STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2024-175
March 2024

POLK STATE 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. Angela Garcia Falconetti served as President of Polk State College and the following individuals served as Members of the Board of Trustees:

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 Becky D. Grode, CPA, and the audit was supervised by Mark A. Arroyo, CPA.

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

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POLK STATE COLLEGE

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SUMMARY

SUMMARY OF REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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; however, we noted a certain additional matter as summarized below.

Additional Matter

Finding 2023-001: College procedures could be improved to ensure that the required audit report of the College's discretely presented component unit (Polk State College Foundation, Inc.) is promptly issued and considered in completing the College financial statements and related audit. The audit report of the Polk State College Foundation, Inc. for the fiscal year ended December 31, 2022, was issued on March 20, 2024, more than 14 months after fiscal year end.

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 Polk State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 Polk State 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2. to the financial statements, the College adopted new accounting guidance Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is a change in accounting principle that addresses accounting and financial reporting for subscription-based information technology arrangements. This affects the comparability of amounts reported for the 2022-23 fiscal year with amounts reported for the 2021-22 fiscal year. Our opinion is not modified with respect to this matter.

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 March 26, 2024, on our consideration of the Polk State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman, CPA
Tallahassee, Florida
March 26, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

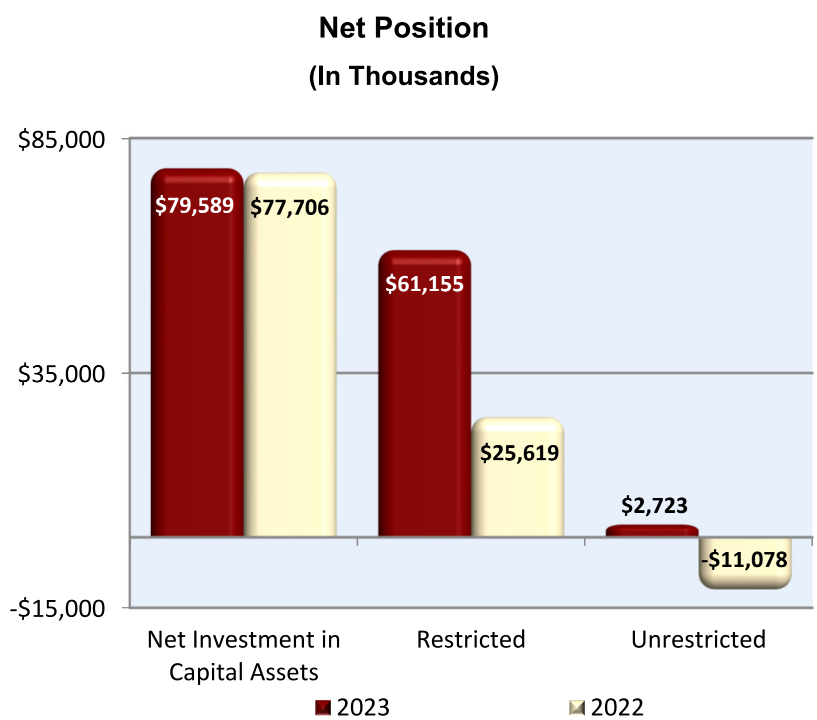
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2023, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are 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

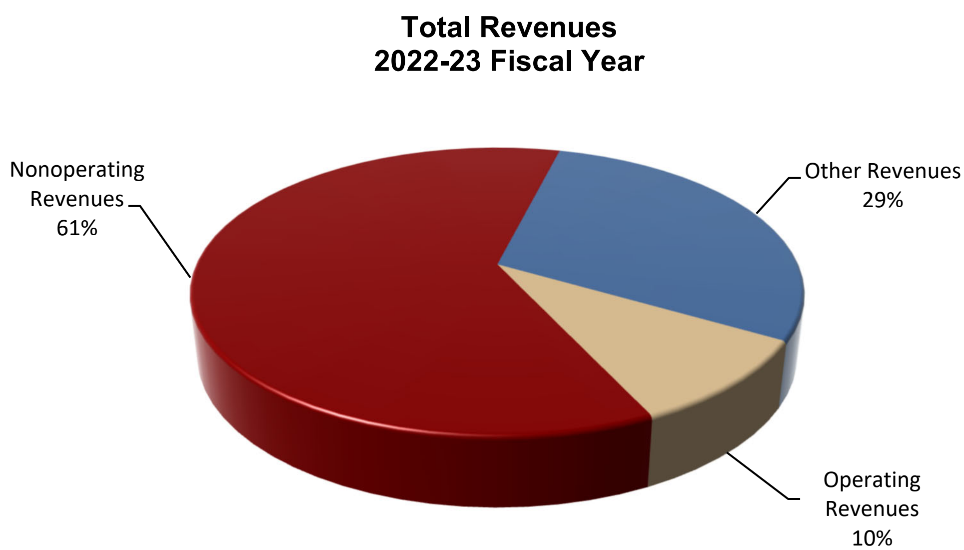
The College's assets and deferred outflows of resources totaled $188.5 million at June 30, 2023. This balance reflects a $53.9 million, or 40 percent, increase as compared to the 2021-22 fiscal year, resulting from increases in State allocations, gifts and grants, and capital grants, contracts, gifts, and fees. While assets and deferred outflows of resources grew, liabilities and deferred inflows of resources increased by $2.7 million, or 6.4 percent, totaling $45 million at June 30, 2023, resulting from an increase in net pension liability. As a result, the College's net position increased by $51.2 million, resulting in a year-end balance of $143.5 million.

