

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

PENSACOLA STATE COLLEGE

For the Fiscal Year Ended
June 30, 2022



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2021-22 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>
Marjorie T. Moore, Chair	Escambia
Harold Edward Moore, Vice Chair	Escambia
Carol H. Carlan	Escambia
Patrick R. Dawson	Santa Rosa
Kevin Robert Lacz	Santa Rosa
Julian MacQueen	Santa Rosa
Dr. Troy Tippett	Escambia

Note: Two Trustee positions were vacant for the entire period.

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

The team leader was Debbie S. Jabaley, 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 or by telephone at (850) 412-2868.

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SUMMARY

SUMMARY OF REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of 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

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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, 2022, 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, 2022, 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. 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. 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. 87, *Leases*, which is a change in accounting principle that addresses accounting and financial reporting for leases. This affects the comparability of amounts reported for the 2021-22 fiscal year with amounts reported for the 2020-21 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 March 10, 2023, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 10, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

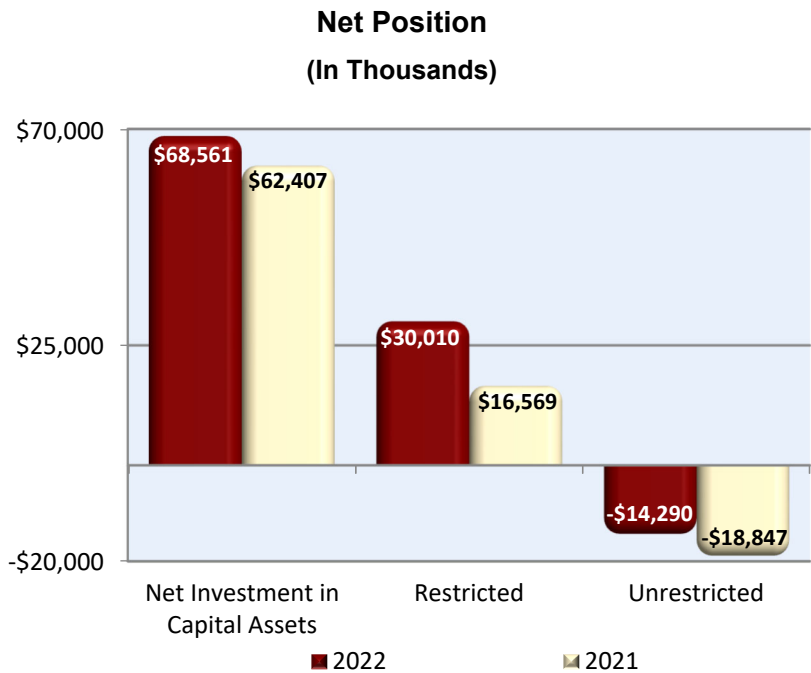
Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2022, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2022, and June 30, 2021, and its component units, the Pensacola State College Foundation, Inc. for the fiscal years ended December 31, 2021, and December 31, 2020, and the WSRE-TV Foundation, Inc. for the fiscal years ended June 30, 2022, and June 30, 2021.

FINANCIAL HIGHLIGHTS

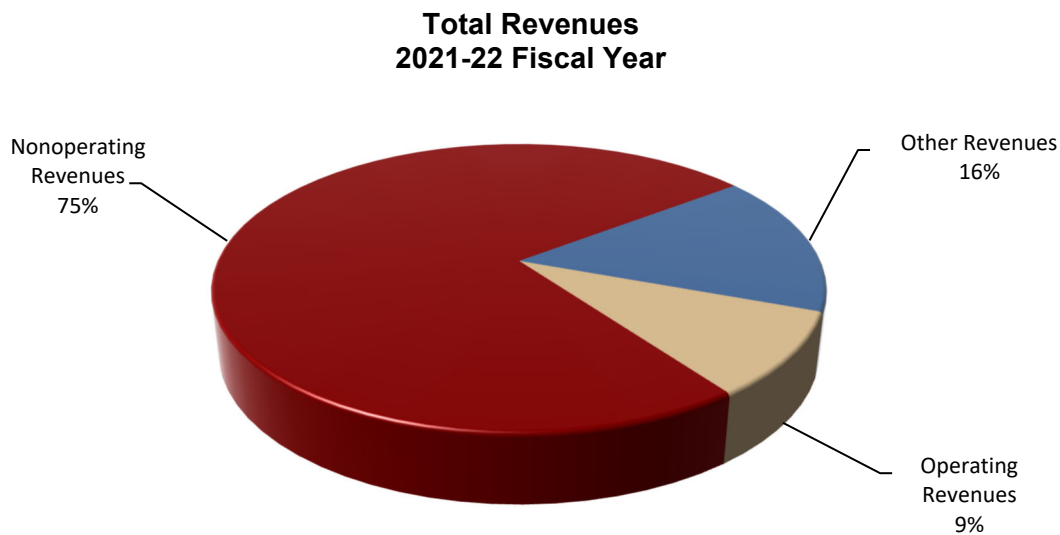
The College's assets and deferred outflows of resources totaled \$126.8 million at June 30, 2022. This balance reflects an \$8 million, or 6.7 percent, increase as compared to the 2020-21 fiscal year. In addition to the assets and deferred outflows of resources increase, liabilities and deferred inflows of resources decreased by \$16.2 million, or 27.5 percent, totaling \$42.6 million at June 30, 2022. As a result, the College's net position increased by \$24.2 million, resulting in a fiscal year-end balance of \$84.3 million.

