

PUBLIC SAFETY ACADEMY HOUSING, INC.
Havana, Florida

FINANCIAL STATEMENTS

Years Ended March 31, 2021 and 2020

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KELLY VAZQUEZ, C.P.A.

OF COUNSEL
W. FREDERICK THOMSON, C.P.A.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Public Safety Academy Housing, Inc.
Havana, Florida

We have audited the accompanying financial statements of Public Safety Academy Housing, Inc. (a Florida non-profit organization) which comprise the statements of financial position as of March 31, 2021 and 2020, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Public Safety Academy Housing, Inc. as of March 31, 2021 and 2020, and the changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

In accordance with *Government Auditing Standards*, we have also issued a report dated October 11, 2021, on our consideration of Public Safety Academy Housing, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the result of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on Page 3 be presented to supplement the basic financial statements. Such information, 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 inquiring with 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.



Tallahassee, Florida
October 11, 2021

PUBLIC SAFETY ACADEMY HOUSING, INC.
Management's Discussion and Analysis

The discussion and analysis of Public Safety Academy Housing, Inc.'s financial statements provides an overview of the financial activities for the year ended March 31, 2021. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the preparers. The discussion and analysis contains activities of the Public Safety Academy Housing Inc. for fiscal years 2021 and 2020.

Public Safety Academy Housing, Inc. was incorporated on February 26, 2003, as a direct support organization of Tallahassee Community College for the purpose of financing and constructing a housing facility at the College's Florida Public Safety Institute. The housing facility was financed by a \$9 million mortgage note and was completed on January 4, 2006. Upon completion, Public Safety Academy Housing, Inc. executed an agreement with the College whereby the College leases the housing facility from Public Safety Academy Housing, Inc. and is responsible for operating and maintaining the facility. During the fiscal year ended March 31, 2015, the Organization refinanced its original mortgage rate and borrowed an additional \$575,000 in a separate mortgage note payable to renovate and refurbish the dormitory. All revenues generated by the facility are retained by the College. In exchange, Public Safety Academy Housing, Inc. receives a monthly lease payments totaling \$766,719 for the fiscal year ending March 31, 2021, for its mortgage payments and operating expenses.

By design, Public Safety Academy Housing, Inc. was limited in its establishment to obtaining the financing and constructing the housing facility, with all post completion activities to be the responsibility of the College. Accordingly, 2021 financial activities consist of monthly lease receipts, mortgage payments, and the recognition of certain costs (depreciation) incurred during prior years but recognized as current year expenses. The nature of Public Safety Academy Housing, Inc.'s future activities can be expected to remain consistent with those of the 2021 fiscal year.

See independent auditors' report.

PUBLIC SAFETY ACADEMY HOUSING, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ <u>15,698</u>	\$ <u>5,838</u>
TOTAL CURRENT ASSETS	15,698	5,838
PROPERTY AND EQUIPMENT, Net	<u>5,191,233</u>	<u>5,436,642</u>
	\$ <u><u>5,206,931</u></u>	\$ <u><u>5,442,480</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Current portion of mortgage notes payable	\$ <u>605,079</u>	\$ <u>598,881</u>
TOTAL CURRENT LIABILITIES	605,079	598,881
LONG-TERM LIABILITIES		
Mortgage notes payable	<u>2,268,703</u>	<u>2,930,062</u>
TOTAL LIABILITIES	2,873,782	3,528,943
NET ASSETS		
Invested in capital assets, net of related debt	2,317,451	1,907,699
Unrestricted	<u>15,698</u>	<u>5,838</u>
	<u>2,333,149</u>	<u>1,913,537</u>
	\$ <u><u>5,206,931</u></u>	\$ <u><u>5,442,480</u></u>

See accompanying notes.

PUBLIC SAFETY ACADEMY HOUSING, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUE		
Lease income	\$ 766,719	\$ 751,250
OPERATING EXPENSES		
Depreciation	245,409	253,450
Contractual services	<u>7,313</u>	<u>7,221</u>
	<u>252,722</u>	<u>260,671</u>
OPERATING INCOME	513,997	490,579
NONOPERATING EXPENSE		
Interest expense	<u>94,385</u>	<u>124,567</u>
CHANGES IN NET ASSETS	419,612	366,012
BEGINNING NET ASSETS	<u>1,913,537</u>	<u>1,547,525</u>
ENDING NET ASSETS	\$ <u><u>2,333,149</u></u>	\$ <u><u>1,913,537</u></u>

See accompanying notes.

