

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

NORTH FLORIDA 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. John Grosskopf served as President of College and the following individuals served as Members of the Board of Trustees:

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Lloyd Gary Wright	Jefferson

Note: One Trustee position was vacant the entire period.

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The team leader was Said Woungly-Massaga, CPA, and the audit was supervised by Glenda K. Hart, CPA.

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

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SUMMARY

SUMMARY OF REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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

As discussed in Note 12., subsequent to the issuance of the financial statements for the fiscal year ended June 30, 2023, the College became aware of circumstances that indicated that cash and cash equivalents and unrestricted net position were overstated. Our auditor's report on the previously issued financial statements (dated February 9, 2024) is not to be relied upon because those statements have been restated, and our report on the previously issued financial statements is replaced by this report.

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

We noted a certain matter involving the College's internal control over financial reporting and its operation that we consider to be a material weakness, as summarized below. The finding also includes an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

Material Weakness

Finding No. 2023-001: College controls over an online payment system account for the electronic receipt of student fees and direct payment for purchases were deficient. Specifically, contrary to good business practices:

- One employee had sole authority for making disbursements from the payment system account and the incompatible duty of reconciling the account and other cash accounts to the College general ledger cash balances.
- College records did not demonstrate that support for cash account reconciliations was verified by supervisory staff.

In addition, contrary to the College *Procedures Manual*:

- College records did not demonstrate that e-mail confirmations of the payment system account's receipts and disbursements were sent to anyone other than the employee with disbursement authority over the account.
- The daily cash balance in the payment system account exceeded \$5,000 during the 2022-23 fiscal year and funds were not transferred to the College bank account. The average daily account balance was \$89,860 and ranged from \$24,360 to \$157,400.
- During the period March 2022 through June 2023, cash disbursements totaling \$197,613 were made from the payment system account without documented justification. The disbursements were to an unauthorized account not affiliated with the College and were not recorded in the College general ledger. Consequently, the College unrestricted net position balance on the financial statements before audit adjustments was overstated by 13 percent.

AUDIT OBJECTIVES AND SCOPE

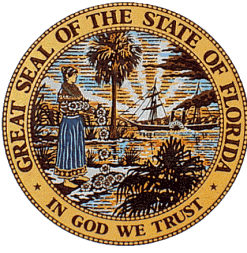
Our audit objectives were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinion. In doing so we:

- 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 the North Florida 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 the North Florida 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 12., subsequent to the issuance of the financial statements for the fiscal year ended June 30, 2023, the College became aware of circumstances that indicated that cash and cash equivalents was possibly overstated. Upon becoming aware of these circumstances, we determined that the cash and cash equivalents overstatement also resulted in the overstatement of unrestricted net position. The financial statements have been reissued to reflect the restatement of account balances and transactions related to these overstatements. Financial Statement Finding No. 2023-001 in the ***Finding and Recommendation*** section of this report provides additional information with respect to the related internal control deficiencies. Our auditor's report on the previously issued financial statements (dated February 9, 2024) is not to be relied upon because those statements have been restated, and our report on the previously issued financial statements is replaced by this report.

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 February 9, 2024, except for Note 12, as to which the date is June 20, 2024, on our consideration of the North Florida 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

February 9, 2024, except for Note 12, as to
which the date is June 20, 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.

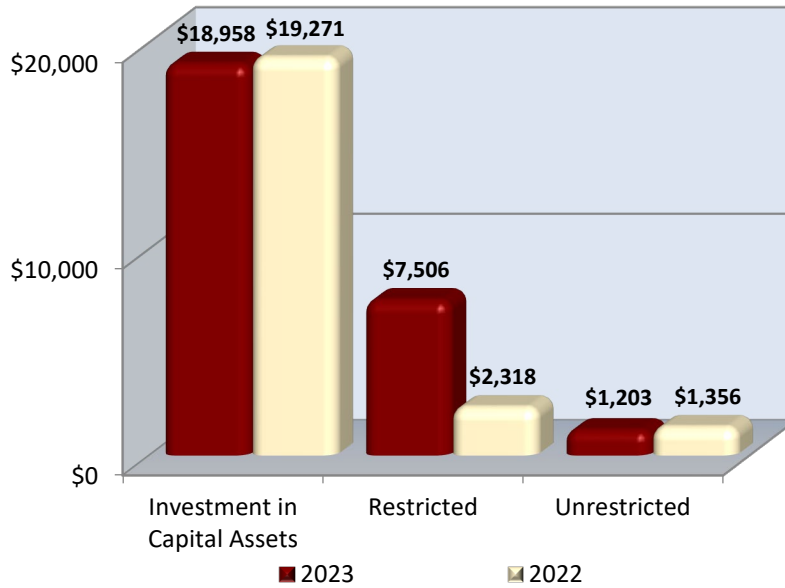
FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$36.7 million at June 30, 2023. This balance reflects a \$4.8 million, or 15.2 percent, increase as compared to the 2021-22 fiscal year, primarily due to an increase in amounts due from the State for Deferred Maintenance funding in the 2022-23 fiscal year. Liabilities and deferred inflows of resources increased by \$123 thousand, or 1.4 percent, totaling \$9 million at June 30, 2023. As a result, the College's net position increased by \$4.7 million, resulting in a year-end balance of \$27.7 million.

The College's operating revenues totaled \$2.1 million for the 2022-23 fiscal year, representing a 24.4 percent increase compared to the 2021-22 fiscal year due mainly to increases in student tuition and fees, net of scholarship allowances, and operating grants and contracts. Operating expenses totaled \$16.8 million for the 2022-23 fiscal year, representing an increase of 12.2 percent as compared to the 2021-22 fiscal year due mainly to increases in personnel services and materials and supplies, offset by decreases in scholarships and waivers.