The College's operating revenues totaled \$11.2 million for the 2021-22 fiscal year, representing a 16.1 percent decrease compared to the 2020-21 fiscal year. Operating expenses totaled \$95.6 million for the 2021-22 fiscal year, representing an increase of 5.4 percent as compared to the 2020-21 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, 2022, and June 30, 2021, is shown in the following graph:



The following chart provides a graphical presentation of College revenues by category for the 2021-22 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 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)		Component Units (1)	
	College 6-30-22	College 6-30-21	2022	2021
Assets				
Current Assets	\$ 39,166	\$ 30,707	\$ 27,803	\$ 22,302
Capital Assets, Net	69,240	62,407	201	263
Other Noncurrent Assets	9,612	13,891	16,653	15,336
Total Assets	<u>118,018</u>	<u>107,005</u>	<u>44,657</u>	<u>37,901</u>
Deferred Outflows of Resources	<u>8,814</u>	<u>11,853</u>	<u>-</u>	<u>-</u>
Liabilities				
Current Liabilities	5,655	16,106	283	404
Noncurrent Liabilities	19,099	40,898	158	-
Total Liabilities	<u>24,754</u>	<u>57,004</u>	<u>441</u>	<u>404</u>
Deferred Inflows of Resources	<u>17,797</u>	<u>1,725</u>	<u>219</u>	<u>198</u>
Net Position				
Net Investment in Capital Assets	68,561	62,407	112	152
Restricted	30,010	16,569	39,894	33,683
Unrestricted	<u>(14,290)</u>	<u>(18,847)</u>	<u>3,991</u>	<u>3,464</u>
Total Net Position	<u>\$ 84,281</u>	<u>\$ 60,129</u>	<u>\$ 43,997</u>	<u>\$ 37,299</u>

(1) 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. For the 2021 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2021, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2020.

College assets increased by \$11 million, or 10.3 percent, primarily due to a fixed capital outlay appropriation receivable. The \$32.2 million decrease in College liabilities can be attributed to reductions in pension liabilities and accounts payable related to Hurricane Sally recovery efforts.

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)	
	2021-22	2020-21	2022	2021
Operating Revenues	\$ 11,224	\$ 13,374	\$ 3,210	\$ 2,398
Less, Operating Expenses	95,620	90,735	2,806	2,942
Operating Income (Loss)	(84,396)	(77,361)	404	(544)
Net Nonoperating Revenues	89,289	77,098	4,566	4,473
Income (Loss) Before Other Revenues	4,893	(263)	4,970	3,929
Other Revenues	18,956	1,637	1,728	520
Net Increase In Net Position	23,849	1,374	6,698	4,449
Net Position, Beginning of Fiscal Year	60,129	58,755	37,299	32,850
Adjustment to Beginning Net Position (2)	303	-	-	-
Net Position, Beginning of Fiscal Year, As Restated	60,432	58,755	37,299	32,850
Net Position, End of Fiscal Year	<u>\$ 84,281</u>	<u>\$ 60,129</u>	<u>\$ 43,997</u>	<u>\$ 37,299</u>

(1) 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. For the 2021 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2021, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2020.

(2) 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

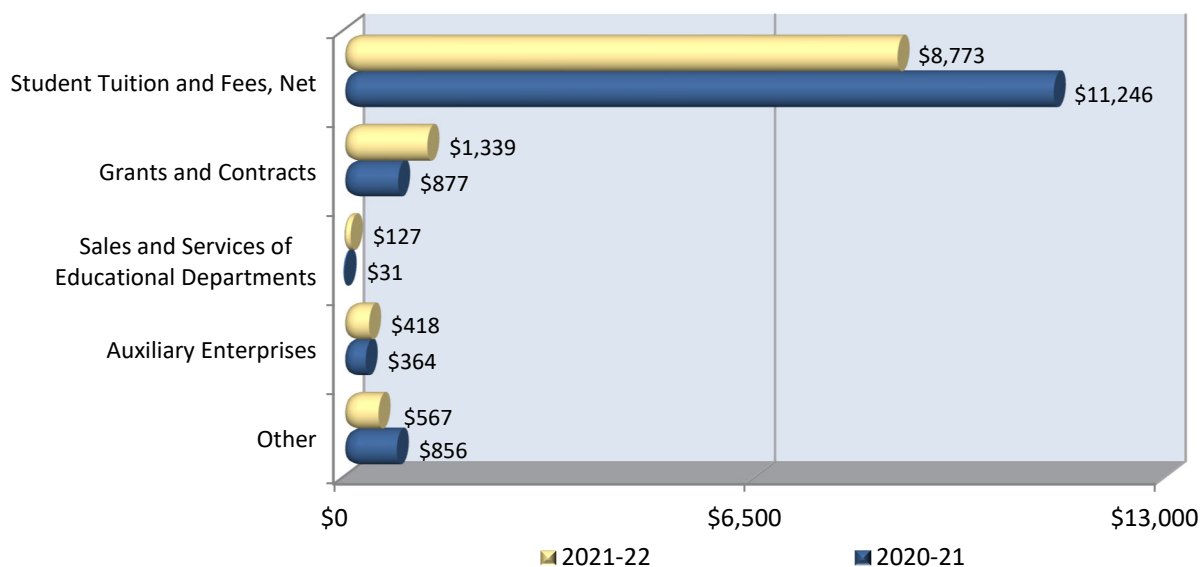
(In Thousands)

	College		Component Units (1)	
	2021-22	2020-21	2022	2021
Student Tuition and Fees, Net	\$ 8,773	\$ 11,246	\$ -	\$ -
Grants and Contracts	1,339	877	-	-
Sales and Services of Educational Departments	127	31	-	-
Auxiliary Enterprises	418	364	-	-
Other	567	856	3,210	2,398
Total Operating Revenues	\$ 11,224	\$ 13,374	\$ 3,210	\$ 2,398

(1) 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. For the 2021 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2021, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2020.