PUBLIC SAFETY ACADEMY HOUSING, INC.
STATEMENTS OF CASH FLOWS
Years Ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Rents and fees collected	\$ 766,719	\$ 751,250
Payments to vendors	(7,313)	(7,221)
Payments for interest expense	(94,385)	(124,567)
NET CASH PROVIDED BY OPERATING ACTIVITIES	665,021	619,462
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on long-term debt	(655,161)	(625,339)
NET CASH USED IN FINANCING ACTIVITIES	(655,161)	(625,339)
NET INCREASE (DECREASE) IN CASH	9,860	(5,877)
CASH AT BEGINNING OF YEAR	<u>5,838</u>	<u>11,715</u>
CASH AT END OF YEAR	\$ <u>15,698</u>	\$ <u>5,838</u>
RECONCILIATION OF CHANGES IN NET ASSETS TO CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in net assets	\$ 419,612	\$ 366,012
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	<u>245,409</u>	<u>253,450</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u>665,021</u>	\$ <u>619,462</u>

See accompanying notes.

PUBLIC SAFETY ACADEMY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2021 and 2020

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Formation and Nature of Business - Public Safety Academy Housing, Inc. (the "Organization") was incorporated on February 26, 2003 as a direct support organization of Tallahassee Community College (the "College"), within the meaning of Section 240.331, Florida Statutes, or any successor provision. The Organization was formed, among other purposes, to make available housing to participants in programs affiliated with the Florida Public Safety Institute. At the direction of the Board of Trustees of Tallahassee Community College, income derived by the Organization, subject to the assignment of revenue and other amounts derived from the operation of the facility, may be transferred to the Tallahassee Community College. The Organization is a component unit of Tallahassee Community College and is included in the College's annual report.

A summary of significant accounting policies follows.

Basis of Accounting - The Organization follows financial reporting requirements for enterprise funds, which use the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recognized when incurred.

Property and Equipment - Cost directly associated with the construction of the housing complex, including interest incurred from financing during the construction period is capitalized to the cost of the building, and depreciation is provided over the building's estimated life of thirty-nine (39) years on a straight line basis.

Furniture and equipment with a value of or costing over \$500 is recorded at cost and depreciated over its estimated useful life of five (5) to seven (7) years on a straight line basis.

Income Taxes - The Organization is exempt from income taxes on income from related activities under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding state tax law. Accordingly, no provision has been made for federal or state income taxes. Additionally, the Organization has been determined not to be a private foundation under Section 509(a) of the Internal Revenue Code.

The Organization has reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Organization.

Cash Equivalents - For purposes of the statement of cash flows, all highly liquid instruments with a maturity of three (3) months or less are considered to be cash equivalents.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PUBLIC SAFETY ACADEMY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2021 and 2020

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Election to Apply FASB Accounting Standards Codification - The Organization has elected to apply all FASB Accounting Standards Codification, except for those that conflict with GASB pronouncements, as permitted by GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements.”

Subsequent Events - Management has performed an analysis of the activities and transactions subsequent to March 31, 2021, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended March 31, 2021. Management has performed their analysis through the date of this report.

NOTE 2 - RELATED PARTY TRANSACTIONS

On May 21, 2004, the College entered into a long-term lease to rent ten (10) acres of land to the Organization in order to build the housing complex. Terms of the lease grants the Organization the use of the land for a ninety-nine (99) year term at less than fair market value rates of \$1 each year, paid in advance.

In November 2005, the Organization executed an agreement with the College to operate the housing complex. Terms of the agreement include monthly lease revenue that varied between \$55,000 and \$67,404 for the fiscal year, with automatic annual lease renewals unless thirty (30) day prior notice of cancellation is given by either party. Total lease income earned amounted to \$766,719 and \$751,250 for the years ended March 31, 2021 and 2020, respectively.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2021 and 2020, is summarized as follows:

	2021	2020
Building	\$ 8,491,790	\$ 8,491,790
Furniture and equipment	<u>592,650</u>	<u>592,650</u>
	9,084,440	9,084,440
Accumulated depreciation	<u>(3,893,207)</u>	<u>(3,647,798)</u>
	<u>\$ 5,191,233</u>	<u>\$ 5,436,642</u>

Depreciation expense for the years ended March 31, 2021 and 2020 amounted to \$245,409 and \$253,450, respectively.