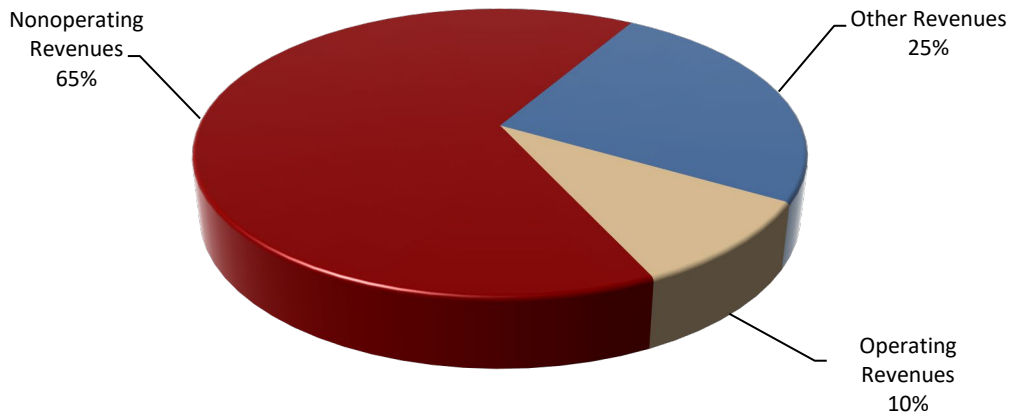
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2023, and June 30, 2022, is shown in the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

**Net Position
(In Thousands)**



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

**Total Revenues
2022-23 Fiscal Year**



OVERVIEW OF FINANCIAL STATEMENTS

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

Information regarding this 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	\$ 13,789	\$ 8,608
Capital Assets, Net	18,958	19,271
Other Noncurrent Assets	1,785	1,997
Total Assets	34,532	29,876
Deferred Outflows of Resources	2,136	1,947
Liabilities		
Current Liabilities	958	1,113
Noncurrent Liabilities	7,207	3,883
Total Liabilities	8,165	4,996
Deferred Inflows of Resources	836	3,882
Net Position		
Investment in Capital Assets	18,958	19,271
Restricted	7,506	2,318
Unrestricted	1,203	1,356
Total Net Position	\$ 27,667	\$ 22,945

Total assets increased primarily due to an increase in amounts due from the State. Noncurrent liabilities increased \$3.3 million primarily due to an increase in the total net pension liability. In addition, deferred inflows decreased as a result of the increase in total net pension liability. The net effect of these changes was an increase in net position of \$4.7 million.

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

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

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

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

(In Thousands)

	<u>2022-23</u>	<u>2021-22</u>
Operating Revenues	\$ 2,114	\$ 1,700
Less, Operating Expenses	<u>16,759</u>	<u>14,943</u>
Operating Loss	(14,645)	(13,243)
Net Nonoperating Revenues (Expenses)	<u>13,981</u>	<u>13,467</u>
Income (Loss) Before Other Revenues	(664)	224
Other Revenues	<u>5,386</u>	<u>272</u>
Net Increase In Net Position	<u>4,722</u>	<u>496</u>
Net Position, Beginning of Year	<u>22,945</u>	<u>22,449</u>
Net Position, End of Year	<u>\$ 27,667</u>	<u>\$ 22,945</u>

Operating Revenues

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

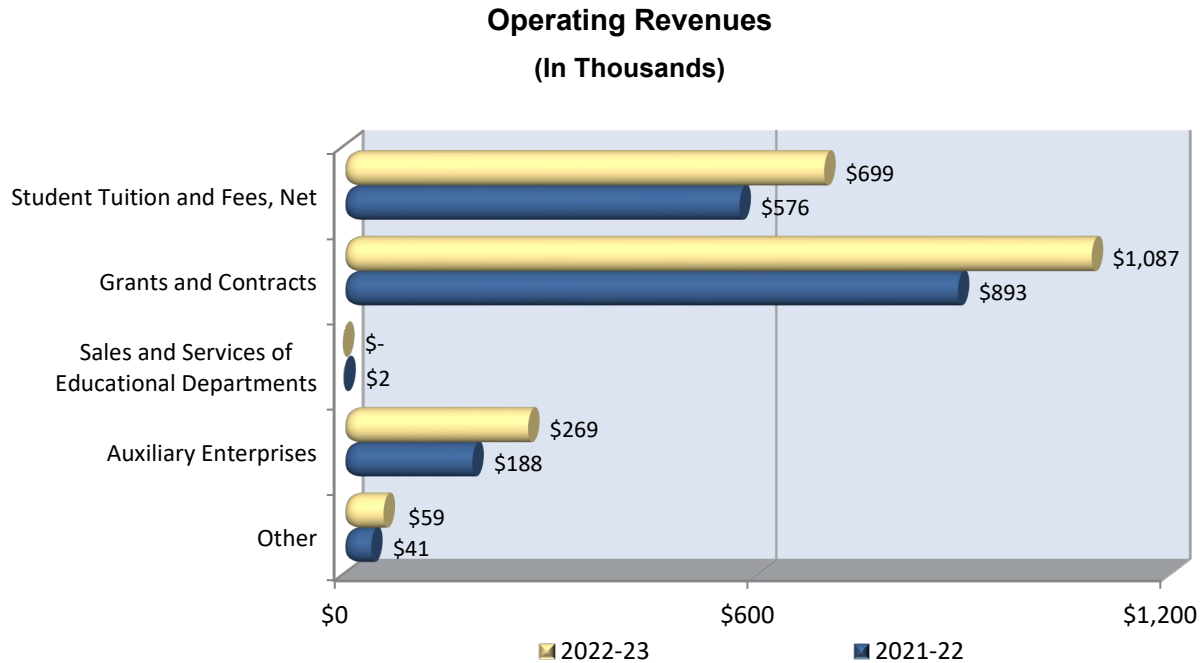
The following summarizes the operating revenues by source that were used to fund operating activities for the 2022-23 and 2021-22 fiscal years:

Operating Revenues For the Fiscal Years

(In Thousands)

	<u>2022-23</u>	<u>2021-22</u>
Student Tuition and Fees, Net	\$ 699	\$ 576
Grants and Contracts	1,087	893
Sales and Services of Educational Departments	-	2
Auxiliary Enterprises	269	188
Other	<u>59</u>	<u>41</u>
Total Operating Revenues	<u>\$ 2,114</u>	<u>\$ 1,700</u>

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



College operating revenues increased primarily due to increases in student tuition and fees, net and increases in operating grants and contracts for the 2022-23 fiscal year.