The following chart presents the College's operating revenues for the 2021-22 and 2020-21 fiscal years:

Operating Revenues (In Thousands)



College operating revenues decreased by \$2.2 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

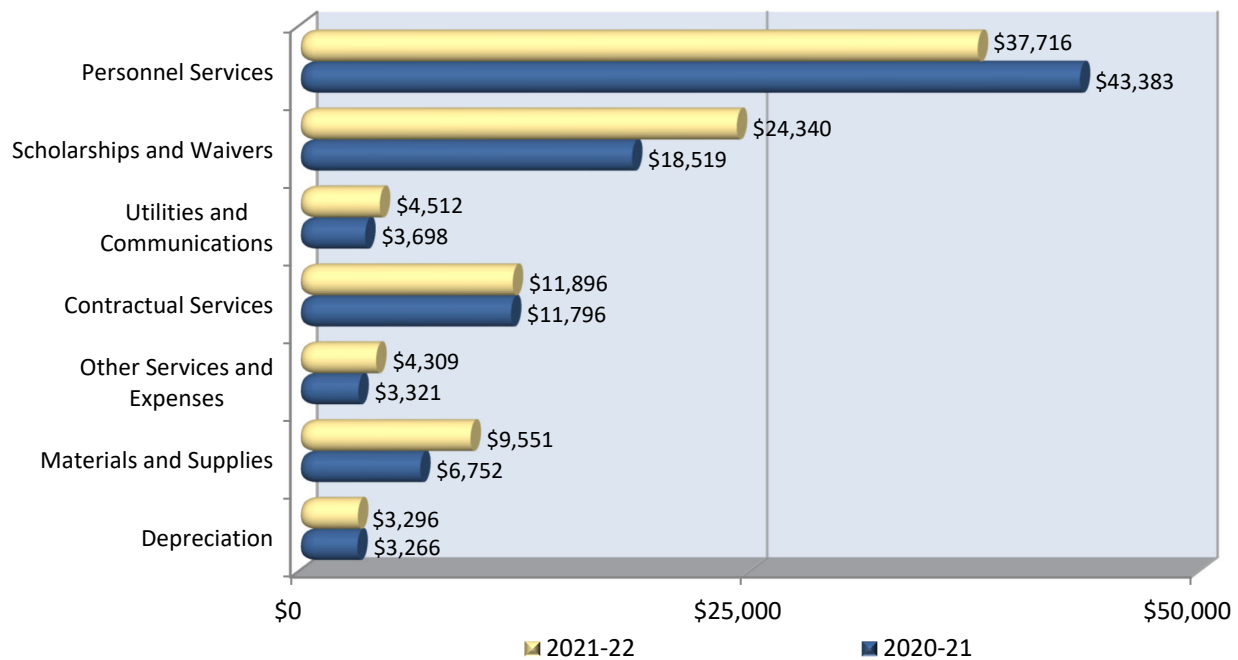
(In Thousands)

	College		Component Units (1)	
	2021-22	2020-21	2022	2021
Personnel Services	\$ 37,716	\$ 43,383	\$ -	\$ -
Scholarships and Waivers	24,340	18,519	646	686
Utilities and Communications	4,512	3,698	7	12
Contractual Services	11,896	11,796	600	710
Other Services and Expenses	4,309	3,321	1,202	1,268
Materials and Supplies	9,551	6,752	312	228
Depreciation	3,296	3,266	39	38
Total Operating Expenses	\$ 95,620	\$ 90,735	\$ 2,806	\$ 2,942

(1) 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. For the 2021 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2021, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2020.

The following chart presents the College's operating expenses for the 2021-22 and 2020-21 fiscal years:

Operating Expenses (In Thousands)



College operating expenses increased primarily due to increases in scholarships and waivers resulting from the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

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 2021-22 and 2020-21 fiscal years:

Nonoperating Revenues (Expenses) For the Fiscal Years

(In Thousands)

	<u>2021-22</u>	<u>2020-21</u>
State Noncapital Appropriations	\$ 39,157	\$ 37,451
Federal and State Student Financial Aid	30,761	23,419
Gifts and Grants	19,360	13,906
Investment Income	28	35
Other Nonoperating Revenues	5	2,290
Loss on Disposal of Capital Assets	-	(3)
Interest Paid on Capital Asset-Related Debt	(22)	-
Net Nonoperating Revenues	<u>\$ 89,289</u>	<u>\$ 77,098</u>

Nonoperating revenues increased by \$12.2 million. This increase was due, in part, to an increase 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 2021-22 and 2020-21 fiscal years:

Other Revenues For the Fiscal Years

(In Thousands)

	<u>2021-22</u>	<u>2020-21</u>
State Capital Appropriations	\$ 246	\$ 209
Capital Grants, Contracts, Gifts, and Fees	18,710	1,428
Total	<u>\$ 18,956</u>	<u>\$ 1,637</u>

Other revenues increased by \$17.3 million due, in part, to significant capital grants received for the new Truck Driving Facility and the Science, Technology, Engineering, and Math (STEM) Building, Phase 2.

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 2021-22 and 2020-21 fiscal years:

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

	<u>2021-22</u>	<u>2020-21</u>
Cash Provided (Used) by:		
Operating Activities	\$ (94,456)	\$ (70,879)
Noncapital Financing Activities	106,642	69,600
Capital and Related Financing Activities	(4,765)	(958)
Investing Activities	28	35
Net Increase (Decrease) in Cash and Cash Equivalents	7,449	(2,202)
Cash and Cash Equivalents, Beginning of Fiscal Year	23,153	25,355
Cash and Cash Equivalents, End of Fiscal Year	<u>\$ 30,602</u>	<u>\$ 23,153</u>

Major sources of funds came from State noncapital appropriations (\$39.2 million), Federal and State student financial aid (\$33.3 million), noncapital gifts and grants (\$23.9 million), and net student tuition and fees (\$9 million). Major uses of funds were for payments to employees and for employee benefits (\$41 million), payments to suppliers (\$35.1 million), payments for scholarships (\$24.3 million), and purchases of capital assets (\$9 million).

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

Capital Assets

At June 30, 2022, the College had \$144.8 million in capital assets, less accumulated depreciation of \$75.6 million, for net capital assets of \$69.2 million. Depreciation charges for the current fiscal year totaled \$3.3 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)**

	<u>2022</u>	<u>2021</u>
Land	\$ 12,795	\$ 12,795
Artwork/Artifacts	146	146
Construction in Progress	8,373	47
Lease Assets	680	-
Buildings	42,921	44,506
Other Structures and Improvements	529	659
Furniture, Machinery, and Equipment	3,796	4,254
Capital Assets, Net	<u>\$ 69,240</u>	<u>\$ 62,407</u>

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, 2022, were incurred on the STEM Building Phase 2, Truck Driving Facility, Networking replacement, and HVAC replacement projects.