The College's operating revenues totaled $15.3 million for the 2022-23 fiscal year, representing a 14.3 percent increase compared to the 2021-22 fiscal year due mainly to an increase in tuition and fees for workforce training at the Polk State Corporate College. Operating expenses totaled $106.4 million for the 2022-23 fiscal year, representing an increase of 31.3 percent as compared to the 2021-22 fiscal year due mainly to an increase in contractual services related to grant support and other services.

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:



The following chart provides a graphical presentation of College revenues by category for the 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 component unit is Polk State College Foundation, Inc. Based on the application of the criteria for determining component units, the Polk State College Foundation, Inc. is included within the College reporting entity as a discretely presented component unit.

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

The Statement of Net Position

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

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

Condensed Statement of Net Position at June 30

(In Thousands)

	2023	2022
Assets		
Current Assets	$ 97,318	$ 44,474
Capital Assets, Net	81,975	81,150
Other Noncurrent Assets	538	1,258
Total Assets	179,831	126,882
Deferred Outflows of Resources	8,653	7,679
Liabilities		
Current Liabilities	7,522	5,653
Noncurrent Liabilities	34,904	20,110
Total Liabilities	42,426	25,763
Deferred Inflows of Resources	2,591	16,551
Net Position		
Net Investment in Capital Assets	79,589	77,706
Restricted	61,155	25,619
Unrestricted	2,723	(11,078)
Total Net Position	$ 143,467	$ 92,247

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	$ 15,257	$ 13,350
Less, Operating Expenses	106,428	81,055
Operating Loss	(91,171)	(67,705)
Net Nonoperating Revenues	96,071	72,704
Income Before Other Revenues	4,900	4,999
Other Revenues	46,320	17,852
Net Increase In Net Position	51,220	22,851
Net Position, Beginning of Year	92,247	69,396
Net Position, End of Year	$ 143,467	$ 92,247

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.

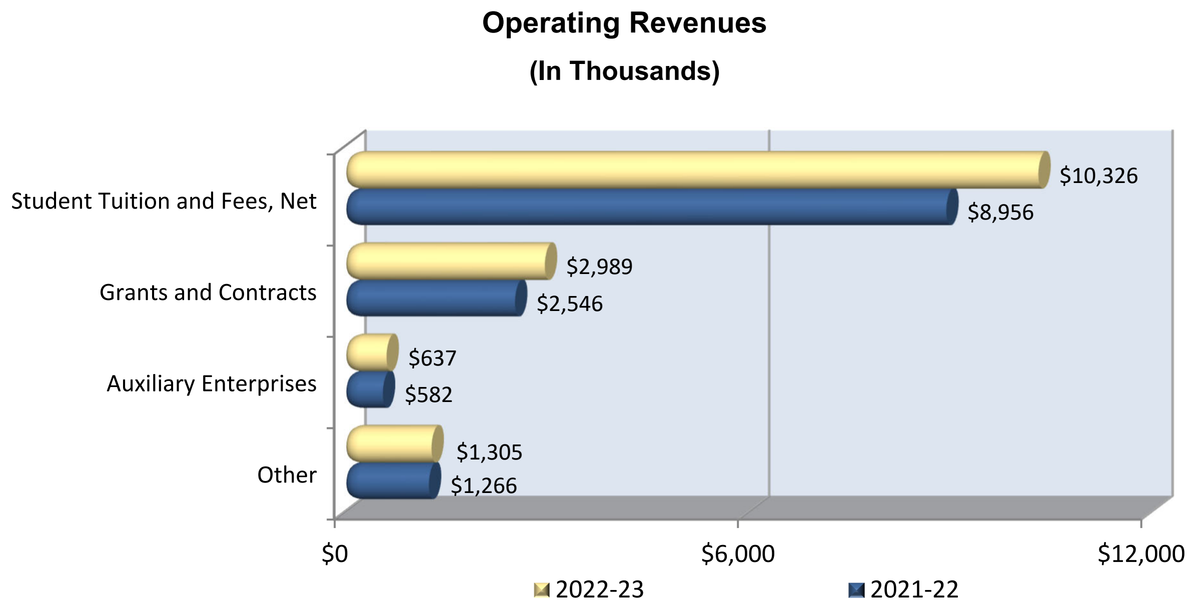
The following summarizes the operating revenues by source that were used to fund operating activities for the 2022-23 and 2021-22 fiscal years:

Operating Revenues
For the Fiscal Years

(In Thousands)

	2022-23	2021-22
Student Tuition and Fees, Net	$ 10,326	$ 8,956
Grants and Contracts	2,989	2,546
Auxiliary Enterprises	637	582
Other	1,305	1,266
Total Operating Revenues	$ 15,257	$ 13,350

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



College operating revenue changes were the result of an increase in workforce training tuition at the Polk State Corporate College.