Operating Expenses

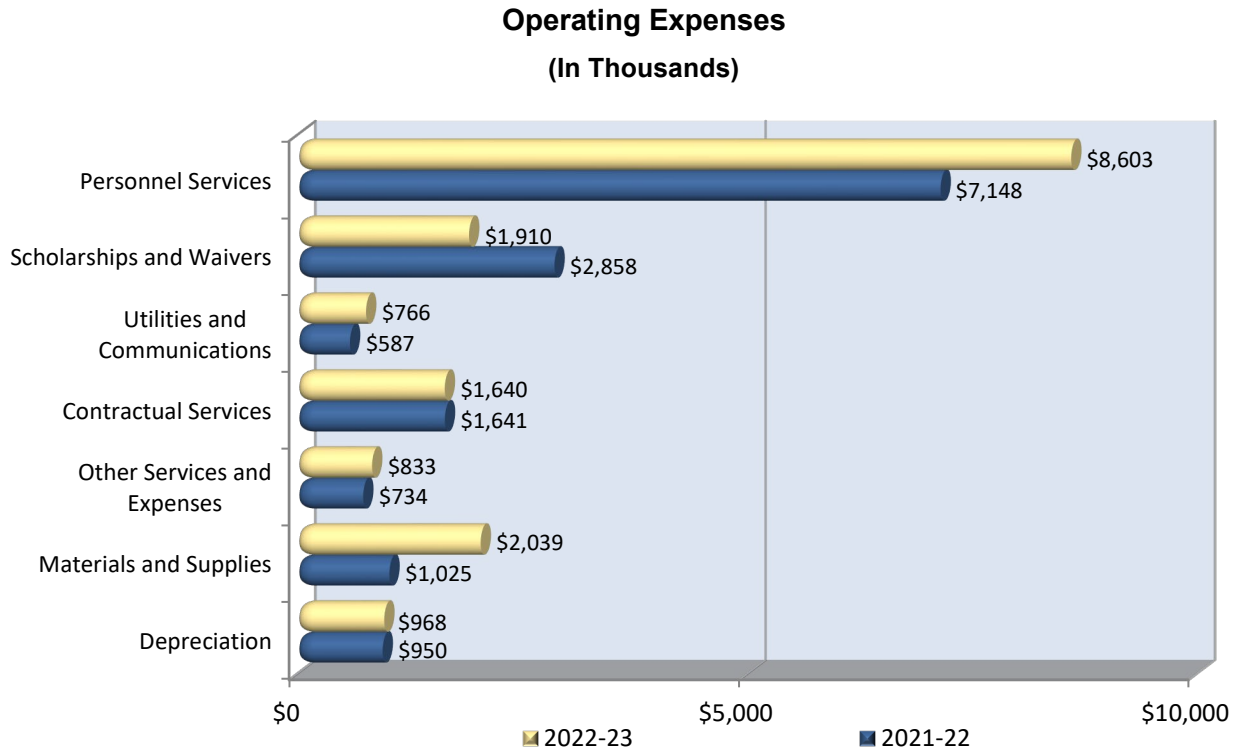
Expenses are categorized as operating or nonoperating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen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

The following summarizes operating expenses by natural classification for the 2022-23 and 2021-22 fiscal years:

Operating Expenses
For the Fiscal Years
(In Thousands)

	<u>2022-23</u>	<u>2021-22</u>
Personnel Services	\$ 8,603	\$ 7,148
Scholarships and Waivers	1,910	2,858
Utilities and Communications	766	587
Contractual Services	1,640	1,641
Other Services and Expenses	833	734
Materials and Supplies	2,039	1,025
Depreciation	968	950
Total Operating Expenses	<u>\$ 16,759</u>	<u>\$ 14,943</u>

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



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

- Personnel services increased primarily due to an increase in actuarially determined pension expenses and pay increases provided to employees.
- Scholarships and waivers decreased primarily due to decreases in emergency financial aid grants to students.
- Materials and supplies increased primarily due to noncapitalized equipment purchases.

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. The following summarizes the College’s nonoperating revenues 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	\$ 9,854	\$ 8,468
Federal and State Student Financial Aid	2,390	3,583
Gifts and Grants	1,674	971
Investment Income	261	23
Other Nonoperating Revenues	-	422
Other Nonoperating Expenses	(198)	-
Total Nonoperating Revenues	\$ 13,981	\$ 13,467

College nonoperating revenues increased primarily due to increased State appropriations and Federal Higher Education Emergency Relief Fund institutional funding, offset by a reduction in Federal and State student financial aid distributed in the form of emergency financial aid grants to students.

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	\$ 45	\$ 45
Capital Grants, Contracts, Gifts, and Fees	5,342	227
Total	\$ 5,387	\$ 272

Capital grants, contracts, gifts, and fees increased primarily due to Deferred Maintenance State funding for the 2022-23 fiscal year.

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	\$(13,963)	\$(13,037)
Noncapital Financing Activities	13,603	13,142
Capital and Related Financing Activities	(399)	266
Investing Activities	260	24
Net Increase (Decrease) in Cash and Cash Equivalents	(499)	395
Cash and Cash Equivalents, Beginning of Year	9,660	9,265
Cash and Cash Equivalents, End of Year	\$ 9,161	\$ 9,660

Major sources of funds came from State noncapital appropriations (\$9.9 million) and Federal and State student financial aid (\$2.3 million). Major uses of funds were for payments to employees and for employee benefits (\$8.5 million), to providers of goods and services (\$4.7 million), and disbursements to students for scholarships (\$1.9 million).

Changes in cash and cash equivalents was primarily the result of increased expenses, offset by increased revenues in the 2022-23 fiscal year.

CAPITAL ASSETS

Capital Assets

At June 30, 2023, the College had \$40.7 million in capital assets, less accumulated depreciation of \$21.7 million, for net capital assets of \$19 million. Depreciation charges for the current fiscal year totaled \$968 thousand. 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	\$ 457	\$ 457
Land Improvements	700	700
Buildings	16,107	16,596
Other Structures and Improvements	647	957
Furniture, Machinery, and Equipment	1,047	561
Capital Assets, Net	\$ 18,958	\$ 19,271

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

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. State revenues are anticipated to remain stable over the next fiscal year. However, significant future cuts to State revenues could detrimentally impact the services provided by the College.

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 Dean of Administrative Services, North Florida College, 325 North West Turner Davis Drive, Madison, Florida 32340.

