Grants and Contracts	1,502,411	-
State and Local Grants and Contracts	-	316,399
Nongovernmental Grants and Contracts	-	5,026,327
Sales and Services of Educational Departments	203,973	-
Auxiliary Enterprises, Net of Scholarship Allowances of \$2,436,290	4,347,547	-
Other Operating Revenues	649,504	114,116
Total Operating Revenues	76,674,486	5,456,842
EXPENSES		
Operating Expenses:		
Personnel Services	210,906,501	1,067,357
Scholarships and Waivers	52,181,011	5,486,730
Utilities and Communications	5,719,269	-
Contractual Services	14,188,038	494,927
Other Services and Expenses	12,268,397	2,204,313
Materials and Supplies	30,321,566	9,562
Depreciation	12,418,008	-
Total Operating Expenses	338,002,790	9,262,889
Operating Loss	(261,328,304)	(3,806,047)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	109,815,698	-
Federal and State Student Financial Aid	95,782,384	-
Gifts and Grants	29,679,896	-
Investment Income	4,150,084	5,505,411
Net Loss on Investments	(193,655)	(6,844,295)
Other Nonoperating Revenues	378,484	-
Interest on Capital Asset-Related Debt	(595,602)	-
Net Nonoperating Revenues (Expenses)	239,017,289	(1,338,884)
Loss Before Other Expenses	(22,311,015)	(5,144,931)
State Capital Appropriations	1,128,000	-
Capital Grants, Contracts, Gifts, and Fees	23,535,426	-
Total Other Revenues	24,663,426	-
Increase (Decrease) in Net Position	2,352,411	(5,144,931)
Net Position, Beginning of Year	273,030,281	111,396,572
Net Position, End of Year	\$ 275,382,692	\$ 106,251,641

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

VALENCIA COLLEGE
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2023

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 70,008,532
Grants and Contracts	1,391,719
Payments to Suppliers	(58,125,264)
Payments for Utilities and Communications	(5,719,269)
Payments to Employees	(157,576,399)
Payments for Employee Benefits	(43,844,252)
Payments for Scholarships	(52,181,011)
Auxiliary Enterprises, Net	4,506,189
Sales and Services of Educational Departments	203,973
Other Receipts	600,920
Net Cash Used by Operating Activities	(240,734,862)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	109,815,698
Federal and State Student Financial Aid	95,773,628
Federal Direct Loan Program Receipts	39,349,130
Federal Direct Loan Program Disbursements	(39,389,795)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	61,829,125
Net Cash Provided by Noncapital Financing Activities	267,377,786
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,002,642
Capital Grants and Gifts	5,992,738
Proceeds from Sale of Capital Assets	378,484
Purchases of Capital Assets	(3,647,219)
Principal Paid on Capital Debt and Leases	(578,667)
Interest Paid on Capital Debt and Leases	(595,602)
Net Cash Provided by Capital and Related Financing Activities	3,552,376
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	14,567,873
Investment Income	4,149,409
Net Cash Provided by Investing Activities	18,717,282
Net Increase in Cash and Cash Equivalents	48,912,582
Cash and Cash Equivalents, Beginning of Year	78,959,177
Cash and Cash Equivalents, End of Year	\$ 127,871,759

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (261,328,304)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	12,418,008
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	(1,044,704)
Due from Other Governmental Agencies	(332,578)
Due from Component Unit	(130,407)
Inventories	275,165
Prepaid Expenses	(2,730,342)
Other Assets	395
Accounts Payable	1,530,663
Salaries and Payroll Taxes Payable	1,339,788
Due to Other Governmental Agencies	(420,811)
Unearned Revenue	1,123,980
Estimated Insurance Claims Payable	(1,395,019)
Deposits Held for Others	61,959
Special Termination Benefits Payable	(3,879)
Compensated Absences Payable	5,248,457
Other Postemployment Benefits Payable	(540,476)
Net Pension Liability	68,009,468
Deferred Outflows of Resources Related to Other Postemployment Benefits	464,332
Deferred Inflows of Resources Related to Other Postemployment Benefits	555,572
Deferred Outflows of Resources Related to Pensions	(9,665,089)
Deferred Inflows of Resources Related to Pensions	(53,788,434)
Deferred Inflows of Resources Related to Lease Agreements	(382,606)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (240,734,862)</u>

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the Valencia 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 Chief Financial Officer, Valencia College, Post Office Box 3028, Orlando, Florida 32802. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2023.

