

**STATE OF FLORIDA AUDITOR GENERAL**

**Financial Audit**

**PENSACOLA STATE COLLEGE**

For the Fiscal Year Ended  
June 30, 2023



Sherrill F. Norman, CPA  
Auditor General

## Board of Trustees and President

During the 2022-23 fiscal year, Dr. Charles E. Meadows served as President of Pensacola State College and the following individuals served as Members of the Board of Trustees:

	<u>County</u>
Dr. Troy Tippet, Chair from 9-20-22	Escambia
Patrick R. Dawson, Vice Chair from 9-20-22 <sup>a</sup>	Santa Rosa
Marjorie T. Moore, Chair through 9-19-22	Escambia
Harold Edward Moore through 9-8-22, Vice Chair <sup>a</sup>	Escambia
Gabriel Bullaro from 9-9-22	Santa Rosa
Carol H. Carlan	Escambia
Kevin Robert Lacz	Santa Rosa
Julian MacQueen through 9-8-22	Santa Rosa
Julie Louise Sheppard from 9-9-22	Escambia
Gordon J. Sprague from 9-9-22	Santa Rosa

<sup>a</sup> Vice Chair position vacant from 9-9-22, through 9-19-22.

Note: One Trustee position was vacant from 7-1-22, through 9-8-22, and one Trustee position was vacant during the entire period.

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

The team leader was Christy L. Johnson, CPA, and the audit was supervised by Kenneth C. Danley, CPA.

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

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**State of Florida Auditor General**

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**PENSACOLA STATE COLLEGE**  
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# SUMMARY

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

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

## SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

## AUDIT OBJECTIVES AND SCOPE

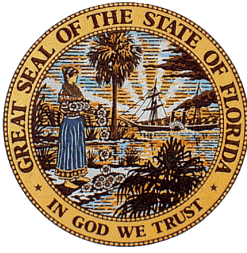
Our audit objectives were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinion. In doing so we:

- 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 Pensacola State College, a component unit of the State of Florida, and its aggregate discretely presented component units 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 reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Pensacola State College and of its aggregate discretely presented component units 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 aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns as of June 30, 2023. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the **Auditor's Responsibilities for the Audit of the Financial Statements** section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical

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

### ***Emphasis of Matter***

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

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of College Contributions – Florida Retirement System Pension Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of College Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information** be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 January 31, 2024, on our consideration of the Pensacola State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control

over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 31, 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, and its component units, the Pensacola State College Foundation, Inc. for the fiscal years ended December 31, 2022, and December 31, 2021, and the WSRE-TV Foundation, Inc. for the fiscal years ended June 30, 2023, and June 30, 2022.

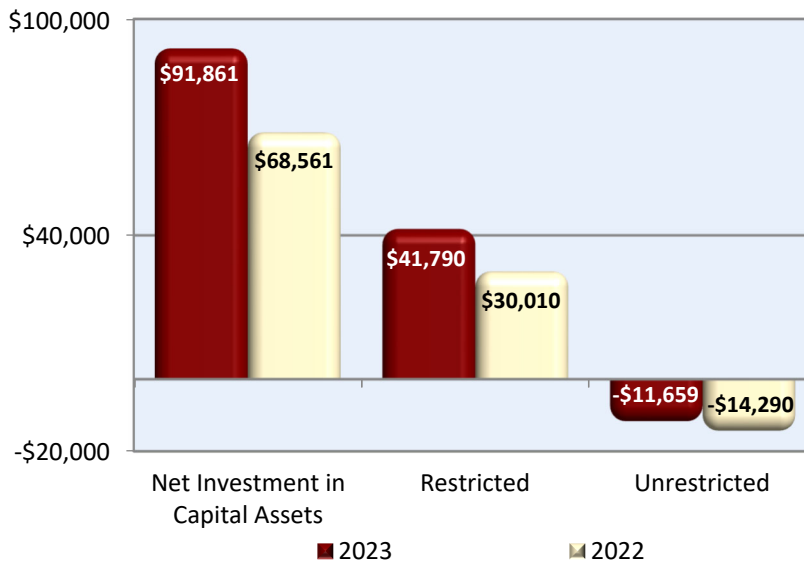
## FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$168.3 million at June 30, 2023. This balance reflects a \$41.5 million, or 32.7 percent, increase as compared to the 2021-22 fiscal year. In addition to the assets and deferred outflows of resources increase, liabilities and deferred inflows of resources increased by \$3.8 million, or 8.9 percent, totaling \$46.3 million at June 30, 2023. As a result, the College's net position increased by \$37.7 million, resulting in a fiscal year-end balance of \$122 million.

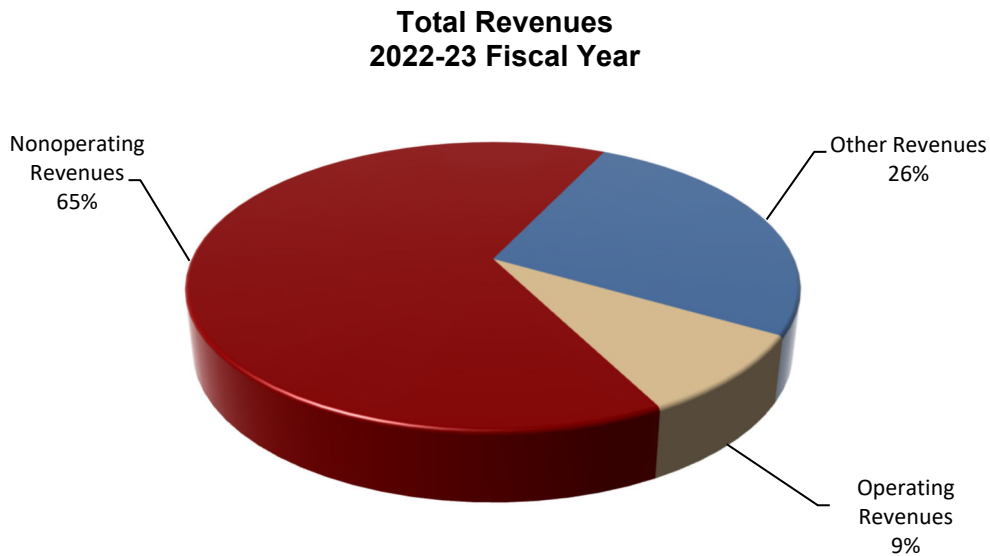
The College's operating revenues totaled \$10.7 million for the 2022-23 fiscal year, representing a 5 percent decrease compared to the 2021-22 fiscal year. Operating expenses totaled \$90 million for the 2022-23 fiscal year, representing a decrease of 5.8 percent as compared to the 2021-22 fiscal year.

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:



**OVERVIEW OF FINANCIAL STATEMENTS**

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

- Pensacola State College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Pensacola State College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida. This component unit provides funding and services to support and foster the pursuit of higher education at the College.
- WSRE-TV Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida. This component unit provides funding and services to support and foster the activities, operations, and capital needs of WSRE-TV, a public telecommunications station owned and operated by the College.

Based on the application of the criteria for determining component units, the Pensacola State College Foundation, Inc. and the WSRE-TV Foundation, Inc. are included within the College reporting entity as discretely presented component units.

Information regarding these component units, including summaries of the discretely presented component units’ separately issued financial statements, is presented in the notes to financial statements.