BASIC FINANCIAL STATEMENTS

NORTH FLORIDA 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	\$ 6,882,592	\$ 251,008
Restricted Cash and Cash Equivalents	494,211	-
Accounts Receivable, Net	97,913	25,000
Due from Other Governmental Agencies	6,235,797	-
Inventories	78,835	-
Other Assets	-	11,755
Total Current Assets	13,789,348	287,763
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,784,502	-
Investments	-	4,866,025
Prepaid Expenses	-	174,452
Depreciable Capital Assets, Net	17,800,510	-
Nondepreciable Capital Assets	1,157,392	-
Total Noncurrent Assets	20,742,404	5,040,477
TOTAL ASSETS	34,531,752	5,328,240
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	106,568	-
Pensions	2,029,257	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,135,825	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	208,873	52,375
Salary and Payroll Taxes Payable	212,194	-
Due to Other Governmental Agencies	163,658	-
Deposits Held for Others	364,240	-
Long-Term Liabilities - Current Portion:		
Other Postemployment Benefits Payable	8,694	-
Total Current Liabilities	957,659	52,375

	<u>College</u>	<u>Component Unit</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Compensated Absences Payable	1,157,571	-
Other Postemployment Benefits Payable	119,925	-
Net Pension Liability	<u>5,929,357</u>	<u>-</u>
Total Noncurrent Liabilities	<u>7,206,853</u>	<u>-</u>
TOTAL LIABILITIES	<u>8,164,512</u>	<u>52,375</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	165,941	-
Pensions	<u>669,706</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>835,647</u>	<u>-</u>
NET POSITION		
Investment in Capital Assets	18,957,902	-
Restricted:		
Nonexpendable:		
Endowment	-	3,873,255
Expendable:		
Grants and Loans	235,446	-
Scholarships	36,523	726,109
Capital Projects	7,234,196	-
Unrestricted	<u>1,203,351</u>	<u>676,501</u>
TOTAL NET POSITION	<u>\$ 27,667,418</u>	<u>\$ 5,275,865</u>

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

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NORTH FLORIDA 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 \$1,515,995	\$ 698,569	\$ -
Federal Grants and Contracts	643,112	-
State and Local Grants and Contracts	-	347,434
Nongovernmental Grants and Contracts	443,525	-
Sales and Services of Educational Departments	410	-
Auxiliary Enterprises	269,471	-
Other Operating Revenues	58,529	166
Total Operating Revenues	2,113,616	347,600
EXPENSES		
Operating Expenses:		
Personnel Services	8,602,861	111,777
Scholarships and Waivers	1,910,127	342,819
Utilities and Communications	766,087	-
Contractual Services	1,639,786	39,851
Other Services and Expenses	833,348	18,066
Materials and Supplies	2,039,397	3,944
Depreciation	967,837	-
Total Operating Expenses	16,759,443	516,457
Operating Loss	(14,645,827)	(168,857)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	9,853,761	-
Federal and State Student Financial Aid	2,390,359	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	1,673,871	-
Investment Income	260,502	139,338
Net Loss on Investments	-	(416,135)
Other Expenses	(197,613)	-
Net Nonoperating Revenues (Expenses)	13,980,880	(276,797)
Loss Before Other Revenues	(664,947)	(445,654)
State Capital Appropriations	44,919	-
Capital Grants, Contracts, Gifts, and Fees	5,341,981	-
Total Other Revenues	5,386,900	-
Increase (Decrease) in Net Position	4,721,953	(445,654)
Net Position, Beginning of Year	22,945,465	5,721,519
Net Position, End of Year	\$ 27,667,418	\$ 5,275,865

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

NORTH FLORIDA 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	\$ 813,446
Grants and Contracts	699,204
Payments to Suppliers	(4,659,205)
Payments for Utilities and Communications	(766,087)
Payments to Employees	(6,352,648)
Payments for Employee Benefits	(2,122,440)
Payments for Scholarships	(1,910,127)
Auxiliary Enterprises	270,949
Sales and Services of Educational Departments	410
Other Receipts	63,245
	(13,963,253)
Net Cash Used by Operating Activities	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	9,853,761
Federal and State Student Financial Aid	2,273,092
Gifts and Grants Received for Other Than Capital or Endowment Purposes	1,673,871
Other Expenses	(197,613)
	13,603,111
Net Cash Provided by Noncapital Financing Activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	89,204
Capital Grants and Gifts	200,142
Purchases of Capital Assets	(688,551)
	(399,205)
Net Cash Used by Capital and Related Financing Activities	
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	260,502
	260,502
Net Cash Provided by Investing Activities	
	(498,845)
Net Decrease in Cash and Cash Equivalents	
Cash and Cash Equivalents, Beginning of Year	9,660,150
Cash and Cash Equivalents, End of Year	\$ 9,161,305

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (14,645,827)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	967,837
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables	206,660
Due from Other Governmental Agencies	(465,781)
Due to Other Governmental Agencies	100,428
Inventories	6,202
Accounts Payable	(164,546)
Salary and Payroll Taxes Payable	45,356
Deposits Held for Others	(95,712)
Compensated Absences Payable	144,056
Other Postemployment Benefits Payable	(25,335)
Net Pension Liability	3,197,948
Deferred Outflows of Resources Related to Other Postemployment Benefits	9,753
Deferred Inflows of Resources Related to Other Postemployment Benefits	10,344
Deferred Outflows of Resources Related to Pensions	(198,429)
Deferred Inflows of Resources Related to Pensions	(3,056,207)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (13,963,253)</u>

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, the North Florida 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 Dean of Administrative Services, North Florida College, 325 North West Turner Davis Drive, Madison, Florida 32340. The financial data reported on the accompanying financial statements was derived from the Foundation's audited financial statements for the fiscal year ended March 31, 2023.

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only

business-type activities. This election requires the adoption of the accrual basis of accounting and 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, and investment income. Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by

the student or the third party making payment on behalf of the student. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fees revenue.

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

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

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

At June 30, 2023, the College reported as cash equivalents \$7,600,105 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 37 days as of June 30, 2023. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost.

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

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

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

- Buildings – 50 years
- Other Structures and Improvements – 10 to 40 years
- Furniture, Machinery, and Equipment – 5 years

Noncurrent Liabilities. Noncurrent liabilities include 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. Investments

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

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

Component Unit Investments. The Foundation categorizes its fair value measurements within the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are valued at the closing market price on which the individual securities are traded, and Level 2 inputs are valued using pricing models maximizing the use of observable inputs for similar securities, with the exception of the investment in Real Estate Partnership which is valued using external pricing sources of comparable real estate assets at least annually. The investments of the Foundation at March 31, 2023, totaled \$4,866,025 and are valued using Level 1, Level 2, and Level 3 inputs, and are reported as follows:

Investments by fair value level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Stocks and ETFS	\$ 2,746,628	\$ 2,746,628	\$ -	\$ -
Corporate Bonds	657,835	657,835	-	-
Government Bonds	329,864	329,864	-	-
Government Backed / CMO Securities	275,661	-	275,661	-
Taxable Municipal Bonds	269,219	-	269,219	-
Certificates of Deposit	378,885	-	378,885	-
Open End Mutual Funds	116,368	116,368	-	-
Investment in Real Estate Partnership	91,565	-	-	91,565
Total investments by fair value level	\$ 4,866,025	\$ 3,850,695	\$ 923,765	\$ 91,565

3. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, and contract and grant reimbursements due from third parties and are considered to be fully collectible.