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 entity wide 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, and investment income. Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third-party making payment on behalf of the student. The College calculated its scholarship allowance by identifying amounts within its student accounts receivable system paid by

student aid for tuition and books. The amounts are deducted from student tuition and fees and auxiliary enterprises, respectively.

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

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

At June 30, 2023, the College reported as cash equivalents \$106,103,042 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 37 days as of June 30, 2023. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost.

Section 218.409(8)(a), Florida Statutes, provides that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote

to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days.” As of June 30, 2023, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

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

Capital Assets. College capital assets consist of land, construction in progress, buildings, other structures and improvements, furniture, machinery, and equipment, leasehold improvements, and assets under leases. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$1,000,000 for buildings and \$100,000 for 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 – 10 to 40 years
- Assets Under Leases – 2 to 40 years

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

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

2. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (57,074,529)
Auxiliary Funds	<u>18,577,997</u>
Total	<u>\$ (38,496,532)</u>

3. Investments

The Board of Trustees had not adopted a written investment policy. Therefore, pursuant to Section 218.415(17), Florida Statutes, the College is authorized to invest in the Florida PRIME investment pool, administered by the State Board of Administration (SBA); Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

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

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

All of the College's recurring fair value measurements as of June 30, 2023, are valued using quoted market prices (Level 1 inputs).

The College's investments at June 30, 2023, are reported as follows:

	<u>Amount</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments by fair value level				
SBA Debt Service Accounts	\$ 30,328	\$ 30,328	\$ -	\$ -
Total investments by fair value level	<u>\$ 30,328</u>	<u>\$ 30,328</u>	<u>\$ -</u>	<u>\$ -</u>

State Board of Administration Debt Service Accounts. The College reported investments totaling \$30,328 at June 30, 2023, in the SBA Debt Service Accounts. These investments are used to make debt

service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value (Level 1 inputs). The College relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Annual Comprehensive Financial Report.

Component Unit Investments. The Foundation categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The fair value of investments consists of the following:

	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Fixed income mutual funds	\$ 26,750,085	\$ 26,750,085	\$ -	\$ -
Equity mutual funds	33,195,539	33,195,539	-	-
International mutual funds	24,763,234	24,763,234	-	-
Total investments by fair value level	\$ 84,708,858	\$ 84,708,858	\$ -	\$ -
Investments measured at the net asset value (NAV)				
SEI Energy Debt Fund, LP	694,461			
SEI Structured Credit Fund, LP	3,488,520			
SEI Structured Core Property, LP	6,422,142			
SEI Global Private Assets VI, LP	353,782			
Total investments measured at NAV	10,958,905			
Total investments measured at fair value	\$ 95,667,763			

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

Investments measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
SEI Energy Debt Fund, LP	\$ 694,461	\$ -	3-year lock up on each subscription (50% available after lock up then 25% available for each of the next 2 semi-annual periods). Lock up period ended in FY 2020-21.	Semi-annual with 95 days notice, 10% holdback on total redemptions. In wind down period subject to payout schedule.
SEI Structured Credit Fund, LP	3,488,520	-	Quarterly. 2-year lock up on each subscription. Lock up period ended in FY 2019-20.	N/A
SEI Structured Core Property, LP	6,422,142	-	Quarterly. No lock up period. Subject to gate that can be imposed if withdrawal amounts are greater than 25% of NAV.	Requires a 95-day notice, subject to certain holdback restrictions.
SEI Global Private Assets VI, LP	353,782	-	N/A	N/A
Total investments measured at the NAV	\$ 10,958,905	\$ -		

4. Accounts Receivable

Accounts receivable represent amounts for student fee deferrals, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a \$1,431,531 allowance for doubtful accounts.