## 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 of the College and its component units for the respective fiscal years ended:

### Condensed Statement of Net Position

(In Thousands)

	College		Component Units (1)	
	6-30-23	6-30-22	2023	2022
<b>Assets</b>				
Current Assets	\$ 57,144	\$ 39,166	\$ 21,350	\$ 27,803
Capital Assets, Net	93,942	69,240	144	201
Other Noncurrent Assets	7,442	9,612	21,011	16,653
<b>Total Assets</b>	<b>158,528</b>	<b>118,018</b>	<b>42,505</b>	<b>44,657</b>
<b>Deferred Outflows of Resources</b>	<b>9,797</b>	<b>8,814</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>				
Current Liabilities	8,604	5,655	456	283
Noncurrent Liabilities	34,475	19,099	132	158
<b>Total Liabilities</b>	<b>43,079</b>	<b>24,754</b>	<b>588</b>	<b>441</b>
<b>Deferred Inflows of Resources</b>	<b>3,254</b>	<b>17,797</b>	<b>1,636</b>	<b>219</b>
<b>Net Position</b>				
Net Investment in Capital Assets	91,861	68,561	78	112
Restricted	41,790	30,010	36,320	39,894
Unrestricted	(11,659)	(14,290)	3,883	3,991
<b>Total Net Position</b>	<b>\$ 121,992</b>	<b>\$ 84,281</b>	<b>\$ 40,281</b>	<b>\$ 43,997</b>

- (1) For the 2023 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2023, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2022. For the 2022 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2022, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2021.

College assets increased by \$40.5 million, or 34.3 percent, primarily due to increases in a fixed capital outlay appropriation receivable for deferred maintenance projects, accounts receivable from grants, and capital assets. The \$18.3 million increase in College liabilities is primarily due to an increase in the net pension liability.

## **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 activity of the College and its component units for the respective fiscal years:

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

(In Thousands)

	College		Component Units (1)	
	2022-23	2021-22	2023	2022
Operating Revenues	\$ 10,658	\$ 11,224	\$ 2,890	\$ 3,210
Less, Operating Expenses	90,032	95,620	3,492	2,806
<b>Operating Income (Loss)</b>	(79,374)	(84,396)	(602)	404
Net Nonoperating Revenues	76,071	89,289	(5,406)	4,566
<b>Income (Loss) Before Other Revenues</b>	(3,303)	4,893	(6,008)	4,970
Other Revenues	30,821	18,956	2,292	1,728
<b>Net Increase (Decrease) in Net Position</b>	27,518	23,849	(3,716)	6,698
Net Position, Beginning of Year	84,281	60,129	43,997	37,299
Adjustments to Beginning Net Position (2)	10,193	303	-	-
<b>Net Position, Beginning of Year, as Restated</b>	94,474	60,432	43,997	37,299
<b>Net Position, End of Year</b>	<u>\$ 121,992</u>	<u>\$ 84,281</u>	<u>\$ 40,281</u>	<u>\$ 43,997</u>

(1) For the 2023 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2023, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2022. For the 2022 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2022, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2021.

(2) For the 2022-23 fiscal year, the College's beginning net position was increased due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. For the 2021-22 fiscal year, the College's beginning net position was increased due to the implementation of GASB Statement No. 87, *Leases*.

## **Operating Revenues**

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

The following summarizes the operating revenues by source for the College and its component units that were used to fund operating activities for the respective fiscal years ended:

## Operating Revenues For the Fiscal Years

(In Thousands)

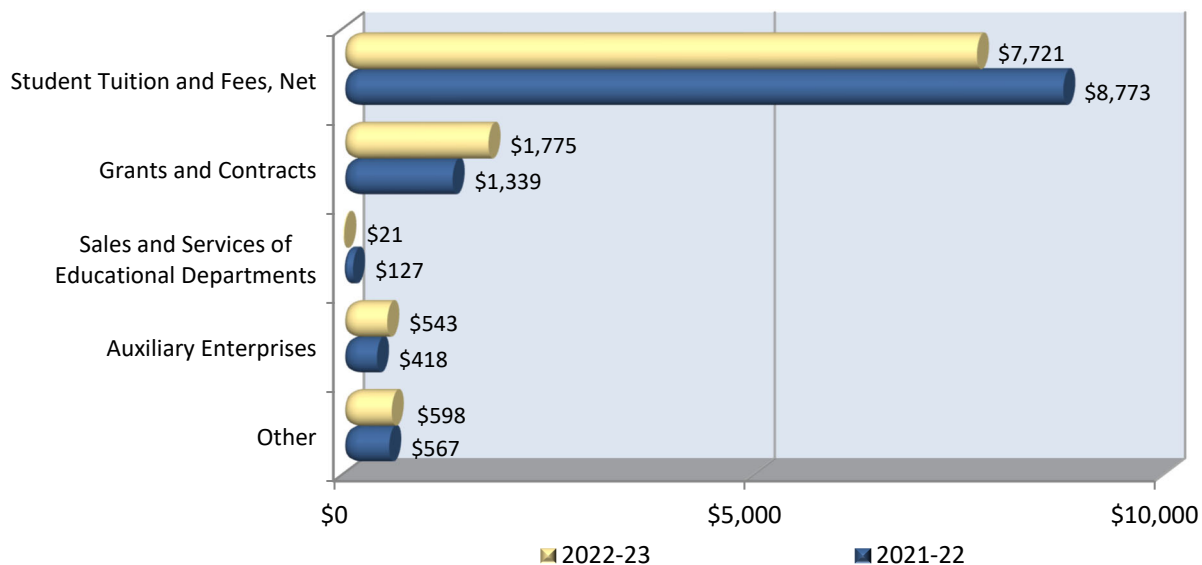
	College		Component Units (1)	
	2022-23	2021-22	2023	2022
Student Tuition and Fees, Net	\$ 7,721	\$ 8,773	\$ -	\$ -
Grants and Contracts	1,775	1,339	-	-
Sales and Services of Educational Departments	21	127	-	-
Auxiliary Enterprises	543	418	-	-
Other	598	567	2,890	3,210
<b>Total Operating Revenues</b>	<b>\$ 10,658</b>	<b>\$ 11,224</b>	<b>\$ 2,890</b>	<b>\$ 3,210</b>

(1) For the 2023 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2023, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2022. For the 2022 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2022, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2021.

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

### Operating Revenues

(In Thousands)



College operating revenues decreased by \$0.6 million primarily due to a decline in student enrollment resulting in a decrease in student tuition and fees, net of scholarship allowances.

### 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 College and its component units for the respective fiscal years:

**Operating Expenses  
For the Fiscal Years**

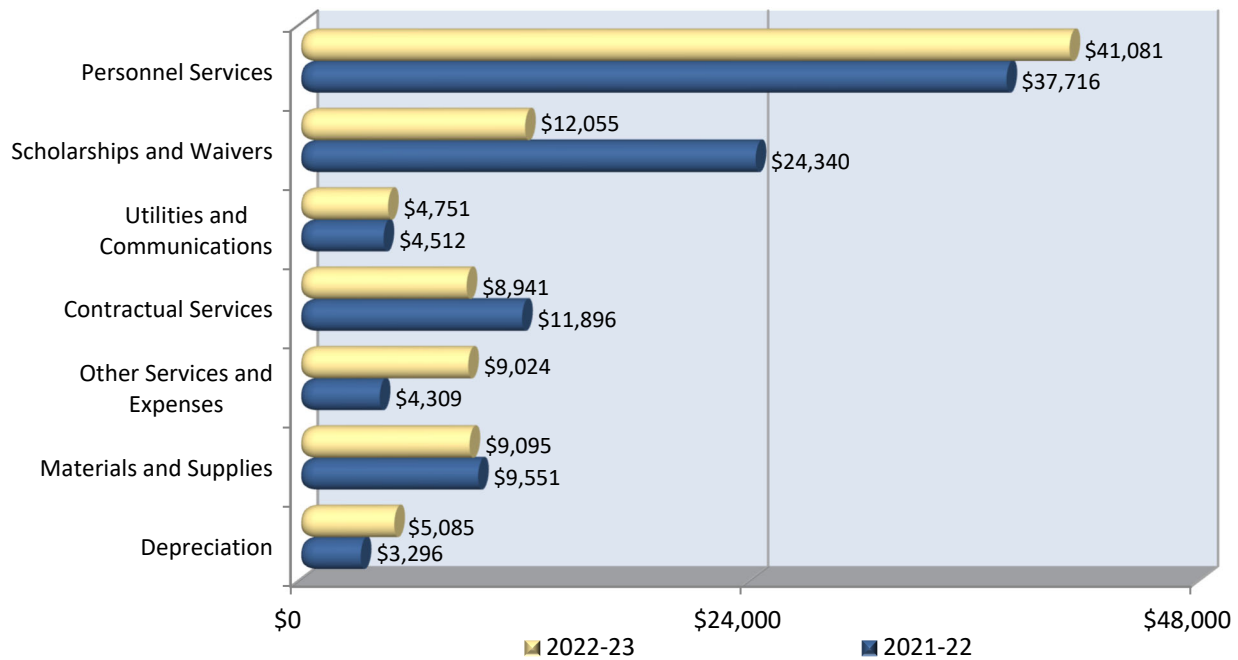
(In Thousands)