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 2021-22 fiscal year, there were no bond sales, and the College had no 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 2022-23 fiscal year budget was prepared with a slight increase in State funding. Student enrollment is projected to be flat, so the College’s overall financial position is expected to be stable. The College has adequate reserves coupled with budgetary reduction plans to help cover any post-pandemic-related economic issues. The College was awarded \$41.7 million in Federal CARES Act funds which have mostly been spent to assist students in the form of emergency grant aid and to assist in enhancing online learning initiatives, covering certain technology needs, and addressing safety issues resulting from the pandemic. The College has received over \$18 million in the 2022-23 fiscal year to cover deferred maintenance projects that have accumulated during the pandemic. The stable operating revenue expectations combined with significant funds to handle deferred maintenance will allow the College to continue to operate at current levels of service to students. Due to increased inflation and increasing interest rates that are expected to slow the economy down, significant increases in State funding are not anticipated in the 2023-24 fiscal year.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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

June 30, 2022

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 14,747,020	\$ 3,746,085
Restricted Cash and Cash Equivalents	6,667,154	-
Investments	-	23,716,974
Accounts Receivable, Net	573,290	243,182
Notes Receivable, Net	48,182	-
Due from Other Governmental Agencies	15,261,906	-
Due from Component Unit	79,844	-
Prepaid Expenses	1,788,944	72,075
Other Current Assets	-	25,000
Total Current Assets	39,166,340	27,803,316
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	9,187,755	-
Investments	-	16,010,420
Prepaid Expenses	423,339	-
Depreciable Capital Assets, Net	47,926,948	201,423
Nondepreciable Capital Assets	21,313,505	-
Other Noncurrent Assets	-	642,230
Total Noncurrent Assets	78,851,547	16,854,073
TOTAL ASSETS	118,017,887	44,657,389
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	1,005,827	-
Pensions	7,808,323	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,814,150	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	506,026	36,104
Salary and Payroll Taxes Payable	2,328,682	-
Retainage Payable	417,245	-
Unearned Revenue	1,327,743	246,479
Deposits Held for Others	437,122	-
Long-Term Liabilities - Current Portion:		
Leases Payable	28,116	-
Compensated Absences Payable	567,490	-
Net Pension Liability	42,438	-
Total Current Liabilities	5,654,862	282,583

	<u>College</u>	<u>Component Units</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Leases Payable	651,948	-
Compensated Absences Payable	3,708,253	-
Other Postemployment Benefits Payable	1,848,972	-
Net Pension Liability	12,889,820	-
Other Long-Term Liabilities	-	158,185
Total Noncurrent Liabilities	<u>19,098,993</u>	<u>158,185</u>
TOTAL LIABILITIES	<u>24,753,855</u>	<u>440,768</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	394,954	-
Pensions	17,402,408	-
Irrevocable Split-Interest Agreements	-	219,184
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>17,797,362</u>	<u>219,184</u>
NET POSITION		
Net Investment in Capital Assets	68,560,388	112,399
Restricted:		
Nonexpendable:		
Endowments	-	14,466,368
Expendable:		
Endowments	-	25,427,592
Grants and Loans	4,321,619	
Scholarships	376,262	-
Capital Projects	25,312,125	-
Unrestricted	<u>(14,289,574)</u>	<u>3,991,078</u>
TOTAL NET POSITION	<u>\$ 84,280,820</u>	<u>\$ 43,997,437</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, 2022

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$9,064,506	\$ 8,772,674	\$ -
Federal Grants and Contracts	1,298,325	-
State and Local Grants and Contracts	40,827	-
Sales and Services of Educational Departments	126,622	-
Auxiliary Enterprises	418,045	-
Other Operating Revenues	567,089	3,209,715
Total Operating Revenues	11,223,582	3,209,715
EXPENSES		
Operating Expenses:		
Personnel Services	37,716,318	-
Scholarships and Waivers	24,340,142	645,937
Utilities and Communications	4,511,574	7,499
Contractual Services	11,896,200	600,012
Other Services and Expenses	4,309,259	1,201,376
Materials and Supplies	9,550,624	311,505
Depreciation	3,295,890	39,216
Total Operating Expenses	95,620,007	2,805,545
Operating Income (Loss)	(84,396,425)	404,170
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	39,156,640	-
Federal and State Student Financial Aid	30,761,199	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	19,359,868	-
Net Gain on Investments	-	3,849,716
Investment Income	28,487	716,185
Other Nonoperating Revenues	4,913	-
Interest Paid on Capital Asset-Related Debt	(21,916)	-
Net Nonoperating Revenues	89,289,191	4,565,901
Income Before Other Revenues	4,892,766	4,970,071
State Capital Appropriations	246,400	-
Capital Grants, Contracts, Gifts, and Fees	18,709,934	-
Additions to Endowments	-	1,728,012
Total Other Revenues	18,956,334	1,728,012
Increase in Net Position	23,849,100	6,698,083
Net Position, Beginning of Year	60,128,843	37,299,354
Adjustment to Beginning Net Position	302,877	-
Net Position, Beginning of Year, as Restated	60,431,720	37,299,354
Net Position, End of Year	\$ 84,280,820	\$ 43,997,437

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, 2022

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 8,977,817
Grants and Contracts	289,798
Payments to Suppliers	(35,074,782)
Payments for Utilities and Communications	(4,511,574)
Payments to Employees	(30,517,411)
Payments for Employee Benefits	(10,486,684)
Payments for Scholarships	(24,347,243)
Loans Issued to Students	(678,347)
Collection on Loans to Students	694,449
Auxiliary Enterprises	464,436
Sales and Services of Educational Departments	126,622
Other Receipts	606,985
	(94,455,934)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	39,156,640
Federal and State Student Financial Aid	33,269,721
Federal Direct Loan Program Receipts	3,813,716
Federal Direct Loan Program Disbursements	(3,266,975)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	23,866,100
Other Nonoperating Revenue	9,802,989
	106,642,191
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	246,400
Capital Grants and Gifts	3,998,351
Purchases of Capital Assets	(8,960,075)
Principal Paid on Leases	(28,431)
Interest Paid on Leases	(21,916)
	(4,765,671)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	28,487
	7,449,073
Net Increase in Cash and Cash Equivalents	7,449,073
Cash and Cash Equivalents, Beginning of Fiscal Year	23,152,856
	\$ 30,601,929
Cash and Cash Equivalents, End of Fiscal Year	\$ 30,601,929