4. Due From Other Governmental Agencies

The amount due from other governmental agencies totaling \$6,235,797 consists of amounts for Deferred Maintenance State funding (\$5,141,839) and due from Federal grants and other State grants (\$1,093,958).

5. Capital Assets

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 457,245	\$ -	\$ -	\$ 457,245
Land Improvements	700,147	-	-	700,147
Total Nondepreciable Capital Assets	\$ 1,157,392	\$ -	\$ -	\$ 1,157,392
Depreciable Capital Assets:				
Buildings	\$ 29,871,426	\$ -	\$ -	\$ 29,871,426
Other Structures and Improvements	6,403,485	-	-	6,403,485
Furniture, Machinery, and Equipment	2,588,948	654,486	23,940	3,219,494
Total Depreciable Capital Assets	38,863,859	654,486	23,940	39,494,405
Less, Accumulated Depreciation:				
Buildings	13,275,521	488,802	-	13,764,323
Other Structures and Improvements	5,446,783	310,294	-	5,757,077
Furniture, Machinery, and Equipment	2,027,694	168,741	23,940	2,172,495
Total Accumulated Depreciation	20,749,998	967,837	23,940	21,693,895
Total Depreciable Capital Assets, Net	\$ 18,113,861	\$ (313,351)	\$ -	\$ 17,800,510

6. Long-Term Liabilities

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

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated Absences Payable	\$ 1,013,515	\$ 200,955	\$ 56,899	\$ 1,157,571	\$ -
Other Postemployment Benefits Payable	153,954	11,198	36,533	128,619	8,694
Net Pension Liability	2,731,409	5,458,353	2,260,405	5,929,357	-
Total Long-Term Liabilities	\$ 3,898,878	\$ 5,670,506	\$ 2,353,837	\$ 7,215,547	\$ 8,694

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 \$1,157,571. The current portion of the compensated absences liability, \$0, was determined based on the anticipated payout to retirees in the next fiscal year.

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

General Information about the OPEB Plan

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the Consortium that provides OPEB for all employees who satisfy the College’s retirement eligibility provisions. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College’s health and hospitalization plan for medical and prescription drug 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 Consortium and Council of Presidents. 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	3
Active Employees	109
Total	<u>112</u>

Total OPEB Liability

The College’s total OPEB liability of \$128,619 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021.

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

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

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

Mortality rates were based on the PUB-2010 mortality tables, with adjustments for FRS experience and generational mortality improvements using Scale MP-2018.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2021, valuation were based on a review of recent plan experience done concurrently with the June 30, 2021, valuation.

Changes in the Total OPEB Liability

	Amount
Balance at 6/30/22	<u>\$ 153,954</u>
Changes for the year:	
Service Cost	7,777
Interest	3,421
Changes in Assumptions or Other Inputs	(29,833)
Net Benefit Payments	<u>(6,700)</u>
Net Changes	<u>(25,335)</u>
Balance at 6/30/23	<u><u>\$ 128,619</u></u>

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54 percent) or 1 percentage point higher (4.54 percent) than the current rate:

	<u>1% Decrease (2.54%)</u>	<u>Current Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Total OPEB liability	\$149,112	\$128,619	\$112,573

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$106,102	\$128,619	\$158,693

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 \$3,456. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 96,922	\$ -
Change of assumptions or other inputs	952	165,941
Transactions subsequent to the measurement date	8,694	-
Total	<u>\$ 106,568</u>	<u>\$ 165,941</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$8,694 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:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2024	\$ (7,742)
2025	(7,742)
2026	(7,742)
2027	(7,742)
2028	(7,037)
Thereafter	<u>(30,062)</u>
Total	<u>\$ (68,067)</u>

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the College recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2023, the College's proportionate share of the net pension liabilities totaled \$5,929,357. Note 7. includes a complete discussion of defined benefit pension plans.

7. 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 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 \$616,717 for the fiscal year ended June 30, 2023.

FRS Pension Plan

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for

each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

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

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

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

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

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

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

The College's contributions to the Plan totaled \$585,023 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 \$4,429,607 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 0.011904974 percent, which was a decrease of 0.000362908 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the College recognized pension expense of \$568,878. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 210,381	\$ -
Change of assumptions	545,525	-
Net difference between projected and actual earnings on FRS Plan investments	292,486	-
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	59,661	188,121
College FRS contributions subsequent to the measurement date	585,023	-
Total	\$ 1,693,076	\$ 188,121

The deferred outflows of resources totaling \$585,023, resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year

ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2024	\$ 220,512
2025	63,867
2026	(113,162)
2027	717,933
2028	<u>30,782</u>
Total	<u>\$ 919,932</u>

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.6%	2.6%	1.1%
Fixed Income	19.8%	4.4%	4.4%	3.2%
Global Equity	54.0%	8.8%	7.3%	17.8%
Real Estate (Property)	10.3%	7.4%	6.3%	15.7%
Private Equity	11.1%	12.0%	8.9%	26.3%
Strategic Investments	<u>3.8%</u>	6.2%	5.9%	7.8%
Total	<u>100.0%</u>			
Assumed inflation - Mean			2.4%	1.3%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.70 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments

of current active and inactive employees if future experience follows assumptions and the Actuarially Determined Contribution is contributed in full each year. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The 6.70 percent reported investment return assumption used in the June 30, 2022, calculations was determined by the consulting actuary, Milliman, to be reasonable and appropriate per Actuarial Standard of Practice Number 27. The 6.70 percent reported investment return assumption is the same as investment return assumption chosen by the 2022 FRS Actuarial Assumption Conference for funding policy purposes.

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	\$7,660,701	\$4,429,607	\$1,728,028

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 \$94,869 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 \$1,499,750 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 0.014159807 percent, which was a decrease of 0.000552700 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the College recognized pension expense of \$47,839. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 45,521	\$ 6,599
Change of assumptions	85,967	232,010
Net difference between projected and actual earnings on HIS Plan investments	2,171	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	107,653	242,976
College contributions subsequent to the measurement date	94,869	-
Total	\$ 336,181	\$ 481,585

The deferred outflows of resources totaling \$94,869, resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2024	\$ (58,859)
2025	(34,862)
2026	(35,747)
2027	(40,765)
2028	(51,595)
Thereafter	(18,445)
Total	\$ (240,273)

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 due to a change in the Municipal Bond Rate.