	College		Component Units (1)	
	2022-23	2021-22	2023	2022
Personnel Services	\$ 41,081	\$ 37,716	\$ -	\$ -
Scholarships and Waivers	12,055	24,340	868	646
Utilities and Communications	4,751	4,512	5	7
Contractual Services	8,941	11,896	645	600
Other Services and Expenses	9,024	4,309	1,598	1,202
Materials and Supplies	9,095	9,551	341	312
Depreciation	5,085	3,296	35	39
<b>Total Operating Expenses</b>	<b>\$ 90,032</b>	<b>\$ 95,620</b>	<b>\$ 3,492</b>	<b>\$ 2,806</b>

(1) For the 2023 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2023, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2022. For the 2022 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2022, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2021.

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

**Operating Expenses  
(In Thousands)**



College operating expenses decreased primarily due to no longer awarding the Coronavirus Aid, Relief, and Economic Security (CARES) Act scholarships.

## **Nonoperating Revenues and Expenses**

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2022-23 and 2021-22 fiscal years:

	<b>2022-23</b>	<b>2021-22</b>
State Noncapital Appropriations	\$ 42,366	\$ 39,157
Federal and State Student Financial Aid	19,018	30,761
Gifts and Grants	14,271	19,360
Investment Income	263	28
Other Nonoperating Revenues	204	5
Interest on Capital Asset-Related Debt	(51)	(22)
<b>Net Nonoperating Revenues</b>	<b>\$ 76,071</b>	<b>\$ 89,289</b>

Nonoperating revenues decreased by \$13.2 million. This decrease was due, in part, to a decrease in CARES Act funding.

## **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:

	<b>2022-23</b>	<b>2021-22</b>
State Capital Appropriations	\$ 180	\$ 246
Capital Grants, Contracts, Gifts, and Fees	30,641	18,710
<b>Total</b>	<b>\$ 30,821</b>	<b>\$ 18,956</b>

Other revenues increased by \$11.9 million due, in part, to significant capital grants received for deferred maintenance projects.

## **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 and related 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)

	<b>2022-23</b>	<b>2021-22</b>
Cash Provided (Used) by:		
Operating Activities	\$ (70,270)	\$ (94,456)
Noncapital Financing Activities	75,646	106,642
Capital and Related Financing Activities	(5,419)	(4,765)
Investing Activities	263	28
<b>Net Increase in Cash and Cash Equivalents</b>	220	7,449
Cash and Cash Equivalents, Beginning of Year	30,602	23,153
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 30,822</b>	<b>\$ 30,602</b>

Major sources of funds came from State noncapital appropriations (\$42.4 million), gifts and grants (\$27.4 million), and Federal and State student financial aid (\$19 million). Major uses of funds were for payments to employees and for employee benefits (\$41.9 million), payments to suppliers (\$23.6 million), purchases of capital assets (\$18.2 million), and payments for scholarships (\$12 million).

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

**Capital Assets**

At June 30, 2023, the College had \$176.4 million in capital assets, less accumulated depreciation of \$82.5 million, for net capital assets of \$93.9 million. Depreciation charges for the current fiscal year totaled \$5.1 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

**Capital Assets, Net at June 30**

(In Thousands)

	<b>2023</b>	<b>2022</b>
Land	\$ 12,795	\$ 12,795
Artwork/Artifacts	164	146
Construction in Progress	21,266	8,373
Lease Assets	652	680
Subscription-Based Information Technology Arrangements	5,456	-
Buildings	49,030	42,921
Other Structures and Improvements	1,014	529
Furniture, Machinery, and Equipment	3,565	3,796
<b>Capital Assets, Net</b>	<b>\$ 93,942</b>	<b>\$ 69,240</b>



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

**Capital Expenses and Commitments**

Major capital expenses through June 30, 2023, were incurred on the STEM Building (Phase 2), welding addition, asphalt repair and replacement project, HVAC replacement project, and campus-wide roof replacement and restoration project. The College’s construction commitments at June 30, 2023, are as follows:

	<b>Amount (In Thousands)</b>
Total Committed	\$ 37,723
Completed to Date	<u>(29,977)</u>
<b>Balance Committed</b>	<b><u>\$ 7,746</u></b>

Additional information about the College’s construction commitments is presented in the notes to financial statements.

**Debt Administration**

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2022-23 fiscal year, there were no bond sales, and the College has no remaining debt repayments. Additional information about the College’s long-term debt is presented in the notes to financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The College’s economic condition is closely tied to that of the State of Florida. The College’s 2023-24 fiscal year budget was prepared with a substantial increase in State funding. The College received additional operational funding in addition to funding earmarked for specific program enhancements related to vocational programs, a vocational charter school, and additional training. Student enrollment is expected to increase as investments in additional vocational programs are put into place. The College’s overall financial position is expected to be stable. The College received over \$18 million in the 2022-23 fiscal year to cover deferred maintenance projects. The increased operating revenues alongside the infusions for additional programs and deferred maintenance funding will allow the College to operate at current levels of service to more students.

**REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice President for Business Affairs, Pensacola State College, 1000 College Boulevard, Pensacola, Florida 32504.

# BASIC FINANCIAL STATEMENTS

**PENSACOLA STATE COLLEGE**  
**A Component Unit of the State of Florida**  
**Statement of Net Position**

June 30, 2023

	College	Component Units
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 15,681,884	\$ 5,708,522
Restricted Cash and Cash Equivalents	7,910,342	-
Investments	-	15,367,807
Accounts Receivable, Net	8,269,669	156,125
Notes Receivable, Net	5,223	-
Due from Other Governmental Agencies	22,783,471	-
Due from Component Unit	25,491	-
Prepaid Expenses	2,468,199	92,982
Other Current Assets	-	25,000
<b>Total Current Assets</b>	<b>57,144,279</b>	<b>21,350,436</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	7,229,307	-
Investments	-	17,952,649
Prepaid Expenses	213,007	-
Depreciable Capital Assets, Net	59,716,974	143,845
Nondepreciable Capital Assets	34,224,675	-
Other Noncurrent Assets	-	3,058,714
<b>Total Noncurrent Assets</b>	<b>101,383,963</b>	<b>21,155,208</b>
<b>TOTAL ASSETS</b>	<b>158,528,242</b>	<b>42,505,644</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	865,327	-
Pensions	8,931,842	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>9,797,169</b>	<b>-</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	2,036,574	210,314
Salary and Payroll Taxes Payable	1,752,019	661
Retainage Payable	1,062,305	-
Due to Other Governmental Agencies	1,046	-
Unearned Revenue	2,387,666	245,660
Deposits Held for Others	332,379	-
Long-Term Liabilities - Current Portion:		
Lease Payable	27,804	-
Subscription-Based Information Technology Arrangement	366,634	-
Compensated Absences Payable	625,769	-
Other Postemployment Benefits Payable	11,484	-
<b>Total Current Liabilities</b>	<b>8,603,680</b>	<b>456,635</b>