5. Due From Other Governmental Agencies

The amount due from other governmental agencies consists primarily of \$17,527,688 of deferred maintenance funds from the State for various maintenance projects of College facilities.

6. Due From and To Component Unit/College

The \$401,854 amount due from component unit consists of amounts owed to the College by the Foundation for grant expenditures and scholarships. The \$6,506 reported as due to component unit consists of amounts owed by the College to the Foundation for theater production ticket sales. The College's financial statements are reported for the fiscal year ended June 30, 2023. The College's component unit financial statements are reported for the fiscal year ended March 31, 2023. Accordingly, amounts reported by the College as due from and to component unit on the statement of net position do not agree with amounts reported by the component unit as due from and to the College.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2023, 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	\$ 32,987,698	\$ -	\$ -	\$ 32,987,698
Construction in Progress	106,078	363,877	-	469,955
Total Nondepreciable Capital Assets	\$ 33,093,776	\$ 363,877	\$ -	\$ 33,457,653
Depreciable Capital Assets:				
Buildings	\$ 347,869,340	\$ -	\$ -	\$ 347,869,340
Other Structures and Improvements	3,139,252	-	-	3,139,252
Furniture, Machinery, and Equipment	31,464,553	3,752,321	786,495	34,430,379
Leasehold Improvements	12,516,169	-	-	12,516,169
Assets Under Leases	15,486,588	310,864	337,167	15,460,285
Total Depreciable Capital Assets	410,475,902	4,063,185	1,123,662	413,415,425
Less, Accumulated Depreciation:				
Buildings	138,264,899	7,468,357	-	145,733,256
Other Structures and Improvements	1,184,903	295,047	-	1,479,950
Furniture, Machinery, and Equipment	25,929,588	3,110,296	786,495	28,253,389
Leasehold Improvements	1,269,359	485,164	-	1,754,523
Assets Under Leases	2,616,522	1,059,144	263,941	3,411,725
Total Accumulated Depreciation	169,265,271	12,418,008	1,050,436	180,632,843
Total Depreciable Capital Assets, Net	\$ 241,210,631	\$ (8,354,823)	\$ 73,226	\$ 232,782,582

8. Unearned Revenue

Unearned revenue at June 30, 2023, primarily includes \$15,905,885 from the Osceola County Prosper scholarship program paid in advance of disbursement to students, and \$2,207,535 of tuition received prior to fiscal year end related to continuing education programs with a start date in subsequent accounting periods.

9. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2023, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable	\$ 1,327,000	\$ -	\$ 141,000	\$ 1,186,000	\$ 145,000
Leases Payable	13,996,133	239,198	676,865	13,558,466	578,413
Special Termination Benefits Payable	359,436	64,629	68,508	355,557	70,327
Compensated Absences Payable	12,642,174	6,083,312	834,855	17,890,631	1,512,492
Other Postemployment Benefits Payable	5,214,167	528,402	1,068,878	4,673,691	-
Net Pension Liability	54,933,313	112,536,849	44,527,381	122,942,781	-
Total Long-Term Liabilities	\$ 88,472,223	\$ 119,452,390	\$ 47,317,487	\$ 160,607,126	\$ 2,306,232

Bonds Payable. The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license

tax and by the State’s full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2023:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
SBE Capital Outlay Bonds: Series 2020A	<u>\$ 1,186,000</u>	2.0 - 5.0	2030

Annual requirements to amortize all bonded debt outstanding as of June 30, 2023, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>SBE Capital Outlay Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 145,000	\$ 59,300	\$ 204,300
2025	152,000	52,050	204,050
2026	161,000	44,450	205,450
2027	169,000	36,400	205,400
2028	176,000	27,950	203,950
2029-2030	383,000	28,950	411,950
Total	<u>\$ 1,186,000</u>	<u>\$ 249,100</u>	<u>\$ 1,435,100</u>