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	\$1,715,837	\$1,499,750	\$1,320,942

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.

8. Retirement Plans – Defined Contribution Pension Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the

Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2022-23 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2023, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

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

The College’s Investment Plan pension expense totaled \$257,929 for the fiscal year ended June 30, 2023.

9. 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.

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

10. Functional Distribution of Operating Expenses

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 3,954,636
Public Services	289,297
Academic Support	1,704,229
Student Services	1,837,329
Institutional Support	2,844,872
Operation and Maintenance of Plant	3,028,357
Scholarships and Waivers	1,910,028
Depreciation	967,837
Auxiliary Enterprises	<u>222,858</u>
Total Operating Expenses	<u>\$ 16,759,443</u>

11. Current Unrestricted Funds

The Southern Association of Colleges and Schools Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net position, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net position. To meet this requirement, statements of net position and revenues, expenses, and changes in net position for the current unrestricted funds are presented as follows:

Statement of Current Unrestricted Funds Net Position

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 6,882,592
Accounts Receivable, Net	73,371
Due from Other Funds	348,786
Due from Other Governmental Agencies	89,063
Inventories	78,835
	<u>7,472,647</u>

TOTAL ASSETS

7,472,647

DEFERRED OUTFLOWS OF RESOURCES

Other Postemployment Benefits	106,568
Pensions	2,029,257
	<u>2,029,257</u>

LIABILITIES

Current Liabilities:

Accounts Payable	141,533
Salary and Payroll Taxes Payable	212,394
Other Postemployment Benefits Payable	8,694
	<u>362,621</u>

Total Current Liabilities

362,621

Noncurrent Liabilities:

Compensated Absences Payable	1,157,571
Other Postemployment Benefits Payable	119,925
Net Pension Liability	5,929,357
	<u>7,569,474</u>

TOTAL LIABILITIES

7,569,474

DEFERRED INFLOWS OF RESOURCES

Other Postemployment Benefits	165,941
Pensions	669,706
	<u>669,706</u>

TOTAL NET POSITION

\$ 1,203,351

**Statement of Current Unrestricted Funds Revenues,
Expenses, and Changes in Net Position**

REVENUES

Operating Revenues:

Student Tuition and Fees (1)	\$ 1,942,516
Sales and Services of Educational Departments	410
Auxiliary Enterprises	269,471
Other Operating Revenues	58,529

Total Operating Revenues	2,270,926
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EXPENSES

Operating Expenses:

Personnel Services	8,225,095
Scholarships and Waivers	403,904
Utilities and Communications	762,226
Contractual Services	1,047,836
Other Services and Expenses	713,730
Materials and Supplies	1,137,916

Total Operating Expenses	12,290,707
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Operating Loss	(10,019,781)
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NONOPERATING REVENUES (EXPENSES)

State Noncapital Appropriations	9,813,696
Gifts and Grants Received for Other Than Capital or Endowment Purposes	326,327
Investment Income	210,557
Other Nonoperating Revenues	14,463
Other Nonoperating Expenses	(197,613)

Net Total Nonoperating Revenues (Expenses)	10,167,430
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Income Before Other Expenses	147,649
Transfers to Other Funds	(300,000)

Increase in Net Position	(152,351)
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Net Position, Beginning of Year	1,355,702
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Net Position, End of Year	\$ 1,203,351
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- (1) Student tuition and fees revenues are reported net of scholarship allowances on the statement of revenues, expenses, and changes in net position; however, scholarship allowances are not reflected in the student tuition and fees revenues for the purpose of this disclosure.

12. Subsequent Event

On February 21, 2024, the College became aware of a potential financial statement misstatement due to suspected misappropriated funds. The College immediately began working with local law enforcement on this date. On February 23, 2024, the College notified their independent auditor of the financial statement misstatement. A decision was made to reissue the financial statements. Adjustments made

to correct the misstatement related to the suspected misappropriated funds include the following restated amounts:

- Current Assets: Cash and Cash Equivalents was reduced by \$185,613, or 2.6 percent.
- Total Expenses were increased by \$185,613, or 1 percent.
- Unrestricted Net Position was reduced by \$185,613, or 13 percent.
- Total Net Position was reduced by \$185,613, or less than 1 percent.

In addition, the Notes to Financial Statements and Management's Discussion and Analysis have been revised as appropriate to reflect changes to the financial statements.

The College is insured through the Florida College System Risk Management Consortium (Consortium) for crime, including employee theft and fraud. The College policy as of June 30, 2023, includes coverage up to \$1,000,000. The College's deductible is limited to \$5,000. The College notified the insurance carrier and the Consortium on February 26, 2024, of a potential employee theft and fraud claim. The College anticipates being fully reimbursed for all potential losses, less the \$5,000 deductible.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability						
Service cost	\$ 7,777	\$ 10,049	\$ 8,245	\$ 10,191	\$ 10,420	\$ 11,133
Interest	3,421	4,066	6,091	6,692	6,274	5,545
Difference between expected and actual experience	-	69,688	-	62,346	-	-
Changes of assumptions or other inputs	(29,833)	(100,714)	1,270	(76,194)	(5,549)	(10,229)
Benefit Payments	(6,700)	(6,116)	(8,762)	(11,538)	(17,325)	(11,634)
Net change in total OPEB liability	(25,335)	(23,027)	6,844	(8,503)	(6,180)	(5,185)
Total OPEB Liability - beginning	153,954	176,981	170,137	178,640	184,820	190,005
Total OPEB Liability - ending	<u>\$ 128,619</u>	<u>\$ 153,954</u>	<u>\$ 176,981</u>	<u>\$ 170,137</u>	<u>\$ 178,640</u>	<u>\$ 184,820</u>
Covered-Employee Payroll	\$4,858,706	\$4,858,706	\$4,555,518	\$4,555,518	\$4,630,068	\$4,630,068
Total OPEB Liability as a percentage of covered-employee payroll	2.65%	3.17%	3.88%	3.73%	3.86%	3.99%

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

	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>
College's proportion of the FRS net pension liability	0.011904974%	0.012267882%	0.012500403%	0.012207546%
College's proportionate share of the FRS net pension liability	\$ 4,429,607	\$ 926,699	\$ 5,417,859	\$ 4,204,109
College's covered payroll (2)	\$ 5,186,929	\$ 5,211,393	\$ 5,413,023	\$ 5,176,701
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	85.40%	17.78%	100.09%	81.21%
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, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of College Contributions – Florida Retirement System Pension Plan