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:

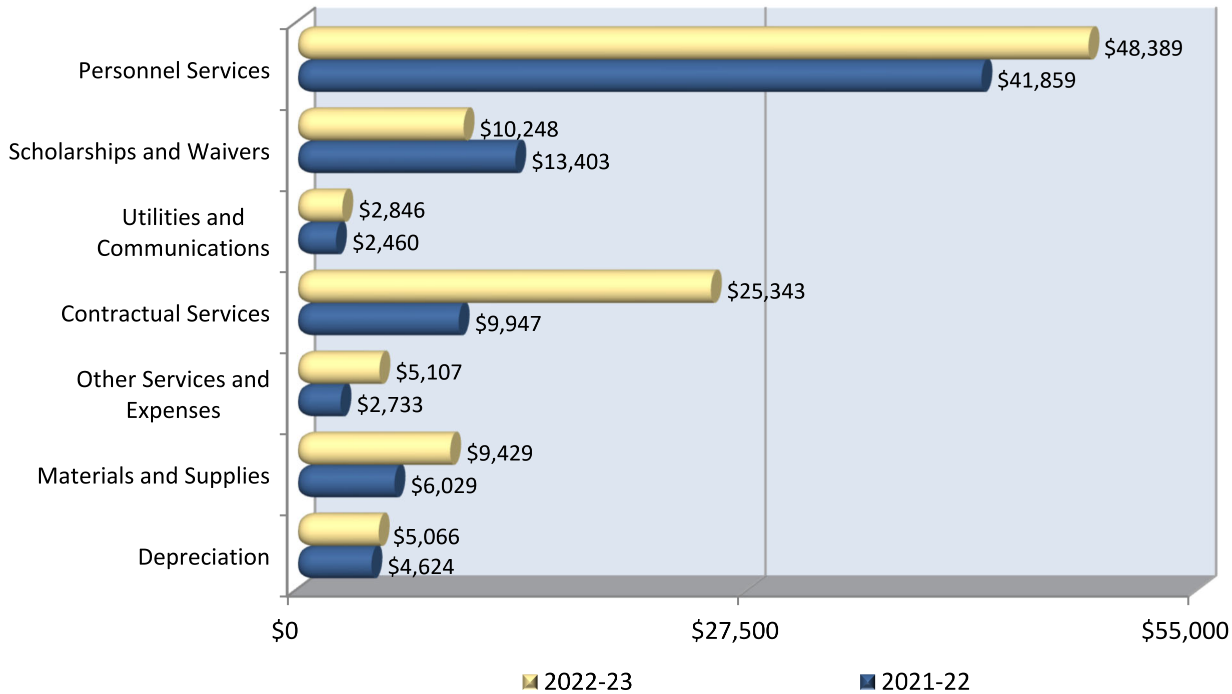
Operating Expenses
For the Fiscal Years
(In Thousands)

	2022-23	2021-22
Personnel Services	$ 48,389	$ 41,859
Scholarships and Waivers	10,248	13,403
Utilities and Communications	2,846	2,460
Contractual Services	25,343	9,947
Other Services and Expenses	5,107	2,733
Materials and Supplies	9,429	6,029
Depreciation	5,066	4,624
Total Operating Expenses	$ 106,428	$ 81,055

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

Operating Expenses

(In Thousands)



College operating expense changes were the result of an increase in salary and benefits and contractual services for Higher Education Emergency Relief Fund expenses.

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	$ 53,596	$ 39,422
Federal and State Student Financial Aid	28,474	19,908
Gifts and Grants	13,476	13,389
Investment Income	612	66
Interest on Capital Asset-Related Debt	(87)	(81)
Net Nonoperating Revenues	$ 96,071	$ 72,704

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	$ 3,374	$ 15,536
Capital Grants, Contracts, Gifts, and Fees	42,946	2,316
Total	$ 46,320	$ 17,852

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	$ (82,985)	$ (62,354)
Noncapital Financing Activities	96,771	72,802
Capital and Related Financing Activities	(1,579)	337
Investing Activities	613	67
Net Increase in Cash and Cash Equivalents	12,820	10,852
Cash and Cash Equivalents, Beginning of Year	25,964	15,112
Cash and Cash Equivalents, End of Year	$ 38,784	$ 25,964

Major sources of funds came from State noncapital appropriations ($53.6 million), Federal and State Student financial aid ($29.6 million), gifts and grants received other than capital or endowment purposes ($13.5 million), net student tuition and fees ($10.6 million), and State capital appropriations ($3.1 million). Major uses of funds were for payments to employees and for employee benefits ($47.8 million) payments to suppliers ($39 million), payments for scholarships ($11.1 million), and purchases or construction of capital assets ($5.9 million).