	<u>College</u>	<u>Component Units</u>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Lease Payable	624,144	-
Compensated Absences Payable	3,665,252	-
Other Postemployment Benefits Payable	1,522,559	-
Net Pension Liability	28,663,534	-
Other Long-Term Liabilities	-	131,685
<b>Total Noncurrent Liabilities</b>	<u>34,475,489</u>	<u>131,685</u>
<b>TOTAL LIABILITIES</b>	<u>43,079,169</u>	<u>588,320</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Other Postemployment Benefits	721,223	-
Pensions	2,532,750	-
Irrevocable Split-Interest Agreements	-	1,636,382
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>3,253,973</u>	<u>1,636,382</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	91,860,763	77,550
Restricted:		
Nonexpendable:		
Endowment	-	15,654,396
Expendable:		
Endowment	-	20,666,091
Grants and Loans	3,607,753	-
Scholarships	97,039	-
Capital Projects	38,085,780	-
Unrestricted	<u>(11,659,066)</u>	<u>3,882,905</u>
<b>TOTAL NET POSITION</b>	<u>\$ 121,992,269</u>	<u>\$ 40,280,942</u>

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

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**PENSACOLA STATE COLLEGE**  
**A Component Unit of the State of Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2023**

	<u>College</u>	<u>Component Units</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$9,845,603	\$ 7,720,727	\$ -
Federal Grants and Contracts	1,349,247	-
State and Local Grants and Contracts	425,547	-
Sales and Services of Educational Departments	21,250	-
Auxiliary Enterprises	543,407	-
Other Operating Revenues	598,047	2,890,324
<b>Total Operating Revenues</b>	<u>10,658,225</u>	<u>2,890,324</u>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	41,081,476	-
Scholarships and Waivers	12,054,647	868,278
Utilities and Communications	4,750,613	5,505
Contractual Services	8,941,223	644,878
Other Services and Expenses	9,023,879	1,598,034
Materials and Supplies	9,094,987	341,209
Depreciation	5,085,389	34,849
<b>Total Operating Expenses</b>	<u>90,032,214</u>	<u>3,492,753</u>
<b>Operating Loss</b>	<u>(79,373,989)</u>	<u>(602,429)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	42,366,377	-
Federal and State Student Financial Aid	19,017,934	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	14,270,661	-
Net Loss on Investments	-	(6,244,913)
Investment Income	262,504	838,894
Other Nonoperating Revenues	204,513	-
Interest on Capital Asset-Related Debt	(51,114)	-
<b>Net Nonoperating Revenues (Expenses)</b>	<u>76,070,875</u>	<u>(5,406,019)</u>
<b>Loss Before Other Revenues</b>	<u>(3,303,114)</u>	<u>(6,008,448)</u>
State Capital Appropriations	179,540	-
Capital Grants, Contracts, Gifts, and Fees	30,641,496	1,130,000
Additions to Endowment	-	1,161,953
<b>Total Other Revenues</b>	<u>30,821,036</u>	<u>2,291,953</u>
<b>Increase (Decrease) in Net Position</b>	<u>27,517,922</u>	<u>(3,716,495)</u>
Net Position, Beginning of Year	84,280,820	43,997,437
Adjustment to Beginning Net Position	10,193,527	-
<b>Net Position, Beginning of Year, as Restated</b>	<u>94,474,347</u>	<u>43,997,437</u>
<b>Net Position, End of Year</b>	<u>\$ 121,992,269</u>	<u>\$ 40,280,942</u>

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

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

**For the Fiscal Year Ended June 30, 2023**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Student Tuition and Fees, Net	\$ 7,676,711
Grants and Contracts	3,052,978
Payments to Suppliers	(23,569,041)
Payments for Utilities and Communications	(4,750,613)
Payments to Employees	(31,293,193)
Payments for Employee Benefits	(10,564,607)
Payments for Scholarships	(12,012,249)
Loans Issued to Students	(65,815)
Collection on Loans to Students	108,774
Auxiliary Enterprises	631,311
Sales and Services of Educational Departments	21,249
Other Receipts	494,349
	<b>(70,270,146)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	42,366,377
Federal and State Student Financial Aid	19,009,401
Federal Direct Loan Program Receipts	10,068,418
Federal Direct Loan Program Disbursements	(10,068,418)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	14,270,661
	<b>75,646,439</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	179,501
Capital Grants and Gifts	13,100,136
Proceeds from Sale of Capital Assets	204,513
Purchases of Capital Assets	(18,228,855)
Principal Paid on Capital Debt and Leases	(623,374)
Interest Paid on Capital Debt and Leases	(51,114)
	<b>(5,419,193)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	262,504
	<b>219,604</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>219,604</b>
Cash and Cash Equivalents, Beginning of Year	30,601,929
	<b>\$ 30,821,533</b>

	<u>College</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (79,373,989)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,085,389
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	3,391,039
Notes Receivable, Net	42,959
Due from Other Governmental Agencies	251,333
Due from Component Unit	54,353
Due to Other Governmental Agencies	1,046
Prepaid Expenses	(468,925)
Accounts Payable	462,717
Salaries and Payroll Taxes Payable	(576,663)
Unearned Revenue	1,060,121
Deposits Held for Others	(104,743)
Compensated Absences Payable	15,278
Other Postemployment Benefits Payable	(314,929)
Net Pension Liability	15,731,276
Deferred Outflows of Resources Related to Other Postemployment Benefits	140,500
Deferred Inflows of Resources Related to Other Postemployment Benefits	326,269
Deferred Outflows of Resources Related to Pensions	(1,123,519)
Deferred Inflows of Resources Related to Pensions	(14,869,658)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>\$ (70,270,146)</u>
<b>SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITIES</b>	
Donations of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	\$ 2,150,270

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

# ***NOTES TO FINANCIAL STATEMENTS***

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

**Reporting Entity.** The governing body of Pensacola State College, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. There were eight active Board members at the College as of June 30, 2023. 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 Escambia and Santa Rosa 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 Units.** Based on the application of the criteria for determining component units, the following component units are included within the College's reporting entity:

- Pensacola State College Foundation, Inc.: This legally separate organization provides funding and services to support and foster the pursuit of higher education at the College and is governed by a separate board.
- WSRE-TV Foundation, Inc.: This legally separate organization provides funding and services to support and foster the activities, operations, and capital needs of WSRE-TV, a public telecommunications station operated by the College, and is governed by a separate board.

The College's component units, as described above, are also direct-support organizations, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, are financially accountable to the College. The component units are managed independently, outside the College's budgeting process, and their powers generally are vested in a governing board pursuant to various State statutes. The component units receive, hold, invest, and administer property, and make expenditures to or for the benefit of the College.

The College's component units are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The audited financial statements of each component unit are available to the public and can be obtained from the Vice President for Business Affairs, Pensacola State College, 1000 College Boulevard, Pensacola, Florida 32504. The financial data reported on the accompanying financial statements for the Pensacola State College Foundation, Inc. was derived from audited financial statements for the fiscal year ended December 31, 2022. The financial data reported on the accompanying financial statements for the WSRE-TV Foundation, Inc. was derived from audited financial



statements for the fiscal year ended June 30, 2023. Additional condensed financial statements for the College's component units are included in a subsequent note.

**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. 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 units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follow GASB standards of accounting and financial reporting.

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, gifts and grants, investment income, and other nonoperating revenues. Interest paid 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.

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

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

At June 30, 2023, the College reported as cash equivalents \$8,633,550 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, artwork/artifacts, construction in progress, lease assets, subscription-based information technology arrangement (SBITA) assets, 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, \$65,000 for buildings and other structures and improvements, and \$2,000,000 for intangible assets. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Lease Assets – 50 years
- SBITA – 5 years
- Buildings – 20 to 40 years
- Other Structures and Improvements – 10 to 25 years
- Furniture, Machinery, and Equipment:
  - Computer Equipment – 3 years
  - Vehicles, Office Machines, and Educational Equipment – 5 years
  - Furniture, Mainframe Computer Equipment, and Television Equipment – 7 years

**Noncurrent Liabilities.** Noncurrent liabilities include a lease payable, compensated absences payable, other postemployment benefits (OPEB) payable, and net pension liability that are not scheduled to be paid within the next fiscal year.