Leases Payable. Copiers, computers servers, manufacturing equipment, vehicles, and modular classrooms in the amount of \$1,965,302 were acquired through various lease agreements. The imputed interest rates range from 2.85 to 18.64 percent. Future minimum payments under the lease agreements and the present value of the minimum payments as of June 30, 2023, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2024	\$ 423,774
2025	291,697
2026	245,502
2027	35,284
2028	10,449
Total Minimum Payments	1,006,706
Less, Amount Representing Interest	118,169
Present Value of Minimum Payments	<u>\$ 888,537</u>

Three centers for accelerated training and downtown Orlando campus space in the amount of \$13,494,983 were acquired through various leases. The imputed interest rates are 5 percent for the accelerated training facilities and 3 percent for the downtown campus. Future minimum payments under these lease agreements and the present value of the minimum payments as of June 30, 2023, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2024	\$ 653,777
2025	695,570
2026	629,550
2027	610,589
2028	618,769
2029-2033	3,392,304
2034-2038	3,041,275
2039-2043	2,358,125
2044-2048	2,564,375
2049-2053	2,770,625
2054-2058	2,976,875
2059-2060	705,835
	<hr/>
Total Minimum Payments	21,017,669
Less, Amount Representing Interest	8,347,740
	<hr/>
Present Value of Minimum Payments	<u>\$ 12,669,929</u>

Special Termination Benefits Payable. Executive management employees are provided 7 days of administration incentive leave credit each year. Such credit is prorated for each month worked to a maximum of 35 days. Payment of such credited service is made at the time of termination from full time executive management for any reason other than cause. Accrued benefits for 21 participants at June 30, 2023, totaled \$355,557.

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2023, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$17,890,631. The current portion of the compensated absences liability, \$1,512,492, 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 certain other postemployment benefits administered by the College and life, dental and vision insurance benefits through purchased commercial insurance.

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 College that provides OPEB for all employees who satisfy the College's retirement eligibility provisions. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's health and hospitalization plan for medical, prescription drug, dental, vision, and life insurance coverage. The

College subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible. The OPEB Plan contribution requirements and benefit terms of the College and the OPEB Plan members are established and may be amended by action from the Board. No assets are accumulated in a trust that meet 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, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	103
Inactive Employees Entitled to But Not Yet Receiving Benefits	26
Active Employees	1,667
Total	<u>1,796</u>

Total OPEB Liability

The College’s total OPEB liability of \$4,673,691 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40 percent
Real wage growth	0.85 percent
Wage inflation	3.25 percent
Salary increases, Including wage inflation	
Regular employees	3.40 – 7.80 percent
Senior management	4.10 – 8.20 percent
Municipal Bond Index Rate	
Prior Measurement Date	2.16 percent
Measurement Date	3.54 percent
Healthcare cost trend rates	
Pre-Medicare	7.00 percent for 2021, decreasing to an ultimate rate of 4.40 percent for 2032
Medicare	5.125 percent for 2021 decreasing to an ultimate rate of 4.40 percent by 2025

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-2018.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018, 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, 2021, valuation were based on a review of recent plan experience done concurrently with the June 30, 2021, valuation.

Changes in the Total OPEB Liability

	Amount
Balance at 6/30/22	<u>\$ 5,214,167</u>
Changes for the year:	
Service Cost	371,871
Interest	119,226
Differences Between Expected and Actual Experience	37,305
Changes in Assumptions or Other Inputs	(935,562)
Benefit Payments	<u>(133,316)</u>
Net Changes	<u>(540,476)</u>
Balance at 6/30/23	<u><u>\$ 4,673,691</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.16 percent in 2021 to 3.54 percent in 2022.

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 (2.54 percent) or 1 percentage point higher (4.54 percent) than the current rate:

	<u>1% Decrease (2.54%)</u>	<u>Current Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Total OPEB liability	\$5,326,111	\$4,673,691	\$4,131,946

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	\$3,881,433	\$4,673,691	\$5,709,926

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

For the fiscal year ended June 30, 2023, the College recognized OPEB expense of \$456,571. At June 30, 2023, 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	\$ 1,939,715	\$ 2,225,177
Change of assumptions or other inputs	548,686	1,845,401
Total	\$ 2,488,401	\$ 4,070,578

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>
2024	\$ (34,526)
2025	(34,526)
2026	(34,526)
2027	(34,526)
2028	(24,860)
Thereafter	(1,419,213)
Total	\$ (1,582,177)

Net Pension Liability. As a participating employer in the 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, 2023, the College’s proportionate share of the net pension liabilities totaled \$122,942,781. Note 10. includes a complete discussion of defined benefit pension plans.

10. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

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

The College's FRS and HIS pension expense totaled \$17,066,311 for the fiscal year ended June 30, 2023.

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 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2022-23 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	11.91
FRS, Senior Management Service	3.00	31.57
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	18.60
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 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 \$11,209,980 for the fiscal year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the College reported a liability of \$87,307,254 for its

proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The College's proportionate share of the net pension liability was based on the College's 2021-22 fiscal year contributions relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the College's proportionate share was 0.234646228 percent, which was an increase of 0.016817441 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the College recognized pension expense of \$14,174,065. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,146,590	\$ -
Change of assumptions	10,752,254	-
Net difference between projected and actual earnings on FRS Plan investments	5,764,886	-
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	7,678,319	716,518
College FRS contributions subsequent to the measurement date	11,209,980	-
Total	\$ 39,552,029	\$ 716,518

The deferred outflows of resources totaling \$11,209,980, 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, 2024. 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>
2024	\$ 6,434,264
2025	3,684,795
2026	604,339
2027	15,657,471
2028	1,244,662
Total	\$ 27,625,531

Actuarial Assumptions. The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.70 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

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%	2.6%	2.6%	1.1%
Fixed Income	19.8%	4.4%	4.4%	3.2%
Global Equity	54.0%	8.8%	7.3%	17.8%
Real Estate (Property)	10.3%	7.4%	6.3%	15.7%
Private Equity	11.1%	12.0%	8.9%	26.3%
Strategic Investments	3.8%	6.2%	5.9%	7.8%
Total	<u>100.0%</u>			
Assumed inflation - Mean			2.4%	1.3%

(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 2022 valuation was updated from 6.80 percent to 6.70 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 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	\$150,991,892	\$87,307,254	\$34,059,318

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

Payables to the Pension Plan. At June 30, 2023, the College reported a payable of \$1,482,626 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2023.

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, 2023, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 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, 2023, the contribution rate was 1.66 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 \$2,067,264 for the fiscal year ended June 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2023, the College reported a net pension liability of \$35,635,527 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The College's proportionate share of the net pension liability was based on the College's 2021-22 fiscal year contributions relative to the total 2021-22 fiscal year contributions of all participating members. At June 30, 2022, the College's proportionate share was 0.336450927 percent, which was an increase of 0.022760688 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the College recognized pension expense of \$2,892,246. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,081,622	\$ 156,799
Change of assumptions	2,042,651	5,512,793
Net difference between projected and actual earnings on HIS Plan investments	51,593	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	3,141,918	636,161
College contributions subsequent to the measurement date	2,067,264	-
Total	\$ 8,385,048	\$ 6,305,753

The deferred outflows of resources totaling \$2,067,264, 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, 2024. 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>
2024	\$ 271,611
2025	96,190
2026	82,321
2027	(144,120)
2028	(455,997)
Thereafter	162,026
Total	\$ 12,031

Actuarial Assumptions. The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.54 percent

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 3.54 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 used in the 2022 valuation was updated from 2.16 percent to 3.54 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 3.54 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 (2.54 percent) or 1 percentage point higher (4.54 percent) than the current rate:

	<u>1% Decrease (2.54%)</u>	<u>Current Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
College’s proportionate share of the net pension liability	\$40,769,969	\$35,635,527	\$31,386,882

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

Payables to the Pension Plan. At June 30, 2023, the College reported a payable of \$20,286 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2023.

11. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2022-23 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	9.30
FRS, Senior Management Service	10.67

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, 2023, 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 \$5,153,674 for the fiscal year ended June 30, 2023.