Capital Assets

At June 30, 2023, the College had $165.4 million in capital assets, less accumulated depreciation of $83.4 million, for net capital assets of $82 million. Depreciation charges for the current fiscal year totaled $5.1 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	$ 6,388	$ 6,388
Artwork	12	12
Subscription-Based Information Technology Arrangement in Progress	1,652	-
Construction in Progress	2,284	213
Buildings	66,087	69,005
Other Structures and Improvements	801	1,202
Furniture, Machinery, and Equipment	1,962	396
Leasehold Improvements	99	123
Lease Assets	2,690	3,811
Capital Assets, Net	$ 81,975	$ 81,150

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

Capital Commitments

The College's major construction and subscription-based information technology arrangement commitments at June 30, 2023, are as follows:

	Amount (In Thousands)
Total Committed	$ 39,223
Completed to Date	3,937
Balance Committed	$ 35,286

Additional information about the College's construction and subscription-based information technology arrangement commitments is presented in the notes to financial statements.

Debt Administration

As of June 30, 2023, the College had $2.4 million in outstanding leases payable, representing a decrease of $1.1 million, or 30.7 percent, from the prior fiscal year.

Economic Factors That Will Affect the Future

The College's economic condition is closely tied to that of the State of Florida. Because of continued economic growth an increase in State funding is anticipated in the 2023-24 fiscal year. There will not be a tuition increase for the 2023-24 fiscal year.

Requests for Information

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Finance, Polk State College, 999 Avenue H Northeast, Winter Haven, Florida 33881.

POLK STATE 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	$ 33,854,349	$ 3,376,327
Restricted Cash and Cash Equivalents	4,390,949	-
Contributions Receivable, Net	-	406,716
Accounts Receivable, Net	958,291	-
Notes Receivable, Net	-	18,825
Due from Other Governmental Agencies	56,776,644	-
Due from Component Unit	1,337,379	-
Other Current Assets	-	14,572
Total Current Assets	97,317,612	3,816,440
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	538,432	-
Restricted Investments	-	34,363,233
Contributions Receivable, Net	-	1,368,933
Notes Receivable, Net	-	124,480
Depreciable Capital Assets, Net	71,638,851	-
Nondepreciable Capital Assets	10,336,237	32,782
Other Noncurrent Assets	-	300,000
Total Noncurrent Assets	82,513,520	36,189,428
TOTAL ASSETS	179,831,132	40,005,868
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	70,667	-
Pensions	8,581,843	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,652,510	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,954,257	815,972
Salary and Payroll Taxes Payable	2,392,692	-
Retainage Payable	19,383	-
Unearned Revenue	253,520	-
Deposits Held for Others	508,561	-
Long-Term Liabilities - Current Portion:		
Leases Payable	1,074,388	-
Compensated Absences Payable	298,906	-
Other Postemployment Benefits Payable	19,890	-
Total Current Liabilities	7,521,597	815,972

	College	Component Unit
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Leases Payable	1,311,649	-
Compensated Absences Payable	4,518,105	-
Other Postemployment Benefits Payable	629,189	-
Net Pension Liability	28,445,036	-
Total Noncurrent Liabilities	34,903,979	-
TOTAL LIABILITIES	42,425,576	815,972
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	513,372	-
Pensions	2,077,574	-
TOTAL DEFERRED INFLOWS OF RESOURCES	2,590,946	-
NET POSITION		
Net Investment in Capital Assets	79,589,051	32,782
Restricted:		
Nonexpendable:		
Endowment	-	22,434,813
Expendable:		
Grants and Loans	4,197,981	1,355,000
Scholarships	-	14,051,581
Capital Projects	56,956,663	-
Unrestricted	2,723,425	1,315,720
TOTAL NET POSITION	$ 143,467,120	$ 39,189,896

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

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POLK STATE COLLEGE
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2023

	College	Component Unit
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $10,911,815	$ 10,325,734	$ -
Federal Grants and Contracts	1,647,934	-
State and Local Grants and Contracts	999,896	-
Nongovernmental Grants and Contracts	341,537	-
Auxiliary Enterprises	637,303	-
Other Operating Revenues	1,304,800	11,277
Total Operating Revenues	15,257,204	11,277
EXPENSES		
Operating Expenses:		
Personnel Services	48,389,396	657,789
Scholarships and Waivers	10,247,797	1,354,717
Utilities and Communications	2,846,444	57,600
Contractual Services	25,342,730	369,584
Other Services and Expenses	5,106,988	436,376
Materials and Supplies	9,428,864	3,026
Depreciation	5,065,735	-
Total Operating Expenses	106,427,954	2,879,092
Operating Loss	(91,170,750)	(2,867,815)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	53,595,601	-
Federal and State Student Financial Aid	28,473,714	-
Gifts and Grants	13,476,036	3,516,496
Investment Income (Loss)	612,615	(5,428,739)
Interest on Capital Asset-Related Debt	(86,928)	-
Other Nonoperating Revenues	-	14,036
Net Nonoperating Revenues (Expenses)	96,071,038	(1,898,207)
Income (Loss) Before Other Revenues	4,900,288	(4,766,022)
State Capital Appropriations	3,373,801	-
Capital Grants, Contracts, Gifts, and Fees	42,946,031	-
Total Other Revenues	46,319,832	-
Increase (Decrease) in Net Position	51,220,120	(4,766,022)
Net Position, Beginning of Year	92,247,000	43,955,918
Net Position, End of Year	$ 143,467,120	$ 39,189,896