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

## 2. Reporting Change

The College implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). The statement addresses accounting and financial reporting for SBITA. The statement requires the College to recognize assets and liabilities for SBITA that were previously recognized as operating expenses under contracts. See Note 3. Adjustment to Beginning Net Position, Note 10. Capital Assets, and Note 12. Long-Term Liabilities for further details.

## 3. Adjustment to Beginning Net Position

The beginning net position of the College was increased by \$10,193,527 due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which resulted in the creation of SBITA assets from previously recognized operating expenses.

## 4. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (13,025,690)
Auxiliary Funds	<u>1,366,624</u>
<b>Total</b>	<b><u>\$ (11,659,066)</u></b>

## 5. Investments

**College 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.

At June 30, 2023, the College reported no investments.

**Component Units' Investments.** The component units categorize 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.

Investments held by the College's component units are reported at fair value as follows:

<u>Investment Type</u>	<u>Average Maturity</u>	<u>Credit Quality</u>	<u>Pensacola State College Foundation, Inc. 12-31-22</u>	<u>WSRE-TV Foundation, Inc. 6-30-23</u>	<u>Total (1)</u>
<b>Federal Agency Obligations</b>					
Government National Mortgage Association II Modified Pass Through Pool	(2)	(2)	\$ 101	\$ -	\$ 101
<b>Fixed Income</b>					
Vanguard Short-Term Investment-Grade Fund	3.1 Years	(3)	1,072,854	175,987	1,248,841
Vanguard Inflation-Protected Securities Fund	7.3 Years	(3)	2,448,579	-	2,448,579
Vanguard Intermediate Term Bond Index Fund	7.1 Years	(3)	1,013,632	-	1,013,632
Federated Total Return Bond Fund	8.3 Years	(3)	1,909,153	-	1,909,153
Federated Hermes Total Return Bond Fund	8.6 Years	(3)	-	439,739	439,739
PIMCO Funds Low Duration Fund	1.2 Years	(3)	-	123,384	123,384
Dodge & Cox Income Fund	10.4 Years	(3)	2,027,235	-	2,027,235
Dodge & Cox Income Fund	10.3 Years	(3)	-	438,737	438,737
<b>Equities</b>					
Vanguard 500 Index Fund	(2)	(2)	11,953,117	597,138	12,550,255
Vanguard Small Cap Index Fund	(2)	(2)	2,239,735	-	2,239,735
Vanguard Developed Market Index Fund	(2)	(2)	2,366,057	160,612	2,526,669
Vanguard Mid Cap Index Fund	(2)	(2)	2,263,229	-	2,263,229
Vanguard Dividend Appreciation Index Fund	(2)	(2)	1,478,189	-	1,478,189
DFA Emerging Markets Core Equity	(2)	(2)	480,920	47,506	528,426
Cohen & Steers Realty Fund	(2)	(2)	344,617	-	344,617
Mainstay CBRE Global Infrastructure Fund	(2)	(2)	390,547	-	390,547
Alliance Bernstein Small Cap Growth Fund	(2)	(2)	-	78,566	78,566
American EuroPacific Growth Fund	(2)	(2)	-	112,818	112,818
Fidelity Small Cap Value Fund	(2)	(2)	-	78,195	78,195
Touchstone Large Cap Focused Fund	(2)	(2)	-	399,286	399,286
Janus Henderson Enterprise Fund	(2)	(2)	-	78,403	78,403
JP Morgan Mid Cap Value Fund	(2)	(2)	-	79,343	79,343
<b>Other</b>					
Real Estate	(2)	(2)	227,600	-	227,600
Federated Hermes Government Obligations	(2)	(2)	-	295,177	295,177
<b>Total Component Units' Investments</b>			<b>\$ 30,215,565</b>	<b>\$ 3,104,891</b>	<b>\$ 33,320,456</b>

- (1) Federal Agency Obligations are reported at fair value using significant other observable inputs (Level 2 inputs). Real estate investments are reported at fair value using a property appraisal (Level 3 input). All other investments are reported at fair value using quoted market prices (Level 1 inputs).
- (2) Investment risk disclosures are not required for these investments.
- (3) These funds are not rated by a nationally recognized statistical rating organization.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Pensacola State College Foundation, Inc.'s investment in the Vanguard Short-Term Investment-Grade Fund had an average effective duration of 2.8 years. The Vanguard Inflation-Protected Securities Fund had an average effective duration of 6.8 years. The Vanguard Intermediate Term Bond Index Fund had an average effective duration of 6.3 years. The Federated Total Return Bond Fund had an average effective duration of 5.7 years. The Dodge & Cox Income Fund had an average effective duration of 5.5 years.

The WSRE-TV Foundation, Inc.'s investment in the Vanguard Short-Term Investment-Grade Fund had an average effective duration of 2.7 years. The Federated Hermes Total Return Bond Fund had an average effective duration of 6 years. The PIMCO Funds Low Duration had an average effective duration of 1.8 years. The Dodge & Cox Income Fund had an average effective duration of 5.3 years.

*Credit Risk:* Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligation, causing an investor to experience a loss of principal.

As a means of limiting its exposure to losses arising from credit risk, the Pensacola State College Foundation, Inc.'s investment policies limit the exposure of its various investment types. The Foundation's investment policy permits investment in equities listed on a national exchange and bonds issued in United States dollars. Uses of leverage in an account (margin or derivatives securities that increase risk) are prohibited as an investment. Cash should be transitional or held for the purpose of providing liquidity to meet the Foundation's cash flow requirements. This includes commercial paper with an A-1 or P-1 rating at the time of initial investment and money market funds.

The WSRE-TV Foundation, Inc. holds assets within two separate investment portfolios separated between operating funds and endowment funds. The Foundation's investment policy guidelines provide for allocations in which equity investments will not exceed 65 percent for the endowment portfolio and 20 percent for the operating account. There is a caveat included in the investment policy that allows for up to a 5 percent deviation from those percentages to allow for market adjustments. The endowment portfolio at June 30, 2023, meets the policy guidelines, with equities representing 65 percent, fixed income representing 29 percent, and cash equivalents representing 5 percent. The short-term investment portfolio meets these requirements at June 30, 2023, with 15 percent in equity investments, 63 percent in fixed income investments, and 22 percent in cash.

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of the failure of the counterparty, the investor will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

At December 31, 2022, the Pensacola State College Foundation, Inc.'s cash equivalents consisted of \$2,790,227 held in the Federated Government Obligations money market mutual fund. The fund seeks to preserve the value of the investments at \$1 per share; however, it is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

The WSRE-TV Foundation, Inc. does not have a policy for custodial credit risk, however, the Foundation has not experienced any losses and believes it is not exposed to significant risk.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of the investor's investment in a single issuer.

The Pensacola State College Foundation, Inc.'s funds are invested to produce maximum total return consistent with prudent risk limits. The allocation of the portfolio over the various asset classes is the single most important determinant of investment risk and return. The Foundation's investment policy uses target ranges of 45 to 75 percent in equity securities and 25 to 55 percent in fixed income securities. Ranges within equity securities are as follows: 20 percent or less in international and emerging market equities and 5 to 25 percent in small capitalization equities. Ranges within fixed income securities are 5 percent or less in a diversified portfolio of non-investment grade bonds. No more than 5 percent of Foundation assets may be invested in any one issuer, except the U.S. Government. The investments at December 31, 2022, meet the investment policy guidelines with equity securities representing 72 percent, and fixed income securities representing 28 percent, of the asset allocation.