	<u>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>
Contractually required FRS contribution	\$ 585,023	\$ 514,879	\$ 470,170	\$ 389,783
FRS contributions in relation to the contractually required contribution	<u>(585,023)</u>	<u>(514,879)</u>	<u>(470,170)</u>	<u>(389,783)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 5,715,027	\$ 5,186,929	\$ 5,211,393	\$ 5,413,023
FRS contributions as a percentage of covered payroll	10.24%	9.93%	9.02%	7.20%

- (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 because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.012847967%	0.012258594%	0.013401796%	0.013801347%	0.013922147%	0.011691790%
\$ 3,869,874	\$ 3,626,010	\$ 3,383,964	\$ 1,782,629	\$ 849,456	\$ 2,012,677
\$ 5,210,740	\$ 4,751,145	\$ 4,998,131	\$ 4,807,735	\$ 4,707,499	\$ 4,500,280
74.27%	76.32%	67.70%	37.08%	18.04%	44.72%
84.26%	83.89%	84.88%	92.00%	96.09%	88.54%

<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 378,522	\$ 366,157	\$ 319,121	\$ 326,824	\$ 336,489	\$ 304,954
<u>(378,522)</u>	<u>(366,157)</u>	<u>(319,121)</u>	<u>(326,824)</u>	<u>(336,489)</u>	<u>(304,954)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 5,176,701	\$ 5,210,740	\$ 4,751,145	\$ 4,998,131	\$ 4,807,735	\$ 4,707,499
7.31%	7.03%	6.72%	6.54%	7.00%	6.48%

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

	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>
College's proportion of the HIS net pension liability	0.014159807%	0.014712507%	0.016656272%	0.015451395%
College's proportionate share of the HIS net pension liability	\$ 1,499,750	\$ 1,804,710	\$ 2,033,704	\$ 1,728,856
College's covered payroll (2)	\$ 5,186,929	\$ 5,211,393	\$ 5,413,023	\$ 5,176,701
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	28.91%	34.63%	37.57%	33.40%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	4.81%	3.56%	3.00%	2.63%

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

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

Schedule of College Contributions – Health Insurance Subsidy Pension Plan

	<u>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>
Contractually required HIS contribution	\$ 94,869	\$ 86,103	\$ 86,509	\$ 89,856
HIS contributions in relation to the contractually required HIS contribution	<u>(94,869)</u>	<u>(86,103)</u>	<u>(86,509)</u>	<u>(89,856)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 5,715,027	\$ 5,186,929	\$ 5,211,393	\$ 5,413,023
HIS contributions as a percentage of covered payroll	1.66%	1.66%	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.

<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.015919011%	0.014892600%	0.016103278%	0.015785682%	0.015844016%	0.015423779%
\$ 1,684,886	\$ 1,592,385	\$ 1,876,770	\$ 1,609,891	\$ 1,481,454	\$ 1,342,843
\$ 5,210,740	\$ 4,751,145	\$ 4,998,131	\$ 4,807,735	\$ 4,707,499	\$ 4,500,280
32.33%	33.52%	37.55%	33.49%	31.47%	29.84%
2.15%	1.64%	0.97%	0.50%	0.99%	1.78%

<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 85,800	\$ 86,329	\$ 78,816	\$ 82,540	\$ 60,343	\$ 54,276
(85,800)	(86,329)	(78,816)	(82,540)	(60,343)	(54,276)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 5,176,701	\$ 5,210,740	\$ 4,751,145	\$ 4,998,131	\$ 4,807,735	\$ 4,707,499
1.66%	1.66%	1.66%	1.65%	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.

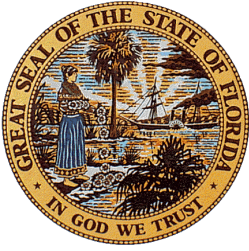
Changes of Assumptions. The Municipal Bond Index Rate used to determine total OPEB liability increased from 2.16 percent to 3.54 percent.

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.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the North Florida 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 February 9, 2024, except for Note 12., as to which the date is June 20, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying ***Finding and Recommendation*** section of this report as Financial Statement Finding No. 2023-001 that we consider to be a material weakness.

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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying ***Finding and Recommendation*** section of this report as Financial Statement Finding No. 2023-001.

College's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the finding identified in our audit and described in the accompanying ***Finding and Recommendation*** section of this report as Financial Statement Finding No. 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, CPA
Tallahassee, Florida

February 9, 2024, except for Note 12., as to which the date is June 20, 2024

FINDING AND RECOMMENDATION

MATERIAL WEAKNESS

CASH CONTROLS

Finding Number	2023-001
Opinion Unit	North Florida College
Financial Statements Account Title	Expenses; Deposits Held for Others; Cash and Cash Equivalents; Restricted Cash and Cash Equivalents; and Net Position Unrestricted
Adjustment Amounts	Adjustments to Increase: Expenses (debit) – \$185,613 Deposits Held for Others (debit) – \$120,257 Adjustments to Decrease: Cash and Cash Equivalents (credit) – \$185,613 Restricted Cash and Cash Equivalents (credit) - \$120,257 As a result, Net Position Unrestricted was decreased by \$185,613
Statistically Valid Sample	Not Applicable
Prior Year Finding	Not Applicable
Finding	College controls over an online payment system account for the electronic receipt of student fees and direct payment for purchases were deficient.
Criteria	<p>Section 1010.01(5), Florida Statutes, requires each Florida College System institution to establish and maintain internal controls designed to, among other things, prevent and detect fraud, waste, and abuse; promote and encourage compliance with applicable laws and best practices; support economical and efficient operations; ensure the reliability of financial records and reports; and safeguard assets.</p> <p>Effective internal controls ensure incompatible duties are appropriately separated by assigning cash disbursement and account reconciliation duties to different employees. Also, it is important for College records to include supervisor-documented verification of reconciling items listed on account reconciliations to ensure that the items are properly identified, investigated, and resolved.</p> <p>According to the College <i>Procedures Manual</i>, the College online payment system account is used for the electronic receipt of student fees, as well as direct payment for purchases. The <i>Procedures Manual</i> requires:</p> <ul style="list-style-type: none">• Three specified College personnel to have access to the payment system account records and to receive an e-mail confirmation of receipt and disbursement of funds.• Funds collected through the payment system account to be transferred to the College bank account in a timely manner, with balances not to exceed \$5,000 before transfer.

- All disbursements from the payment system account to be supported by sufficient documents such as requisitions, purchase orders, and receiving reports, to justify payment.
- Bank account reconciliations to be made by someone who is not charged with the responsibility for writing checks or recording disbursements.