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

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

For the Fiscal Year Ended June 30, 2023

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 10,574,752
Grants and Contracts	4,758,489
Payments to Suppliers	(39,041,038)
Payments for Utilities and Communications	(2,846,444)
Payments to Employees	(36,220,345)
Payments for Employee Benefits	(11,573,144)
Payments for Scholarships	(11,091,711)
Auxiliary Enterprises	1,021,783
Other Receipts	1,432,654
Net Cash Used by Operating Activities	(82,985,004)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	53,595,601
Federal and State Student Financial Aid	29,609,798
Federal Direct Loan Program Receipts	4,680,789
Federal Direct Loan Program Disbursements	(4,680,789)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	13,476,036
Other Nonoperating Receipts	89,139
Net Cash Provided by Noncapital Financing Activities	96,770,574
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	3,097,978
Capital Grants and Gifts	2,339,836
Purchases of Capital Assets	(5,871,507)
Principal Paid on Leases	(1,057,900)
Interest Paid on Leases	(86,928)
Net Cash Used by Capital and Related Financing Activities	(1,578,521)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	612,615
Net Cash Provided by Investing Activities	612,615
Net Increase in Cash and Cash Equivalents	12,819,664
Cash and Cash Equivalents, Beginning of Year	25,964,066
Cash and Cash Equivalents, End of Year	$ 38,783,730

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (91,170,750)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,065,735
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	556,456
Due from Other Government Agencies	719,128
Due from Component Unit	(961,709)
Other Current Assets	127,855
Accounts Payable	2,033,461
Salaries and Wages Payable	(81,214)
Compensated Absences Payable	489,047
Unearned Revenue	48,913
Other Postemployment Benefits Payable	(119,348)
Net Pension Liability	15,240,864
Deferred Outflows of Resources Related to Other Postemployment Benefits	7,680
Deferred Inflows of Resources Related to Other Postemployment Benefits	116,361
Deferred Outflows of Resources Related to Pensions	(980,877)
Deferred Inflows of Resources Related to Pensions	(14,076,606)
NET CASH USED BY OPERATING ACTIVITIES	$ (82,985,004)

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

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

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

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

The Foundation is audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The Foundation's audited financial statements are available to the public and can be obtained from the Polk State College Foundation, Inc., 999 Avenue H Northeast, Winter Haven, Florida 33881. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended December 31, 2022.

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

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

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

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

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

The College’s principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, gifts and grants, and investment income. 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 is able to identify, within its accounting system, amounts paid for tuition and fees by financial aid. The College records a scholarship allowance against tuition and fees for the total amount paid by financial aid.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consist of cash on hand, cash in demand accounts, and cash in money market accounts. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less, that are not held solely for income or profit, to be cash equivalents.

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

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

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

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

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans.

Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Reporting Change

The College implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which address the accounting and financial reporting for subscription assets by colleges. This statement requires the College to recognize certain right-to-use subscription assets and liabilities for subscriptions that previously were classified as operating expenses. Under this statement, the College is required to recognize a subscription liability and an intangible right to use the subscription asset. There was no effect to the beginning balance.

3. Investments

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

Investments and interests held by the Foundation on December 31, 2022, are reported as follows:

		Fair Value Measurements Using	
Investments by fair value level	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Unobservable Inputs (Level 3)**
Bonds	$ 3,434,598	$ 3,434,598	$ -
Mutual Funds			
Stock Funds	21,113,702	21,113,702	-
Allocation Funds	181,925	181,925	-
Bonds Funds	9,633,008	9,633,008	-
Total investments by fair value level	$ 34,363,233	$ 34,363,233	$ -
Beneficial Interest in Trust Assets (1)	463,742	-	463,742
Total Assets	$ 34,826,975	$ 34,363,233	$ 463,742

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

4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a $321,931 allowance for doubtful accounts.

5. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of $56,418,231 of deferred maintenance funds and Public Education Capital Outlay allocations due from the State for maintenance, renovation, and construction of College facilities.

6. Due From Component Unit

The amount of $1,337,379 due from component unit consists of amounts owed to the College by the Foundation for scholarships and student aid. The College's financial statements are reported for the fiscal year ended June 30, 2023. The Foundation's financial statements are reported for the fiscal year ended December 31, 2022. Accordingly, the amount reported by the College as due from component unit on the statement of net position does not agree with the amount reported by the component unit as due to the College.

7. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2023, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 6,387,601	$ -	$ -	$ 6,387,601
Artwork	11,700	-	-	11,700
Subscription-Based Information Technology Arrangement in Progress (1)	-	1,652,413	-	1,652,413
Construction in Progress	213,255	2,071,268	-	2,284,523
Total Nondepreciable Capital Assets	$ 6,612,556	$ 3,723,681	$ -	$ 10,336,237
Depreciable Capital Assets:				
Buildings	$ 129,280,621	$ -	$ -	$ 129,280,621
Other Structures and Improvements	9,361,795	-	-	9,361,795
Furniture, Machinery, and Equipment	9,138,792	2,167,209	270,840	11,035,161
Leasehold Improvements	493,964	-	-	493,964
Lease Assets	4,850,213	-	-	4,850,213
Total Depreciable Capital Assets	153,125,385	2,167,209	270,840	155,021,754
Less, Accumulated Depreciation:				
Buildings	60,275,548	2,918,458	-	63,194,006
Other Structures and Improvements	8,160,157	400,546	-	8,560,703
Furniture, Machinery, and Equipment	8,742,703	601,330	270,840	9,073,193
Leasehold Improvements	370,473	24,698	-	395,171
Lease Assets	1,039,127	1,120,703	-	2,159,830
Total Accumulated Depreciation	78,588,008	5,065,735	270,840	83,382,903
Total Depreciable Capital Assets, Net	$ 74,537,377	$ (2,898,526)	$ -	$ 71,638,851

(1) Subscription-Based Information Technology Arrangement in Progress was added due to implementation of GASB Statement No. 96. The beginning balance was not restated.