The WSRE-TV Foundation, Inc. did not have any investments at June 30, 2023, in which over 5 percent of the total investment portfolio is derived from one issuer, excluding U.S. Government and U.S. Government agency-backed securities, investments in mutual funds, and other pooled investment funds.

## **6. Accounts Receivable**

Accounts receivable of \$8,269,669 represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a \$266,601 allowance for doubtful accounts.

## **7. Notes Receivable**

Notes receivable of \$5,223 represent student loans made under the short-term loan program and are reported net of a \$15,667 allowance for doubtful notes.

## **8. Due From Other Governmental Agencies**

The \$22,783,471 reported as due from other governmental agencies primarily consists of amounts due from the State for the fixed capital outlay appropriation for the Science, Technology, Engineering, and Math (STEM) Building, Phase 2, Asphalt Improvement, and Deferred Maintenance projects.

## **9. Due From Component Unit**

The \$25,491 reported as due from component unit primarily consists of amounts owed to the College by the Pensacola State College Foundation, Inc., (Foundation) to pay for student scholarships. The College's financial statements are reported for the fiscal year ended June 30, 2023. The Foundation's financial statements are reported for the fiscal year ended December 31, 2022. Accordingly, amounts reported by the College as due from component unit on the statement of net position do not agree with amounts reported by the Foundation as due to the College.

## **10. 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>Adjustments (1)</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:					
Land	\$ 12,794,717	\$ -	\$ -	\$ -	\$ 12,794,717
Artwork/Artifacts	146,027	-	17,900	-	163,927
Construction in Progress	8,372,761	-	17,227,689	(4,334,419)	21,266,031
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 21,313,505</b>	<b>\$ -</b>	<b>\$ 17,245,589</b>	<b>\$ (4,334,419)</b>	<b>\$ 34,224,675</b>
Depreciable Capital Assets:					
Lease Assets	\$ 1,011,372	\$ 3,414	\$ -	\$ -	\$ 1,014,786
Subscription-Based Information					
Technology Arrangement	-	10,193,527	655,027	-	10,848,554
Buildings	90,946,344	-	7,808,957	-	98,755,301
Other Structures and Improvements	11,869,353	-	624,343	-	12,493,696
Furniture, Machinery, and Equipment	19,711,619	-	1,172,167	(1,782,966)	19,100,820
<b>Total Depreciable Capital Assets</b>	<b>123,538,688</b>	<b>10,196,941</b>	<b>10,260,494</b>	<b>(1,782,966)</b>	<b>142,213,157</b>
Less, Accumulated Depreciation:					
Lease Assets	331,308	-	31,530	-	362,838
Subscription-Based Information					
Technology Arrangement	-	3,460,654	1,931,731	-	5,392,385
Buildings	48,024,971	-	1,700,164	-	49,725,135
Other Structures and Improvements	11,340,052	-	139,563	-	11,479,615
Furniture, Machinery, and Equipment	15,915,409	(17)	1,282,401	(1,661,583)	15,536,210
<b>Total Accumulated Depreciation</b>	<b>75,611,740</b>	<b>3,460,637</b>	<b>5,085,389</b>	<b>(1,661,583)</b>	<b>82,496,183</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 47,926,948</b>	<b>\$ 6,736,304</b>	<b>\$ 5,175,105</b>	<b>\$ (121,383)</b>	<b>\$ 59,716,974</b>

(1) Adjustments were made to correct prior fiscal year accounting errors and to record subscription-based information technology arrangement assets due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The portion of the adjustment related to subscription-based information technology arrangement accumulated depreciation was included in current fiscal year expense and was not a part of the adjustment to beginning net position.

## 11. Unearned Revenue

Unearned revenue represents restricted grants and contracts. As of June 30, 2023, the College reported \$2,387,666 as unearned revenue.

## 12. 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>
Lease Payable	\$ 680,064	\$ -	\$ 28,116	\$ 651,948	\$ 27,804
Subscription-Based Information Technology Arrangement	-	961,892	595,258	366,634	366,634
Compensated Absences Payable	4,275,743	1,010,790	995,512	4,291,021	625,769
Other Postemployment Benefits Payable	1,848,972	110,126	425,055	1,534,043	11,484
Net Pension Liability	12,932,258	26,035,592	10,304,316	28,663,534	-
<b>Total Long-Term Liabilities</b>	<b>\$ 19,737,037</b>	<b>\$ 28,118,400</b>	<b>\$ 12,348,257</b>	<b>\$ 35,507,180</b>	<b>\$ 1,031,691</b>

**Lease Payable.** A broadcasting tower and equipment are being acquired under a lease agreement. The original 15-year lease term began in June 2000 and includes 7 additional consecutive 5-year renewal periods. Lease payments vary and are updated each year for changes in the consumer price index. The estimated lease payments in the schedule below assume a 0.19 percent increase each year through the remainder of the lease period. Future minimum payments under the lease agreement and the present value of the minimum payments as of June 30, 2023, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 52,105	\$ 27,804	\$ 24,301
2025	53,095	27,496	25,599
2026	54,104	27,192	26,912
2027	55,132	26,891	28,241
2028	56,180	26,593	29,587
2029-2033	297,321	128,609	168,712
2034-2038	326,659	121,640	205,019
2039-2043	358,894	115,050	243,844
2044-2048	394,309	108,816	285,493
2049-2050	168,411	41,857	126,554
<b>Total Minimum Lease Payments</b>	<b>\$ 1,816,210</b>	<b>\$ 651,948</b>	<b>\$ 1,164,262</b>

**Subscription-Based Information Technology Arrangement.** The College has a SBITA for the right to use Workday, an enterprise resource planning system asset, totaling \$3,052,596. The subscription term ends January 2024. The College implemented the Workday system in two operational phases at different times. As a result, the capitalized implementation costs generated two additional SBITA assets, totaling \$3,424,870 and \$4,371,088. The College discounted the future minimum subscription payments using its incremental borrowing rate of 3 percent. The present value of the remaining minimum payments for the SBITA liability as of June 30, 2023, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 422,699	\$ 366,634	\$ 56,065

**Compensated Absences Payable.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only

the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2023, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$4,291,021. The current portion of the compensated absences liability, \$625,769, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

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

**General Information about the OPEB Plan**

*Plan Description.* The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the Consortium that provides OPEB for all employees who satisfy the College's retirement eligibility provisions. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's healthcare benefits including 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 Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

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

*Employees Covered by Benefit Terms.* At June 30, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	61
Deferred Retirement Option Program Members	42
Active Employees	487
<b>Total</b>	<u>590</u>

**Total OPEB Liability**

The College's total OPEB liability of \$1,534,043 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
Special Risk	4.80 percent – 7.40 percent
Municipal bond index rate	
Prior Measurement Date	2.16 percent
Measurement Date	3.54 percent
Healthcare cost trend rates	
Pre Medicare	7.00 percent for 2021, decreasing to an ultimate rate of 4.40 percent 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***

	<b>Amount</b>
<b>Balance at June 30, 2022</b>	<u>\$ 1,848,972</u>
<b>Changes for the Year:</b>	
Service Cost	68,704
Interest	41,422
Changes of Assumptions or Other Inputs	<u>(425,055)</u>
<b>Net Changes</b>	<u>(314,929)</u>
<b>Balance at June 30, 2023</b>	<u><u>\$ 1,534,043</u></u>

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

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

	<u>1% Decrease (2.54%)</u>	<u>Current Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
Total OPEB liability	\$1,827,242	\$1,534,043	\$1,303,327

*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	\$1,272,327	\$1,534,043	\$1,873,994

***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 \$151,840. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 609,555	\$ 11,660
Changes of assumptions or other inputs	255,772	709,563
<b>Total</b>	<u>\$ 865,327</u>	<u>\$ 721,223</u>

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	\$ 41,714
2025	41,714
2026	44,615
2027	46,978
2028	12,082
Thereafter	(42,999)
<b>Total</b>	<u>\$ 144,104</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 \$28,663,534. Note 13. includes a complete discussion of defined benefit pension plans.