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (84,396,425)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	3,295,890
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	329,130
Prepaid Expenses	576,247
Deposits	400
Accounts Payable	(9,872,505)
Salaries and Payroll Taxes Payable	118,059
Unearned Revenue	(1,127,910)
Deposits Held for Others	39,496
Compensated Absences Payable	(670,583)
Other Postemployment Benefits Payable	462,623
Net Pension Liability	(22,321,034)
Deferred Outflows of Resources Related to Other Postemployment Benefits	(622,917)
Deferred Inflows of Resources Related to Other Postemployment Benefits	351,495
Deferred Outflows of Resources Related to Pensions	3,661,639
Deferred Inflows of Resources Related to Pensions	15,720,461
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (94,455,934)</u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH
CAPITAL FINANCING ACTIVITIES**

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.	\$ 31,000
Lease additions were recorded as increases to long-term debt and capital assets on the statement of net position but are not cash transactions for the statement of cash flows.	\$ 708,495

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The governing body of 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 seven active Board members at the College as of June 30, 2022. 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, 2021. 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, 2022. 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, 2022, the College reported as cash equivalents \$3,439,662 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 28 days as of June 30, 2022. 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, 2022, 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, buildings, other structures and improvements, and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$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
- Buildings – 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 leases payable, compensated absences payable, other postemployment benefits (OPEB) payable, and net pension liabilities that are not scheduled to be paid within the next fiscal year.

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

2. Reporting Change

The College implemented GASB Statement No. 87, *Leases*, which addresses accounting and financial reporting for leases by Colleges. This statement requires the College to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right to use the leased asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the College's leasing activities.

3. Adjustment to Beginning Net Position

The beginning net position of the College was increased by \$302,877 due to implementation of GASB Statement No. 87, *Leases*, which resulted in the reclassification of leased assets and liabilities and included amortization of assets formerly under operating leases in excess of amounts that previously had been expensed on the operating leases.

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, OPEB payable, and net pension liability) in the current unrestricted funds.

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (15,425,198)
Auxiliary Funds	<u>1,135,624</u>
Total	<u><u>\$ (14,289,574)</u></u>

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, 2022, 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. 12-31-21</u>	<u>WSRE-TV Foundation, Inc. 6-30-22</u>	<u>Total (1)</u>
Federal Agency Obligations					
Government National Mortgage Association II Modified Pass Through Pool	(2)	(2)	\$ 130	\$ -	\$ 130
Fixed Income					
Vanguard Short-Term Investment-Grade Fund	2.9 Years	(3)	2,108,462	130,886	2,239,348
Vanguard Inflation-Protected Securities Fund	7.9 Years	(3)	3,219,113	-	3,219,113
Federated Ultrashort Bond Fund	1.2 Year	(3)	2,104,213	-	2,104,213
Federated Total Return Bond Fund	8.6 Years	(3)	2,090,777	-	2,090,777
Federated Hermes Total Return Bond Fund	8.5 Years	(3)	-	350,587	350,587
PIMCO Funds Low Duration Fund	1.1 Years	(3)	-	67,641	67,641
Dodge & Cox Income Fund	8.3 Years	(3)	2,117,669	-	2,117,669
Dodge & Cox Income Fund	8.9 Years	(3)	-	349,565	349,565
Equities					
Vanguard 500 Index Fund	(2)	(2)	14,015,183	572,539	14,587,722
Vanguard Small Cap Index Fund	(2)	(2)	3,912,164	-	3,912,164
Vanguard Developed Market Index Fund	(2)	(2)	2,794,078	125,463	2,919,541
Vanguard Mid Cap Index Fund	(2)	(2)	3,989,628	-	3,989,628
DFA Emerging Markets Core Equity	(2)	(2)	-	38,619	38,619
Oppenheimer Developing Markets Fund	(2)	(2)	680,060	-	680,060
Alliance Bernstein Small Cap Growth Fund	(2)	(2)	-	58,733	58,733
American EuroPacific Growth Fund	(2)	(2)	-	89,743	89,743
Fidelity Small Cap Value Fund	(2)	(2)	-	69,176	69,176
Touchstone Large Cap Focused Fund	(2)	(2)	-	310,991	310,991
Janus Henderson Enterprise Fund	(2)	(2)	-	58,658	58,658
JP Morgan Mid Cap Value Fund	(2)	(2)	-	69,612	69,612
Other					
Real Estate	(2)	(2)	237,200	-	237,200
Federated Hermes Government Obligations	(2)	(2)	-	166,504	166,504
Total Component Units' Investments			\$ 37,268,677	\$ 2,458,717	\$ 39,727,394

(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 2.7 years. The Vanguard Inflation-Protected Securities Fund had an average effective duration of 7.5 years. The Federated Total Return Bond Fund had an average effective duration of 5.3 years. The Federated Ultrashort Bond Fund had an average effective duration of 0.9 years. The Dodge & Cox Income Fund had an average effective duration of 4.7 years.

The WSRE-TV Foundation, Inc.'s investment in the Vanguard Short-Term Investment-Grade Fund had an average effective duration of 2.8 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 1.3 years. The Dodge & Cox Income Fund had an average effective duration of 5 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, 2022, meets the policy guidelines, with equities representing 66 percent, fixed income representing 29 percent, and cash equivalents representing 5 percent. The short-term investment portfolio meets these requirements at June 30, 2022, with 20 percent in equity investments, 74 percent in fixed income investments, and 6 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, 2021, the Pensacola State College Foundation, Inc.'s cash equivalents consisted of \$835,486 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, 2021, meet the investment policy guidelines with equity securities representing 69 percent, and fixed income securities representing 31 percent, of the asset allocation.