8. Unearned Revenue

Unearned revenue at June 30, 2023, includes student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2023, the College reported $253,520 unearned revenue.

9. Long-Term Liabilities

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases Payable	$ 3,443,937	$ -	$ 1,057,900	$ 2,386,037	$ 1,074,388
Compensated Absences Payable	4,327,964	774,965	285,918	4,817,011	298,906
Other Postemployment Benefits Payable	768,427	75,784	195,132	649,079	19,890
Net Pension Liability	13,204,172	21,454,865	6,214,001	28,445,036	-
Total Long-Term Liabilities	$ 21,744,500	$ 22,305,614	$ 7,752,951	$ 36,297,163	$ 1,393,184

Leases Payable. Facilities and information technology equipment in the amount of $4,850,214 were acquired under lease agreements. The interest rates range from 1.9 to 4 percent. Future minimum payments under the lease agreements and the present value of the minimum payments as of June 30, 2023, are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2024	$ 1,126,106	$ 1,074,388	$ 51,718
2025	627,954	601,020	26,934
2026	409,446	396,469	12,977
2027	273,363	268,652	4,711
2028	45,561	45,508	53
Total Minimum Lease Payments	$ 2,482,430	$ 2,386,037	$ 96,393

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 $4,817,011. The current portion of the compensated absences liability, $298,906, 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. The College calculates its current portion of compensated absences liability by applying the remaining percentage of time for those employees in the Deferred Retirement Option Program plus the total payouts for employees who have notified the College that they are leaving employment during the fiscal year.

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

General Information about the OPEB Plan

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the Consortium that provides OPEB for all employees who satisfy the College's retirement eligibility provisions. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare 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, 2022, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	27
DROP Members	12
Active Employees	422
Total	461

Total OPEB Liability

The College's total OPEB liability of $649,079 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	2.4 percent
Real Wage Growth	0.85 percent
Salary increases, including inflation	
Regular Employees	3.4 – 7.8 percent
Senior Management	4.1 – 8.2 percent
Discount rate	
Prior Measurement Date	2.16 percent
Measurement Date	3.54 percent
Healthcare cost trend rates	
Pre-Medicare	7 percent for 2021, decreasing to an ultimate rate of 4.4 percent for 2032
Medicare	5.125 percent for 2021, decreasing to an ultimate rate of 4.4 percent for 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	$ 768,427
Changes for the year:	
Service Cost	58,123
Interest	17,657
Changes in Assumptions or Other Inputs	(176,825)
Benefit Payments	(18,303)
Net Changes	(119,348)
Balance at 6/30/23	$ 649,079

Changes of assumptions and other inputs reflect a change in the discount rate from 2.16 percent to 3.54 percent in 2022 due to a change in the Municipal Bond Index Rate.

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:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	$770,967	$649,079	$553,555

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:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$525,808	$649,079	$815,476

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 $24,583. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 35,169	$ 158,049
Change of assumptions or other inputs	15,608	355,323
Transactions subsequent to the measurement date	19,890	-
Total	$ 70,667	$ 513,372

Of the total amount reported as deferred outflows of resources related to OPEB, $19,890 resulting from benefits paid subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2024	$ (51,197)
2025	(51,197)
2026	(51,197)
2027	(47,834)
2028	(42,060)
Thereafter	(219,110)
Total	$ (462,595)

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 $28,445,036. 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 $3,118,083 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:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
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:

	Percent of Gross Salary	
Class	**Employee**	**Employer** (1)
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 $2,391,830 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 $20,855,752 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 0.056051740 percent, which was a decrease of 0.000408689 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the College recognized pension expense of $2,882,143. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 990,528	$ -
Change of assumptions	2,568,473	-
Net difference between projected and actual earnings on FRS Plan investments	1,377,103	-
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	131,076	180,849
College FRS contributions subsequent to the measurement date	2,391,830	-
Total	$ 7,459,010	$ 180,849

The deferred outflows of resources totaling $2,391,830, 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:

Fiscal Year Ending June 30	Amount
2024	$ 1,167,820
2025	432,410
2026	(397,606)
2027	3,506,343
2028	177,364
Total	$ 4,886,331

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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
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	100.0%			
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:

	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
College's proportionate share of the net pension liability	$36,068,589	$20,855,752	$8,136,010

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

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 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 $433,566 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