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 4.23 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 9.38 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 \$407,616 and employee contributions totaled \$237,446 for the 2022-23 fiscal year.

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, 2023, and up to \$75 million from March 1, 2023, for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

Life, dental, vision, and long-term disability coverage are provided through purchased commercial insurance.

Self-Insured Program. The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College's liability was limited by excess reinsurance to \$500,000 per insured person and \$96,000 aggregating specific deductible for the 2022-23 fiscal year. The plan is provided by an insurance company licensed by the Florida Office of Insurance Regulation. The College contributes employee premiums as a fringe benefit. Employee dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The liability includes an amount for claims that have been incurred, but not reported, and an amount for claims administration expense. Because the actual claims liability depends on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. The College reevaluates the claims liability periodically and the claims liability totaled \$4,658,235 as of June 30, 2023. Amounts held by the College in excess of the estimated insurance claims liability at June 30, 2023, totaled \$2,734,141 and are classified as insurance claim deposits. The College will use these amounts to pay claims incurred in future fiscal years.

The following schedule represents the changes in claims liability for the current and prior years for the College's self-insured program:

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claims Payments	End of Fiscal Year
2021-22	\$ 9,094,271	\$ 18,851,360	\$ (21,892,377)	\$ 6,053,254
2022-23	6,053,254	21,775,213	(23,170,232)	4,658,235

13. 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	\$ 115,581,417
Academic Support	30,008,255
Student Services	36,575,234
Institutional Support	50,733,341
Operation and Maintenance of Plant	33,419,908
Scholarships and Waivers	52,181,011
Depreciation	12,418,008
Auxiliary Enterprises	7,085,616
Total Operating Expenses	\$ 338,002,790

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 371,871	\$ 722,376	\$ 535,324	\$ 338,193	\$ 346,435	\$ 371,504
Interest	119,226	194,417	255,167	147,058	133,929	111,768
Difference between expected and actual experience	37,305	(2,624,671)	198,921	2,809,188	-	-
Changes of assumptions or other inputs	(935,562)	(935,826)	725,751	37,887	(144,894)	(256,028)
Benefit Payments	(133,316)	(431,421)	(358,974)	(394,577)	(202,583)	(154,868)
Net change in total OPEB liability	(540,476)	(3,075,125)	1,356,189	2,937,749	132,887	72,376
Total OPEB Liability - beginning	5,214,167	8,289,292	6,933,103	3,995,354	3,862,467	3,790,091
Total OPEB Liability - ending	\$ 4,673,691	\$ 5,214,167	\$ 8,289,292	\$ 6,933,103	\$ 3,995,354	\$ 3,862,467
Covered-Employee Payroll	\$ 92,455,226	\$ 92,455,226	\$ 100,813,641	\$ 100,813,641	\$ 100,871,934	\$ 90,205,089
Total OPEB Liability as a percentage of covered-employee payroll	5.06%	5.64%	8.22%	6.88%	3.96%	4.28%

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

	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>
College's proportion of the FRS net pension liability	0.234646228%	0.217828787%	0.199523546%	0.205245487%
College's proportionate share of the FRS net pension liability	\$ 87,307,254	\$ 16,454,489	\$ 86,476,445	\$ 70,683,688
College's covered payroll (2)	\$ 142,681,977	\$ 128,536,655	\$ 127,618,733	\$ 125,895,245
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	61.19%	12.80%	67.76%	56.14%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.89%	96.40%	78.85%	82.61%

- (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>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>
Contractually required FRS contribution	\$ 11,209,980	\$ 10,623,062	\$ 8,488,845	\$ 7,043,679
FRS contributions in relation to the contractually required contribution	<u>(11,209,980)</u>	<u>(10,623,062)</u>	<u>(8,488,845)</u>	<u>(7,043,679)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 133,407,742	\$ 142,681,977	\$ 128,536,655	\$ 127,618,733
FRS contributions as a percentage of covered payroll	8.40%	7.45%	6.60%	5.52%