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

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

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

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

The College's FRS and HIS pension expense totaled \$2,847,690 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.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

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, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 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:

<b><u>Class, Initial Enrollment, and Retirement Age/Years of Service</u></b>	<b><u>% Value</u></b>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b>Senior Management Service Class</b>	<b>2.00</b>
<b>Special Risk Class</b>	<b>3.00</b>

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

**Contributions.** The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 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
FRS, Special Risk	3.00	27.83
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	18.60
FRS, Reemployed Retiree	(2)	(2)

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

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

The College's contributions to the Plan totaled \$2,703,590 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 \$21,643,086 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 0.058167774 percent, which was a decrease of 0.001766699 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the College recognized pension expense of \$2,761,548. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,027,922	\$ -
Change of assumptions	2,665,437	-
Net difference between projected and actual earnings on FRS Plan investments	1,429,090	-
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	37,378	703,376
College FRS contributions subsequent to the measurement date	2,703,590	-
<b>Total</b>	<b>\$ 7,863,417</b>	<b>\$ 703,376</b>

The deferred outflows of resources totaling \$2,703,590, 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	\$ 842,087
2025	295,533
2026	(500,711)
2027	3,609,320
2028	232,019
Thereafter	(21,797)
<b>Total</b>	<b>\$ 4,456,451</b>

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

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

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

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

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an



adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

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

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

*Discount Rate.* The discount rate used to measure the total pension liability was 6.70 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2022 valuation was updated from 6.80 percent to 6.70 percent.

*Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.70 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.70 percent) or 1 percentage point higher (7.70 percent) than the current rate:

	<u>1% Decrease (5.70%)</u>	<u>Current Discount Rate (6.70%)</u>	<u>1% Increase (7.70%)</u>
College's proportionate share of the net pension liability	\$37,430,230	\$21,643,086	\$8,443,156

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

*Payables to the Pension Plan.* At June 30, 2023, the College reported a payable of \$226,754 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2023.

### **HIS Pension Plan**

*Plan Description.* The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered

retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

*Benefits Provided.* For the fiscal year ended June 30, 2023, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

*Contributions.* The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2023, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled \$442,757 for the fiscal year ended June 30, 2023.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2023, the College reported a net pension liability of \$7,020,448 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 0.066283186 percent, which was a decrease of 0.002235849 from its proportionate share measured as of June 30, 2021.

For the fiscal year ended June 30, 2023, the College recognized pension expense of \$86,142. 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	\$ 213,087	\$ 30,891
Change of assumptions	402,417	1,086,059
Net difference between projected and actual earnings on HIS Plan investments	10,164	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	-	712,424
College contributions subsequent to the measurement date	442,757	-
<b>Total</b>	<u>\$ 1,068,425</u>	<u>\$ 1,829,374</u>

The deferred outflows of resources totaling \$442,757, 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	\$ (332,524)
2025	(403,348)
2026	(54,364)
2027	(78,692)
2028	(204,126)
Thereafter	(130,652)
<b>Total</b>	<u>\$ (1,203,706)</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
Municipal bond rate	3.54 percent

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

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

*Discount Rate.* The discount rate used to measure the total pension liability was 3.54 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate

selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2022 valuation was updated from 2.16 percent to 3.54 percent.

*Sensitivity of the College’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the College’s proportionate share of the net pension liability calculated using the discount rate of 3.54 percent, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54 percent) or 1 percentage point higher (4.54 percent) than the current rate:

	<u>1% Decrease (2.54%)</u>	<u>Current Discount Rate (3.54%)</u>	<u>1% Increase (4.54%)</u>
College’s proportionate share of the net pension liability	\$8,031,969	\$7,020,448	\$6,183,435

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

*Payables to the Pension Plan.* At June 30, 2023, the College reported a payable of \$18,714 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2023.

**14. 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
FRS, Special Risk Regular	17.00

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 \$898,024 for the fiscal year ended June 30, 2023.

**State College System Optional Retirement Program.** Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible college instructors and administrators. The Program is designed to aid colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes 5.15 percent of the participant's salary to the participant's account and 4.23 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 9.38 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The College's contributions to the Program totaled \$57,805 for the 2022-23 fiscal year.

## 15. Construction Commitments

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

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Retainage Payable</u>	<u>Balance Committed</u>
STEM Building Phase 2	\$ 22,800,518	\$ 20,068,382	\$ 712,197	\$ 2,019,939
Welding Addition	411,823	343,777	12,427	55,619
Asphalt Repair and Replacement	423,528	129,248	-	294,280
HVAC Replacement	8,764,541	6,999,027	337,681	1,427,833
Roof Replacement and Restoration	5,322,402	1,374,231	-	3,948,171
<b>Total</b>	<b>\$ 37,722,812</b>	<b>\$ 28,914,665</b>	<b>\$ 1,062,305</b>	<b>\$ 7,745,842</b>

## 16. 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.

## 17. 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	\$ 19,665,844
Public Services	3,365,901
Academic Support	8,894,670
Student Services	9,301,105
Institutional Support	14,259,099
Operation and Maintenance of Plant	17,405,559
Scholarships and Waivers	12,054,647
Depreciation	5,085,389
<b>Total Operating Expenses</b>	<b>\$ 90,032,214</b>

## 18. Discretely Presented Component Units

The College has two discretely presented component units as discussed in Note 1. These component units represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

### Condensed Statement of Net Position

	<u>Direct-Support Organizations</u>		
	<u>Pensacola State College Foundation, Inc.</u>	<u>WSRE-TV Foundation, Inc.</u>	<u>Total</u>
<b>Assets:</b>			
Current Assets	\$ 20,464,241	\$ 886,195	\$ 21,350,436
Capital Assets, Net	66,295	77,550	143,845
Other Noncurrent Assets	17,865,454	3,145,909	21,011,363
<b>Total Assets</b>	<b>38,395,990</b>	<b>4,109,654</b>	<b>42,505,644</b>
<b>Liabilities:</b>			
Current Liabilities	320,373	136,262	456,635
Noncurrent Liabilities	131,685	-	131,685
<b>Total Liabilities</b>	<b>452,058</b>	<b>136,262</b>	<b>588,320</b>
<b>Deferred Inflows of Resources</b>			
Irrevocable Split-Interest Agreements	1,636,382	-	1,636,382
<b>Net Position:</b>			
Net Investment in Capital Assets	-	77,550	77,550
Restricted Nonexpendable	15,654,396	-	15,654,396
Restricted Expendable	19,153,010	1,513,081	20,666,091
Unrestricted	1,500,144	2,382,761	3,882,905
<b>Total Net Position</b>	<b>\$ 36,307,550</b>	<b>\$ 3,973,392</b>	<b>\$ 40,280,942</b>

## Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Direct-Support Organizations		
	Pensacola		Total
	State College Foundation, Inc.	WSRE-TV Foundation, Inc.	
Operating Revenues	\$ 2,121,958	\$ 768,366	\$ 2,890,324
Operating Expenses	(2,802,425)	(690,328)	(3,492,753)
<b>Operating Income (Loss)</b>	(680,467)	78,038	(602,429)
Net Nonoperating Revenues (Expenses)	(5,653,688)	247,669	(5,406,019)
Other Revenues	2,291,953	-	2,291,953
<b>Increase (Decrease) in Net Position</b>	(4,042,202)	325,707	(3,716,495)
Net Position, Beginning of Year	40,349,752	3,647,685	43,997,437
<b>Net Position, End of Year</b>	\$ 36,307,550	\$ 3,973,392	\$ 40,280,942

### 19. Related Party Transactions

The College leases a portion of a College-owned building complex known as the College Centre, together with adjacent parking areas, to the Pensacola State College Foundation, Inc. (Foundation). The leased property is used by the Foundation as apartments for students on athletic scholarships and for coaches or counselors assigned by the College to supervise and counsel the student athletes. The lease requires the Foundation to make monthly payments of \$3,838 to the College through July 31, 2023, the end of the lease term. At the option of the Foundation, the lease is renewable for 1-year terms through July 31, 2039.