$7,589,284 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 0.071653816 percent, which was a decrease of 0.001217018 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the College recognized pension expense of $235,940. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 230,353	$ 33,394
Change of assumptions	435,023	1,174,057
Net difference between projected and actual earnings on HIS Plan investments	10,988	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	12,903	689,274
College contributions subsequent to the measurement date	433,566	-
Total	$ 1,122,833	$ 1,896,725

The deferred outflows of resources totaling $433,566, 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:

Fiscal Year Ending June 30	Amount
2024	$ (291,730)
2025	(227,207)
2026	(171,154)
2027	(207,906)
2028	(227,369)
Thereafter	(82,092)
Total	$ (1,207,458)

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:

	1% Decrease (2.54%)	**Current Discount Rate (3.54%)**	**1% Increase (4.54%)**
College's proportionate share of the net pension liability	$8,682,764	$7,589,284	$6,684,451

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

11. Retirement Plans – Defined Contribution Pension Plans

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

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

Class	Percent of Gross Compensation
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 $1,237,106 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 $74,264 and employee contributions totaled $63,850 for the 2022-23 fiscal year.

12. Construction and Subscription-Based Information Technology Arrangement Commitments

The College's major construction and SBITA commitments at June 30, 2023, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Remodel/Renovate Building 4 Lab	$ 13,301,413	$ 2,055,267	$ 11,246,146
Deferred Building Maintenance	10,116,568	10,000	10,106,568
Northeast Ridge	13,800,000	219,256	13,580,744
Enterprise Resource Planning System	2,004,992	1,652,413	352,579
Total	$ 39,222,973	$ 3,936,936	$ 35,286,037

13. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to $100 million to February 28, 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, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

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

14. Litigation

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

15. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

Functional Classification	Amount
Instruction	$ 41,656,073
Public Services	176,994
Academic Support	15,160,463
Student Services	9,543,886
Institutional Support	11,307,308
Operation and Maintenance of Plant	9,679,339
Scholarships and Waivers	10,247,797
Depreciation	5,065,735
Auxiliary Enterprises	3,590,359
Total Operating Expenses	$ 106,427,954

16. Related Party Transaction

The College has deposited its surplus funds in an interest-bearing money market account with a local bank. A reconciliation of this account, its activity, and any interest earned is reported monthly to the College's Board of Trustees. The money market account totaled $15,873,649 as of June 30, 2023. The President and CEO of the local bank is a member of the College's Board of Trustees.

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	$ 58,123	$ 76,250	$ 85,618	$ 56,852	$ 58,568	$ 63,489
Interest	17,657	23,409	37,080	32,179	28,997	24,827
Difference between expected and actual experience	-	(191,533)	-	60,841	-	-
Changes of assumptions or other inputs	(176,825)	(108,981)	(82,511)	27,004	(37,899)	(69,697)
Benefit Payments	(18,303)	(27,260)	(34,587)	(34,536)	(30,894)	(27,005)
Net change in total OPEB liability	(119,348)	(228,115)	5,600	142,340	18,772	(8,386)
Total OPEB Liability - beginning	768,427	996,542	990,942	848,602	829,830	838,216
Total OPEB Liability - ending	$ 649,079	$ 768,427	$ 996,542	$ 990,942	$ 848,602	$ 829,830
Covered-Employee Payroll	$ 21,630,465	$ 21,630,465	$ 24,776,542	$ 24,776,542	$ 25,058,702	$ 25,058,702
Total OPEB Liability as a percentage of covered-employee payroll	3.00%	3.55%	4.02%	4.00%	3.39%	3.31%

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

	2022 (1)	**2021** (1)	**2020** (1)	**2019** (1)
College's proportion of the FRS net pension liability	0.056051740%	0.056460429%	0.055959339%	0.055835791%
College's proportionate share of the FRS net pension liability	$ 20,855,752	$ 4,265,469	$ 24,254,127	$ 19,229,068
College's covered payroll (2)	$ 28,623,037	$ 27,986,308	$ 29,910,699	$ 29,310,169
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	72.86%	15.24%	81.09%	65.61%
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

	2023 (1)	**2022** (1)	**2021** (1)	**2020** (1)
Contractually required FRS contribution	$ 2,391,830	$ 2,150,898	$ 2,023,237	$ 1,856,705
FRS contributions in relation to the contractually required contribution	(2,391,830)	(2,150,898)	(2,023,237)	(1,856,705)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 29,443,323	$ 28,623,037	$ 27,986,308	$ 29,910,699
FRS contributions as a percentage of covered payroll	8.12%	7.51%	7.23%	6.21%

(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.