PUBLIC SAFETY ACADEMY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2021 and 2020

NOTES 4 - MORTGAGE NOTES PAYABLE

Mortgage notes payable as of March 31, 2021 and 2020, were as follows:

	2021	2020
<p>\$6,017,876 refinanced mortgage note payable executed November 10, 2014 with Gadsden County, Florida and assigned to a commercial lender; bearing interest at 2.75% through December 31, 2017, then at 3.34% until August 31, 2019, and thereafter a floating rate equal to 70% of the prime rate of JPMorgan Chase Bank, with a floor in all cases of 2.45%; payable in monthly installments of principal and interest, maturing June 1, 2025. The note is collateralized by a leasehold mortgage in real estate and first priority security interest in all personal property located at the facility. Note is also collateralized by assignment of rents and leases related to housing facility.</p>	\$ 2,581,085	\$ 3,168,375
<p>\$575,000 mortgage note payable executed November 10, 2014, with Gadsden County, Florida and assigned to a commercial lender. The note bears interest at 3.99% until August 31, 2019, and thereafter a floating rate equal to 70% of the prime rate of JPMorgan Chase Bank, with a floor in all cases of 3.25%; payable in monthly installments of principal and interest; maturing June 1, 2025. The note is collateralized by a leasehold mortgage in real estate and first priority security interest in all personal property located at the facility. Note is also collateralized by assignment of rents and leases related to housing facility.</p>	<div style="text-align: right;"> <u>292,697</u> 2,873,782 </div>	<div style="text-align: right;"> <u>360,568</u> 3,528,943 </div>
<p>Less current portion</p>	<div style="text-align: right;"> <u>(605,079)</u> </div>	<div style="text-align: right;"> <u>(598,881)</u> </div>
	<div style="text-align: right;"> <u>\$ 2,268,703</u> </div>	<div style="text-align: right;"> <u>\$ 2,930,062</u> </div>

PUBLIC SAFETY ACADEMY HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
March 31, 2021 and 2020

NOTES 4 - MORTGAGE NOTES PAYABLE (Continued)

As of March 31, 2021, the scheduled maturities of the mortgage notes payable were as follows:

	<u>Principal</u>	<u>Interest</u>
March 31, 2022	\$ 605,079	\$ 60,503
2023	678,643	49,759
2024	698,651	32,304
2025	719,417	14,310
Thereafter	<u>171,992</u>	<u>710</u>
	<u>\$ 2,873,782</u>	<u>\$ 157,586</u>

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OF COUNSEL
W. FREDERICK THOMSON, C.P.A.

**INDEPENDENT AUDITORS' 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***

Board of Directors
Public Safety Academy Housing, Inc.
Havana, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Public Safety Academy Housing, Inc. (a Florida nonprofit organization), which comprise the statements of financial position as of March 31, 2021 and 2020, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated October 11, 2021.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Public Safety Academy Housing, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Public Safety Academy Housing, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Public Safety Academy Housing, Inc.'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 entity'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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Thomson Block Audit Company". The signature is written in a cursive, flowing style.

Tallahassee, Florida
October 11, 2021

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MANAGEMENT LETTER

Board of Directors
Public Safety Academy Housing, Inc.
Tallahassee, Florida

In planning and performing our audit of the financial statements of Public Safety Academy Housing, Inc. (the "Organization") as of and for the years ended March 31, 2021 and 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audits, we have become aware of matters that are an opportunity for strengthening internal control and operating efficiency. This letter does not affect our report dated October 11, 2021, on the financial statements of the Organization.

We will review the status of these comments during our next audit engagement. We have already discussed these matters previously with management and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing any recommendations. Our comments are summarized as follows:

Prior Year's Recommendations

Reconciliation of Loan Principal Payments with Bond Document - RESOLVED:

In the prior year, while reviewing the reconciliation of principal payments for both loans with the bond documents, we noted the various discrepancies due to the changes in interest rates and corporate tax rate. Management worked with the financial institution and remedied the discrepancies in the current year.

Current Year's Recommendations

None.

We wish to thank the Executive Director and his staff for their support and timely assistance during our audit.

The report is intended solely for the information and use of the Board of Directors, management, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Thomson Block Budget Company

October 11, 2021