The WSRE-TV Foundation, Inc. did not have any investments at June 30, 2022, 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 \$573,290 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 \$181,484 allowance for doubtful accounts.

7. Notes Receivable

Notes receivable of \$48,182 represent student loans made under the short-term loan program and are reported net of a \$46,467 allowance for doubtful notes.

8. Due From Other Governmental Agencies

The amount 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.

9. Due From Component Unit

The \$79,844 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 a replacement router switch from Florida Academic Improvement Trust funds. The College's financial statements are reported for the fiscal year ended June 30, 2022. The Foundation's financial statements are reported for the fiscal year ended December 31, 2021. 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, 2022, 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	-	-	-	146,027
Construction in Progress	47,488	-	8,325,273	-	8,372,761
Total Nondepreciable Capital Assets	\$ 12,988,232	\$ -	\$ 8,325,273	\$ -	\$ 21,313,505
Depreciable Capital Assets:					
Lease Assets	\$ -	\$ -	\$ 1,011,372	\$ -	\$ 1,011,372
Buildings	90,946,344	-	-	-	90,946,344
Other Structures and Improvements	11,869,353	-	-	-	11,869,353
Furniture, Machinery, and Equipment	18,758,583	(18,498)	1,113,633	(142,099)	19,711,619
Total Depreciable Capital Assets	121,574,280	(18,498)	2,125,005	(142,099)	123,538,688
Less, Accumulated Depreciation:					
Lease Assets	-	302,877	28,431	-	331,308
Buildings	46,440,634	-	1,584,337	-	48,024,971
Other Structures and Improvements	11,209,812	-	130,240	-	11,340,052
Furniture, Machinery, and Equipment	14,504,626	-	1,552,882	(142,099)	15,915,409
Total Accumulated Depreciation	72,155,072	302,877	3,295,890	(142,099)	75,611,740
Total Depreciable Capital Assets, Net	\$ 49,419,208	\$ (321,375)	\$ (1,170,885)	\$ -	\$ 47,926,948

(1) Adjustments were made to correct prior fiscal year accounting errors and to record lease assets due to the implementation of GASB Statement No. 87, *Leases*.

11. Unearned Revenue

Unearned revenue includes restricted grants and contracts and other unearned revenue. As of June 30, 2022, the College reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Restricted Grants and Contracts	\$ 1,327,545
Other Unearned Revenue	198
Total Unearned Revenue	\$ 1,327,743

12. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2022, 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>
Leases Payable	\$ -	\$ 708,495	\$ 28,431	\$ 680,064	\$ 28,116
Compensated Absences Payable	4,946,326	157,591	828,174	4,275,743	567,490
Other Postemployment Benefits Payable	1,386,349	882,347	419,724	1,848,972	-
Net Pension Liability	35,253,292	6,779,318	29,100,352	12,932,258	42,438
Total Long-Term Liabilities	\$ 41,585,967	\$ 8,527,751	\$ 30,376,681	\$ 19,737,037	\$ 638,044

Leases Payable. Broadcasting tower and equipment in the amount of \$708,495 are being acquired under lease agreements at an interest rate of 3 percent. 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 agreements and the present value of the minimum payments as of June 30, 2022, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 51,486	\$ 28,298	\$ 23,188
2024	52,106	27,805	24,301
2025	53,095	27,496	25,599
2026	54,104	27,192	26,912
2027	55,132	26,891	28,241
2028-2032	291,776	130,049	161,727
2033-2037	320,568	123,003	197,565
2038-2042	352,202	116,339	235,863
2043-2047	386,957	110,035	276,922
2048-2050	250,087	62,956	187,131
Total Minimum Lease Payments	\$ 1,867,513	\$ 680,064	\$ 1,187,449

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, 2022, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$4,275,743. The current portion of the compensated absences liability, \$567,490, 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
Total	<u>590</u>

Total OPEB Liability

The College's total OPEB liability of \$1,848,972 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

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	2.21 percent
Measurement Date	2.16 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, and withdrawal used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018, adopted by the FRS.

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

Changes in the Total OPEB Liability

	Amount
Balance at June 30, 2021	<u>\$ 1,386,349</u>
Changes for the year:	
Service Cost	71,197
Interest	32,039
Differences Between Expected and Actual Experience	779,111
Changes of Assumptions or Other Inputs	(404,029)
Benefit Payments	<u>(15,695)</u>
Net Changes	<u>462,623</u>
Balance at June 30, 2022	<u><u>\$ 1,848,972</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21 percent in 2020 to 2.16 percent in 2021.

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 (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	<u>1% Decrease (1.16%)</u>	<u>Current Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total OPEB Liability	\$2,252,669	\$1,848,972	\$1,536,007

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	\$1,510,457	\$1,848,972	\$2,294,530

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

For the fiscal year ended June 30, 2022, the College recognized OPEB expense of \$191,202. At June 30, 2022, 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	\$ 694,333	\$ 14,524
Change of assumptions or other inputs	311,494	380,430
Total	\$ 1,005,827	\$ 394,954

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>
2023	\$ 87,966
2024	87,966
2025	87,966
2026	90,867
2027	93,230
Thereafter	162,878
Total	\$ 610,873

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, 2022, the College’s proportionate share of the net pension liabilities totaled \$12,932,258. 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).

The College's FRS and HIS negative pension expense totaled \$36,755 for the fiscal year ended June 30, 2022.