The College leases College-owned real property located at 2381 Metzger Drive, Pensacola, Escambia County, Florida to the Foundation. The leased property is used by the Foundation as commercial space for sublease. The lease requires the Foundation to make annual payments of \$1 to the College through June 30, 2023, the end of the lease term. At the option of the Foundation, the lease is renewable for 1-year terms through June 30, 2030.

The College leases College-owned real property located at 2383, 2385, 2387, 2389, and 2391 Metzger Drive, Pensacola, Escambia County, Florida to the Foundation. The leased property is used by the Foundation as residential apartments for the general public. The lease requires the Foundation to make annual payments of \$1 to the College through June 30, 2023, the end of the lease term. At the option of the Foundation, the lease is renewable for a 1-year term through June 30, 2024.

The College leases College-owned real property at 1034 Underwood Avenue, Pensacola, Escambia County, Florida to the Foundation. The leased property is used by the Foundation as residential leasing to the general public. The lease requires the Foundation to make annual payments of \$1 to the College through June 30, 2023, the end of the lease term. At the option of the Foundation, the lease is renewable for 1-year terms through June 30, 2032.



## **OTHER REQUIRED SUPPLEMENTARY INFORMATION**

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

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Total OPEB Liability</b>						
Service cost	\$ 68,704	\$ 71,197	\$ 52,720	\$ 35,534	\$ 35,850	\$ 37,379
Interest	41,422	32,039	42,432	31,552	29,059	24,615
Difference between expected and actual experience	-	779,111	-	(23,116)	-	-
Changes of assumptions or other inputs	(425,055)	(404,029)	134,048	329,751	(15,946)	(31,011)
Benefit Payments	-	(15,695)	(4,936)	(53,340)	(46,612)	(18,699)
<b>Net change in total OPEB liability</b>	<b>(314,929)</b>	<b>462,623</b>	<b>224,264</b>	<b>320,381</b>	<b>2,351</b>	<b>12,284</b>
Total OPEB Liability - beginning	1,848,972	1,386,349	1,162,085	841,704	839,353	827,069
<b>Total OPEB Liability - ending</b>	<b>\$ 1,534,043</b>	<b>\$ 1,848,972</b>	<b>\$ 1,386,349</b>	<b>\$ 1,162,085</b>	<b>\$ 841,704</b>	<b>\$ 839,353</b>
Covered-Employee Payroll	\$ 23,573,643	\$ 23,573,643	\$ 24,769,059	\$ 24,769,059	\$ 24,110,994	\$ 24,110,994
<b>Total OPEB Liability as a percentage of covered-employee payroll</b>	<b>6.51%</b>	<b>7.84%</b>	<b>5.60%</b>	<b>4.69%</b>	<b>3.49%</b>	<b>3.48%</b>

**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	0.058167774%	0.059934473%	0.060781828%	0.061439597%
College's proportionate share of the FRS net pension liability	\$ 21,643,086	\$ 4,527,368	\$ 26,343,740	\$ 21,158,942
College's covered payroll (2)	\$ 26,246,008	\$ 26,763,541	\$ 28,263,829	\$ 27,793,874
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	82.46%	16.92%	93.21%	76.13%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.89%	96.40%	78.85%	82.61%

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Covered payroll includes defined benefit plan actives, investment plan members, State college system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

**Schedule of College Contributions – Florida Retirement System Pension Plan**

	<u>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>
Contractually required FRS contribution	\$ 2,703,590	\$ 2,517,743	\$ 2,300,542	\$ 2,011,501
FRS contributions in relation to the contractually required contribution	<u>(2,703,590)</u>	<u>(2,517,743)</u>	<u>(2,300,542)</u>	<u>(2,011,501)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 28,038,577	\$ 26,246,008	\$ 26,763,541	\$ 28,263,829
FRS contributions as a percentage of covered payroll	9.64%	9.59%	8.60%	7.12%

- (1) The amounts presented for each fiscal year were determined as of June 30.
- (2) Covered payroll includes defined benefit plan actives, investment plan members, State college system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.061844555%	0.060886262%	0.063136719%	0.071557043%	0.076178452%	0.072086431%
\$ 18,627,900	\$ 18,009,748	\$ 15,942,071	\$ 9,242,554	\$ 4,648,006	\$ 12,409,283
\$ 26,795,476	\$ 26,297,216	\$ 26,311,174	\$ 24,893,556	\$ 26,059,165	\$ 26,292,027
69.52%	68.49%	60.59%	37.13%	17.84%	47.20%
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>
\$ 1,912,048	\$ 1,769,533	\$ 1,585,019	\$ 1,547,605	\$ 1,744,621	\$ 1,668,631
<u>(1,912,048)</u>	<u>(1,769,533)</u>	<u>(1,585,019)</u>	<u>(1,547,605)</u>	<u>(1,744,621)</u>	<u>(1,668,631)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 27,793,874	\$ 26,795,476	\$ 26,297,216	\$ 26,311,174	\$ 24,893,556	\$ 26,059,165
6.88%	6.60%	6.03%	5.88%	7.01%	6.40%

**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	0.066283186%	0.068519035%	0.072970274%	0.073377317%
College's proportionate share of the HIS net pension liability	\$ 7,020,448	\$ 8,404,890	\$ 8,909,552	\$ 8,210,187
College's covered payroll (2)	\$ 24,228,216	\$ 24,290,982	\$ 25,357,099	\$ 24,785,296
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	28.98%	34.60%	35.14%	33.13%
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	\$ 442,757	\$ 402,188	\$ 403,230	\$ 420,928
HIS contributions in relation to the contractually required HIS contribution	<u>(442,757)</u>	<u>(402,188)</u>	<u>(403,230)</u>	<u>(420,928)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 26,672,085	\$ 24,228,216	\$ 24,290,982	\$ 25,357,099
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>
0.073691345%	0.075470928%	0.078429231%	0.083866520%	0.089074080%	0.092115890%
\$ 7,799,575	\$ 8,069,700	\$ 9,140,602	\$ 8,553,066	\$ 8,328,644	\$ 8,019,899
\$ 24,270,611	\$ 24,142,865	\$ 26,311,174	\$ 24,893,556	\$ 26,059,165	\$ 26,292,027
32.14%	33.42%	34.74%	34.36%	31.96%	30.50%
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>
\$ 411,436	\$ 400,867	\$ 399,414	\$ 402,224	\$ 320,590	\$ 305,138
(411,436)	(400,867)	(399,414)	(402,224)	(320,590)	(305,138)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 24,785,296	\$ 24,270,611	\$ 24,142,865	\$ 26,311,174	\$ 24,893,556	\$ 26,059,165
1.66%	1.65%	1.65%	1.53%	1.29%	1.17%

**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.

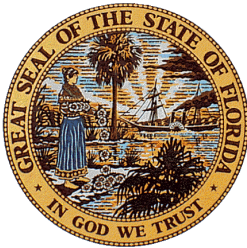
*Changes of Assumptions.* Since the prior measurement date, the discount rate increased from 2.16 percent to 3.54 percent due to a change in the Municipal Bond Index Rate.

**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 was decreased from 6.8 percent to 6.7 percent.

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

*Changes of Assumptions.* In 2022, the municipal bond rate used to determine total pension liability was increased from 2.16 percent to 3.54 percent; the demographic assumptions for the Special Risk Class were updated to reflect plan changes; and the election assumption for vested terminated members was updated from 20 percent to 50 percent to reflect recent experience.



Sherrill F. Norman, CPA  
Auditor General

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Pensacola State College, a component unit of the State of Florida, and its aggregate discretely presented component units 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 January 31, 2024, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Report on Internal Control Over Financial Reporting**

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

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

a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
January 31, 2024