- (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>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.205214626%	0.203885664%	0.190050708%	0.196294399%	0.187742199%	0.167975911%
\$ 61,811,709	\$ 60,308,011	\$ 47,987,953	\$ 25,354,054	\$ 11,455,035	\$ 28,916,130
\$ 121,862,041	\$ 118,458,249	\$ 104,892,761	\$ 98,931,589	\$ 94,207,047	\$ 87,660,009
50.72%	50.91%	45.75%	25.63%	12.16%	32.99%
84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 5,939,127	\$ 5,348,171	\$ 5,194,416	\$ 4,650,143	\$ 4,785,824	\$ 4,112,351
<u>(5,939,127)</u>	<u>(5,348,171)</u>	<u>(5,194,416)</u>	<u>(4,650,143)</u>	<u>(4,785,824)</u>	<u>(4,112,351)</u>
\$ _____ =	\$ _____ =	\$ _____ =	\$ _____ =	\$ _____ =	\$ _____ =
\$ 125,895,245	\$ 121,862,041	\$ 118,458,249	\$ 104,892,761	\$ 98,931,589	\$ 94,207,047
4.72%	4.39%	4.39%	4.43%	4.84%	4.37%

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

	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>
College's proportion of the HIS net pension liability	0.336450927%	0.313690239%	0.316838605%	0.323191784%
College's proportionate share of the HIS net pension liability	\$ 35,635,527	\$ 38,478,824	\$ 38,685,478	\$ 36,161,926
College's covered payroll (2)	\$ 133,234,430	\$ 120,488,335	\$ 119,511,940	\$ 117,749,244
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	26.75%	31.94%	32.37%	30.71%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	4.81%	3.56%	3.00%	2.63%

(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>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>
Contractually required HIS contribution	\$ 2,067,264	\$ 2,192,408	\$ 1,977,998	\$ 1,782,625
HIS contributions in relation to the contractually required HIS contribution	<u>(2,067,264)</u>	<u>(2,192,408)</u>	<u>(1,977,998)</u>	<u>(1,782,625)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 125,492,877	\$ 133,234,430	\$ 120,488,335	\$ 119,511,940
HIS contributions as a percentage of covered payroll	1.65%	1.65%	1.64%	1.49%

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

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

<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.318270473%	0.312498562%	0.281316270%	0.267041405%	0.255960092%	0.241878469%
\$ 33,686,104	\$ 33,413,788	\$ 32,786,246	\$ 27,234,023	\$ 23,932,893	\$ 21,058,701
\$ 113,571,692	\$ 109,716,705	\$ 96,187,981	\$ 90,177,274	\$ 85,319,642	\$ 78,946,546
29.66%	30.45%	34.09%	30.20%	28.05%	26.67%
2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 1,908,989	\$ 1,707,432	\$ 1,565,744	\$ 1,441,293	\$ 1,020,798	\$ 876,833
<u>(1,908,989)</u>	<u>(1,707,432)</u>	<u>(1,565,744)</u>	<u>(1,441,293)</u>	<u>(1,020,798)</u>	<u>(876,833)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 117,749,244	\$ 113,571,692	\$ 109,716,705	\$ 96,187,981	\$ 90,177,274	\$ 85,319,642
1.62%	1.50%	1.43%	1.50%	1.13%	1.03%

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

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

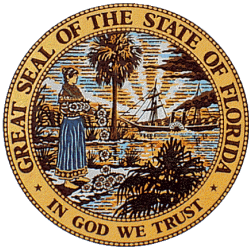
Changes of Assumptions. In 2022, the Municipal Bond Index Rate used to determine other postemployment benefit plan liability increased from 2.16 percent to 3.54 percent.

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

Changes of Assumptions. In 2022, the long-term expected rate of return decreased from 6.80 percent to 6.70 percent.

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

Changes of Assumptions. In 2022, the municipal rate used to determine total pension liability increased from 2.16 percent to 3.54 percent. In addition, the election assumption for vested terminated members was updated from 20 percent to 50 percent to reflect recent experience.



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, the financial statements of Valencia 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, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 30, 2023, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control

that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large loop at the end of the last name.

Sherrill F. Norman, CPA
Tallahassee, Florida
November 30, 2023