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:

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2021-22 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	10.82
FRS, Senior Management Service	3.00	29.01
FRS, Special Risk	3.00	25.89
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	18.34
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 \$2,517,743 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the College reported a liability of \$4,527,368 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The College's proportionate share of the net pension liability was based on the College's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the College's proportionate share was 0.059934473 percent, which was a decrease of 0.000847355 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the College recognized negative pension expense of \$336,530. 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	\$ 775,998	\$ -
Change of assumptions	3,097,870	-
Net difference between projected and actual earnings on FRS Plan investments	-	15,794,851
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	64,077	522,919
College FRS contributions subsequent to the measurement date	2,517,743	-
Total	\$ 6,455,688	\$ 16,317,770

The deferred outflows of resources totaling \$2,517,743, 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, 2023. 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>
2023	\$ (2,317,972)
2024	(2,559,084)
2025	(3,286,415)
2026	(4,091,695)
2027	(50,547)
Thereafter	(74,112)
Total	\$ (12,379,825)

Actuarial Assumptions. The total pension liability in the July 1, 2021, 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	6.80 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, 2021, 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%	2.1%	2.1%	1.1%
Fixed Income	20.0%	3.8%	3.7%	3.3%
Global Equity	54.2%	8.2%	6.7%	17.8%
Real Estate (Property)	10.3%	7.1%	6.2%	13.8%
Private Equity	10.8%	11.7%	8.5%	26.4%
Strategic Investments	3.7%	5.7%	5.4%	8.4%
Total	100.0%			
Assumed inflation - Mean			2.4%	1.2%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.80 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 2021 valuation was unchanged from the previous valuation.

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 6.80 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 (5.80 percent) or 1 percentage point higher (7.80 percent) than the current rate:

	<u>1% Decrease (5.80%)</u>	<u>Current Discount Rate (6.80%)</u>	<u>1% Increase (7.80%)</u>
College's proportionate share of the net pension liability	\$20,246,694	\$4,527,368	(\$8,612,225)

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, 2022, the College reported a payable of \$131,245 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2022.

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, 2022, 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, 2022, 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 \$402,188 for the fiscal year ended June 30, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2022, the College reported a net pension liability of \$8,404,890 for its proportionate share of the net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within 1 year, net of the College's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, and update procedures were used to determine the net pension liability as of June 30, 2021. The College's proportionate share of the net pension liability was based on the College's 2020-21 fiscal year contributions relative to the total 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the College's proportionate share was 0.068519035 percent, which was a decrease of 0.004451239 from its proportionate share measured as of June 30, 2020.

For the fiscal year ended June 30, 2022, the College recognized pension expense of \$299,775. 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	\$ 281,249	\$ 3,520
Change of assumptions	660,436	346,303
Net difference between projected and actual earnings on HIS Plan investments	8,762	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	-	734,815
College contributions subsequent to the measurement date	402,188	-
Total	\$ 1,352,635	\$ 1,084,638

The deferred outflows of resources totaling \$402,188 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, 2023. 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>
2023	\$ (251,721)
2024	21,310
2025	89,733
2026	64,213
2027	18,944
Thereafter	(76,670)
Total	\$ (134,191)

Actuarial Assumptions. The total pension liability in the July 1, 2020, 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	2.16 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 2.16 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 2021 valuation was updated from 2.21 percent to 2.16 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 2.16 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 (1.16 percent) or 1 percentage point higher (3.16 percent) than the current rate:

	<u>1% Decrease (1.16%)</u>	<u>Current Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
College’s proportionate share of the net pension liability	\$9,716,867	\$8,404,890	\$7,330,018

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, 2022, the College reported a payable of \$11,175 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2022.

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 2021-22 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

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, 2022, 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 \$673,697 for the fiscal year ended June 30, 2022.

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 4.19 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 9.34 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 \$78,218 and employee contributions totaled \$60 for the 2021-22 fiscal year.

15. Construction Commitments

The College’s major construction commitments at June 30, 2022, were as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
STEM Building Phase 2	\$ 22,417,868	\$ 4,038,342	\$ 18,379,526
HVAC Replacement	7,513,964	3,663,293	3,850,671
Truck Driving Facility	5,660,873	4,400,339	1,260,534
Network Replacement	452,477	385,642	66,835
Total	\$ 36,045,182	\$ 12,487,616	\$ 23,557,566

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 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	\$ 17,750,328
Public Services	3,285,773
Academic Support	12,485,800
Student Services	7,224,316
Institutional Support	14,266,908
Operation and Maintenance of Plant	12,970,850
Scholarships and Waivers	24,340,142
Depreciation	3,295,890
Total Operating Expenses	\$ 95,620,007

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</u>		<u>Total</u>
	<u>State College</u>	<u>WSRE-TV</u>	
	<u>Foundation, Inc.</u>	<u>Foundation, Inc.</u>	<u>Foundation, Inc.</u>
Assets:			
Current Assets	\$ 26,629,375	\$ 1,173,941	\$ 27,803,316
Capital Assets, Net	89,024	112,399	201,423
Other Noncurrent Assets	14,152,915	2,499,735	16,652,650
Total Assets	40,871,314	3,786,075	44,657,389
Liabilities:			
Current Liabilities	144,193	138,390	282,583
Noncurrent Liabilities	158,185	-	158,185
Total Liabilities	302,378	138,390	440,768
Deferred Inflows of Resources:			
Irrevocable Split-Interest Agreements	219,184	-	219,184
Net Position:			
Investment in Capital Assets	-	112,399	112,399
Restricted Nonexpendable	14,466,368	-	14,466,368
Restricted Expendable	24,035,289	1,392,303	25,427,592
Unrestricted	1,848,095	2,142,983	3,991,078
Total Net Position	\$ 40,349,752	\$ 3,647,685	\$ 43,997,437

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

	<u>Direct-Support Organizations</u>		
	<u>Pensacola</u>		<u>Total</u>
	<u>State College</u>	<u>WSRE-TV</u>	
	<u>Foundation, Inc.</u>	<u>Foundation, Inc.</u>	<u>Foundation, Inc.</u>
Operating Revenues	\$ 2,327,967	\$ 881,748	\$ 3,209,715
Operating Expenses	(2,019,015)	(786,530)	(2,805,545)
Operating Income	308,952	95,218	404,170
Net Nonoperating Revenues (Expenses)	4,918,300	(352,399)	4,565,901
Other Revenues	1,728,012	-	1,728,012
Increase (Decrease) in Net Position	6,955,264	(257,181)	6,698,083
Net Position, Beginning of Fiscal Year	33,394,488	3,904,866	37,299,354
Net Position, End of Fiscal Year	\$ 40,349,752	\$ 3,647,685	\$ 43,997,437

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, 2022, the end of the lease term.