Condition

As of June 30, 2023, the College reported a balance of \$9.5 million in cash and cash equivalents in six College accounts, including the College online payment system account. Our inquiry with College personnel and examination of College records disclosed several control deficiencies over cash activities in the online payment system account and inaccuracies in recorded and reported cash. Specifically:

- Contrary to good business practices, an employee with sole authority over the account's cash disbursements also had the incompatible duty of performing cash account reconciliations. While the College *Procedures Manual* provided for separation of bank account reconciliation duties from duties for writing checks or recording disbursements, the *Procedures Manual* did not explicitly address the need to separate incompatible duties associated with authorizing the payment system account disbursements and preparing cash account reconciliations. In addition, the *Procedures Manual* did not require, and College records did not demonstrate, the verification of support for reconciling items listed on the cash account reconciliations by supervisory staff.
- Contrary to the College *Procedures Manual*:
 - College records did not demonstrate that e-mail confirmations of the payment system account's receipts and disbursements were sent to anyone other than the employee with disbursement authority over the account.
 - When the cash balance in the account exceeded \$5,000, the balance was not transferred to the College bank account. Although the account should have been limited to \$5,000, the average daily cash balance was \$89,860 and ranged from \$24,360 to \$157,400.
 - During the period March 2022 through June 2023, cash disbursements totaling \$197,613 were made from the account without documented justification.
- The June 30, 2023, cash accounts reconciliation contained several inaccuracies or unresolved issues. For example:
 - The online payment system account cash amount documented on the reconciliation was significantly more than the actual account cash balance. In February 2024, College personnel found that several cash disbursements (occurring March 2022 through June 2023 and collectively totaling \$197,613) were made from the account to an unauthorized account not affiliated with the College. (In total, as of February 2024, College personnel had identified a total of \$287,837 in cash disbursements from the payment system account to the unauthorized account.)
 - An \$80,970 deposit was listed on the account reconciliation as an in-transit reconciling item that was not recorded in the general ledger. However, our examination of College records supporting the item disclosed that the item had been recorded in the general ledger before June 30, 2023, and, therefore, should not be listed as a reconciling item. Although College personnel questioned the basis for the item in an August 2023 e-mail to the employee who prepared the account

reconciliation, no additional follow-up of record was made to identify, investigate, or resolve the item. Since the item had been recorded in the general ledger, a correcting audit adjustment to the financial statements for the \$80,970 item was unnecessary.

- As part of our audit, we examined support for journal entries we selected by scanning College records and found errors that caused general ledger and financial statement cash account misstatements. We noted that, for example:
 - The College received student fees through a student loan servicing company and the fee collections were automatically recorded as cash in the College general ledger. However, College personnel had also manually posted a journal entry for those collections, causing the general ledger and related financial statement cash accounts to be overstated by \$120,257 at June 30, 2023.
 - Due to an error in posting a journal entry intended to adjust College expenses, the College cash accounts were understated by \$12,000.

Consequently, before audit adjustments, the unrestricted net position balance of \$1,388,964 on the College financial statements, was overstated by \$185,613 (13 percent). Although we requested, College records were not provided to explain the basis for a remaining unsupported difference totaling \$14,435 between the cash accounts and general ledger cash balances after our audit procedures in April 2024.

Cause

College personnel did not always follow good business practices and comply with the College *Procedures Manual* to ensure that the online payment system account cash was properly safeguarded, recorded, and reported.

Effect

Absent effective procedures over cash accounts, the College cannot demonstrate compliance with State law and there is an increased risk that any cash transaction fraud or errors that may occur will not be timely detected. Additionally, without such procedures, the reliability of the general ledger financial information throughout the year and the Board's ability to effectively monitor the College's financial position is diminished.

We expanded our audit procedures to determine the adjustments necessary to ensure College financial statement amounts were materially reported, and College personnel accepted these adjustments. However, our audit procedures cannot substitute for management's responsibility for proper accountability over cash accounts and financial reporting.

In February 2024, the College Dean of Administrative Services/Chief Financial Officer and Dean of Institutional Research and Effectiveness obtained access to the online payment system account records. In March 2024, the College terminated the employment of the employee who had authority over payment system account disbursements and prepared the account reconciliations. College personnel indicated that the circumstances resulting in the employee's termination had been referred to local law enforcement for further investigation. On May 8, 2024, the former employee was arrested and charged with theft of property valued at \$100,000 or more pursuant to Section 812.014(2)(a)1., Florida Statutes.

Recommendation

The College should comply with State law by enhancing procedures to ensure that cash accounts are properly safeguarded, recorded, and reported. Such enhancements should include adherence to established procedures in the *Procedures Manual* and revisions to the *Manual* to require separation of the incompatible duties for making online payment system account disbursements and preparing account reconciliations and documented supervisory verification of support for the reconciling items listed on the account reconciliations. In

addition, the College should continue efforts to explain the basis for the \$14,435 unsupported difference.

College Response

North Florida College has corrected all issues related to the online payment system and the College bank reconciliation process. Specifically, multiple College employees now have access to the online payment system and will be monitoring and documenting a review of all transaction activity for the online payment system following a scheduled monthly process. In addition, the College is transitioning to a new online payment system with better security features effective for the 2024-25 fiscal year. College procedures will be reviewed and modified for the new online payment system concurrently to its adoption.

It is important to note that it was an internal College review of bank reconciliations that detected this matter and the College took immediate steps to prevent additional losses. The College timely communicated the misstatement to the Auditor General's Office, and took all appropriate actions, as indicated in the timeline below.

In addition, as noted in the subsequent events note, the College is insured through the Florida College System Risk Management Consortium for crime, including employee theft and fraud. The College will recover all losses less a \$5,000 deductible.

Timeline:

February 21, 2024, Through an internal review of the bank reconciliations, the College became aware of a potential financial statement misstatement. The College immediately began to work with local law enforcement after suspicion of suspected misappropriated funds.

February 23, 2024, The College notified the Auditor General's Office of the financial misstatement. The College provided the Auditor General's Office with documentation necessary for the adjustment to the financial statements, should the Auditor General's Office consider an adjustment and restatement of financial statements necessary for the fiscal year ending June 30, 2023.

March 4, 2024, The North Florida College Board of Trustees held an emergency meeting and terminated the employment agreement of the employee in question.

April 2, 2024, The College met at the Auditor General's Office in Tallahassee, FL, to discuss, among other things, investigative concerns, accounting interpretations, and the timing for release of the audit report.