	2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
	0.056341509%	0.057645793%	0.056206639%	0.060926073%	0.059032633%	0.048668319%
	$ 16,970,354	$ 17,051,239	$ 14,192,219	$ 7,869,419	$ 3,601,859	$ 8,377,984
	$ 28,639,027	$ 28,609,721	$ 27,955,584	$ 27,576,807	$ 26,898,624	$ 24,732,450
	59.26%	59.60%	50.77%	28.54%	13.39%	33.87%
	84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

	2019 (1)	**2018** (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)
	$ 1,731,312	$ 1,610,892	$ 1,507,576	$ 1,370,689	$ 1,485,429	$ 1,293,065
	(1,731,312)	(1,610,892)	(1,507,576)	(1,370,689)	(1,485,429)	(1,293,065)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 29,310,169	$ 28,639,027	$ 28,609,721	$ 27,955,584	$ 27,576,807	$ 26,898,624
	5.91%	5.62%	5.27%	4.90%	5.39%	4.81%

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

	2022 (1)	**2021** (1)	**2020** (1)	**2019** (1)
College's proportion of the HIS net pension liability	0.071653816%	0.072870834%	0.078943245%	0.079765187%
College's proportionate share of the HIS net pension liability	$ 7,589,284	$ 8,938,703	$ 9,638,842	$ 8,924,926
College's covered payroll (2)	$ 26,733,105	$ 25,814,496	$ 27,442,745	$ 26,704,719
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	28.39%	34.63%	35.12%	33.42%
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

	2023 (1)	**2022** (1)	**2021** (1)	**2020** (1)
Contractually required HIS contribution	$ 433,566	$ 565,713	$ 428,335	$ 454,913
HIS contributions in relation to the contractually required HIS contribution	(433,566)	(565,713)	(428,335)	(454,913)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 27,635,503	$ 26,733,105	$ 25,814,496	$ 27,442,745
HIS contributions as a percentage of covered payroll	1.57%	2.12%	1.66%	1.66%

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

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

2018 (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)	**2013** (1)
0.079507541%	0.081025883%	0.081660814%	0.081268911%	0.079761094%	0.074372422%
$ 8,415,167	$ 8,663,661	$ 9,517,230	$ 8,288,151	$ 7,457,857	$ 6,475,097
$ 25,973,789	$ 25,863,487	$ 25,239,845	$ 24,667,665	$ 23,701,225	$ 21,613,188
32.40%	33.50%	37.71%	33.60%	31.47%	29.96%
2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

2019 (1)	**2018** (1)	**2017** (1)	**2016** (1)	**2015** (1)	**2014** (1)
$ 442,928	$ 431,171	$ 429,334	$ 418,564	$ 310,660	$ 273,235
(442,928)	(431,171)	(429,334)	(418,564)	(310,660)	(273,235)
$ -	$ -	$ -	$ -	$ -	$ -
$ 26,704,719	$ 25,973,789	$ 25,863,487	$ 25,239,845	$ 24,667,665	$ 23,701,225
1.66%	1.66%	1.66%	1.66%	1.26%	1.15%

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 the OPEB 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.

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Polk State College, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 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 March 26, 2024, 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.*

We identified an additional matter finding which is described as Finding AM 2023-001 on pages 47 and 48.

College's Response to Finding

The College's response to the additional matter finding identified in our audit is included as College Response on page 48 in Finding AM 2023-001. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 26, 2024

FINDING AND RECOMMENDATION

ADDITIONAL MATTER

FINANCIAL REPORTING

Finding Number	**AM 2023-001**
Opinion Unit	Discretely Presented Component Unit
Financial Statements Account Title	Various
Adjustment Amounts	Not Applicable
Statistically Valid Sample	Not Applicable
Prior Year Finding	Not Applicable

Finding

College procedures could be improved to ensure that the required audit report of the College's discretely presented component unit (Polk State College Foundation, Inc.), the College's direct-support organization, is promptly issued and considered in completing the College financial statements and related audit.

Criteria

Section 1004.70, Florida Statutes, requires that an annual audit of each direct-support organization be submitted within 9 months after the end of the fiscal year to the Auditor General, the State Board of Education, and the Board for review.

Condition

The audit report of the Polk State College Foundation, Inc. for the fiscal year ended December 31, 2022, was issued on March 20, 2024, more than 14 months after fiscal year end. The Foundation receives, holds, invests, and administers property, and makes expenditures to or for the benefit of the College and is required to be reported in the College financial statements as a discretely presented component unit.

Cause

Effective procedures had not been established to periodically verify the accuracy of Foundation account balance and transaction amounts recorded in the accounting records. As a result, the Foundation financial statements were not timely prepared, delaying the Foundation's audit report. According to College personnel, the delayed verification of Foundation accounting records and preparation of the Foundation financial statements occurred because of staffing shortages.

Effect

Without effective procedures to ensure that Foundation accounts and transactions are properly supported, verified, and reported on the financial statements, the College cannot facilitate the timely conduct of the Foundation's audit and completion of the College financial statements and related audit.

Recommendation

The College should establish procedures to ensure that Foundation accounts and transactions are properly supported, verified, and reported on the financial statements to facilitate the timely conduct of the Foundation's audit and completion of the College financial statements and related audit.

College Response

Action taken in response to finding: Management agrees with the finding. We have implemented procedures to ensure the year end close is completed no later than March 31 after the fiscal year end so that audit procedures can be started and completed by June 30 to comply with the requirements of the Department of Education and the State of Florida Auditor General.

- All bank and investment reconciliations are completed and activity recorded to the general ledger.
- All other balance sheet accounts have been properly reconciled.
- Journal entries related to year end procedures are completed.

Name of the contact person responsible for corrective action: Cindy Baker.

Planned completion date for corrective action plan: April 15, 2024.