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 make annual payments of \$1 to the College through June 30, 2029, the end of the lease term.

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 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, 2022. Upon the expiration of the initial term, this lease shall automatically renew for an additional ten consecutive renewal terms of 1 year each.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	2021	2020	2019	2018	2017
Total OPEB Liability					
Service cost	\$ 71,197	\$ 52,720	\$ 35,534	\$ 35,850	\$ 37,379
Interest	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	(404,029)	134,048	329,751	(15,946)	(31,011)
Benefit payments	(15,695)	(4,936)	(53,340)	(46,612)	(18,699)
Net Change in Total OPEB liability	462,623	224,264	320,381	2,351	12,284
Total OPEB Liability - Beginning	1,386,349	1,162,085	841,704	839,353	827,069
Total OPEB Liability - Ending	\$ 1,848,972	\$ 1,386,349	\$ 1,162,085	\$ 841,704	\$ 839,353
Covered-Employee Payroll	\$ 23,573,643	\$ 24,769,059	\$ 24,769,059	\$ 24,110,994	\$ 24,110,994
Total OPEB Liability as a percentage of covered-employee payroll	7.84%	5.60%	4.69%	3.49%	3.48%

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

	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
College's proportion of the FRS net pension liability	0.059934473%	0.060781828%	0.061439597%	0.061844555%
College's proportionate share of the FRS net pension liability	\$ 4,527,368	\$ 26,343,740	\$ 21,158,942	\$ 18,627,900
College's covered payroll (2)	\$ 26,763,541	\$ 28,263,829	\$ 27,793,874	\$ 26,795,476
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	16.92%	93.21%	76.13%	69.52%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	96.40%	78.85%	82.61%	84.26%

- (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>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>
Contractually required FRS contribution	\$ 2,517,743	\$ 2,300,542	\$ 2,011,501	\$ 1,912,048
FRS contributions in relation to the contractually required contribution	<u>(2,517,743)</u>	<u>(2,300,542)</u>	<u>(2,011,501)</u>	<u>(1,912,048)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 26,246,008	\$ 26,763,541	\$ 28,263,829	\$ 27,793,874
FRS contributions as a percentage of covered payroll	9.59%	8.60%	7.12%	6.88%

- (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>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.060886262%	0.063136719%	0.071557043%	0.076178452%	0.072086431%
\$ 18,009,748	\$ 15,942,071	\$ 9,242,554	\$ 4,648,006	\$ 12,409,283
\$ 26,297,216	\$ 26,311,174	\$ 24,893,556	\$ 26,059,165	\$ 26,292,027
68.49%	60.59%	37.13%	17.84%	47.20%
83.89%	84.88%	92.00%	96.09%	88.54%

<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 1,769,533	\$ 1,585,019	\$ 1,547,605	\$ 1,744,621	\$ 1,668,631
<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>
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 26,795,476	\$ 26,297,216	\$ 26,311,174	\$ 24,893,556	\$ 26,059,165
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>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>
College's proportion of the HIS net pension liability	0.068519035%	0.072970274%	0.073377317%	0.073691345%
College's proportionate share of the HIS net pension liability	\$ 8,404,890	\$ 8,909,552	\$ 8,210,187	\$ 7,799,575
College's covered payroll (2)	\$ 24,290,982	\$ 25,357,099	\$ 24,785,296	\$ 24,270,611
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	34.60%	35.14%	33.13%	32.14%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	3.56%	3.00%	2.63%	2.15%

(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>2022 (1)</u>	<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>
Contractually required HIS contribution	\$ 402,188	\$ 403,230	\$ 420,928	\$ 411,436
HIS contributions in relation to the contractually required HIS contribution	<u>(402,188)</u>	<u>(403,230)</u>	<u>(420,928)</u>	<u>(411,436)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 24,228,216	\$ 24,290,982	\$ 25,357,099	\$ 24,785,296
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>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>	<u>2013 (1)</u>
0.075470928%	0.078429231%	0.083866520%	0.089074080%	0.092115890%
\$ 8,069,700	\$ 9,140,602	\$ 8,553,066	\$ 8,328,644	\$ 8,019,899
\$ 24,142,865	\$ 26,311,174	\$ 24,893,556	\$ 26,059,165	\$ 26,292,027
33.42%	34.74%	34.36%	31.96%	30.50%
1.64%	0.97%	0.50%	0.99%	1.78%

<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>	<u>2014 (1)</u>
\$ 400,867	\$ 399,414	\$ 402,224	\$ 320,590	\$ 305,138
<u>(400,867)</u>	<u>(399,414)</u>	<u>(402,224)</u>	<u>(320,590)</u>	<u>(305,138)</u>
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 24,270,611	\$ 24,142,865	\$ 26,311,174	\$ 24,893,556	\$ 26,059,165
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.

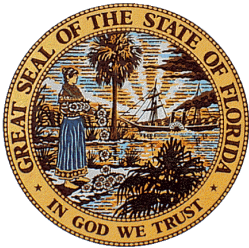
Changes of Assumptions. Since the prior measurement date, the discount rate decreased from 2.21 percent to 2.16 percent due to a change in the Municipal Bond Index Rate. In addition, the ultimate healthcare cost trend rate decreased from 4.60 to 4.40 percent. The assumed annual rates of pre-Medicare and Medicare member participation increased from 45 to 48 percent and 1.5 to 12 percent, respectively.

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

Changes of Assumptions. In 2021, the maximum amortization period was decreased to 20 years for all current and future amortization bases.

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

Changes of Assumptions. In 2021, the municipal rate used to determine total pension liability decreased from 2.21 percent to 2.16 percent.



Sherrill F. Norman, CPA
Auditor General

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 10, 2023, 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
March 10, 2023