

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

PENSACOLA STATE COLLEGE

For the Fiscal Year Ended
June 30, 2025



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2024-25 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>
Gordon J. Sprague, Chair from 8-1-24, Vice Chair through 7-31-24	Santa Rosa
Andrew Hobbs from 2-14-25, Vice Chair from 4-22-25 ^a	Escambia
Dr. Troy Tippett, Chair through 7-31-24 Gabriel Bullaro through 2-13-25, Vice Chair through 2-13-25 ^a	Escambia Santa Rosa
Carol H. Carlan through 2-13-25	Escambia
Patrick R. Dawson through 12-31-24	Santa Rosa
Edward Fleming from 2-14-25	Escambia
Marjorie T. Moore through 2-13-25	Escambia
Julie Louise Sheppard through 2-13-25	Escambia
Zachary Smith from 2-14-25	Escambia

^a Vice Chair position vacant from 2-14-25, through 4-21-25.

Note: One Trustee position vacant from 1-1-25, through 6-30-25; one Trustee position vacant from 2-14-25, through 6-30-25, and two Trustee positions were vacant the entire period.

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

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

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at jaimehoelscher@aud.state.fl.us 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

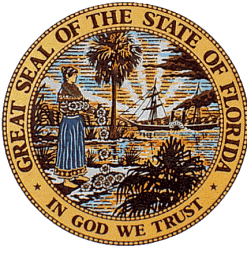
Our audit objectives were to obtain reasonable assurance about whether the financial statements as a whole were free from material misstatements, whether due to fraud or error, and to issue an auditor's report that included our opinion. In doing so we:

- 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, 2025, 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 the 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, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns as of June 30, 2025. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors.

Basis for Opinions

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

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

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 GAAS, 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 October 9, 2025, on our consideration of the Pensacola State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
October 9, 2025

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, 2025, 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, 2025, and June 30, 2024, and its component units, the Pensacola State College Foundation, Inc. for the fiscal years ended December 31, 2024, and December 31, 2023, and the WSRE-TV Foundation, Inc. for the fiscal years ended June 30, 2025, and June 30, 2024.

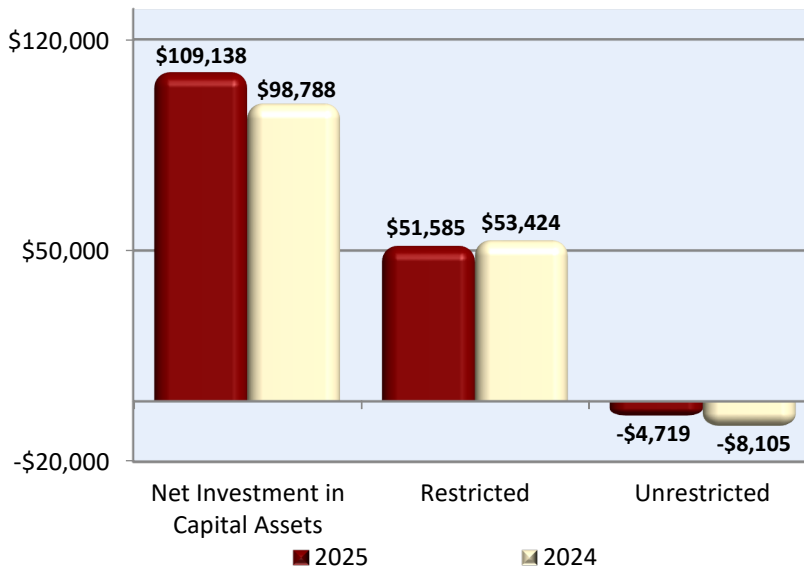
FINANCIAL HIGHLIGHTS

The College's assets and deferred outflows of resources totaled \$213.9 million at June 30, 2025. This balance reflects a \$12.1 million, or 6 percent, increase as compared to the 2023-24 fiscal year. In addition to the assets and deferred outflows of resources increase, liabilities and deferred inflows of resources increased by \$192 thousand, or 0.3 percent, totaling \$57.9 million at June 30, 2025. As a result, the College's net position increased by \$11.9 million, resulting in a fiscal year-end balance of \$156 million.

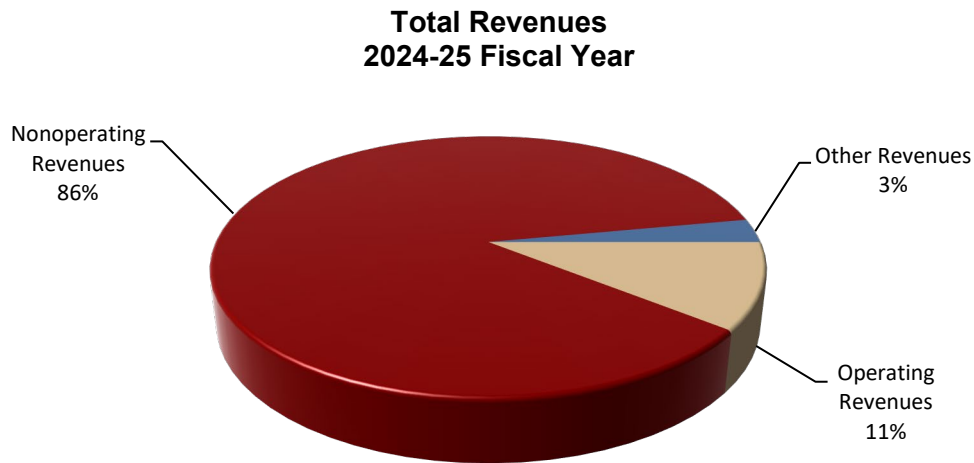
The College's operating revenues totaled \$13.4 million for the 2024-25 fiscal year, representing a 7.5 percent increase compared to the 2023-24 fiscal year. Operating expenses totaled \$113.3 million for the 2024-25 fiscal year, representing an increase of 3.8 percent as compared to the 2023-24 fiscal 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, 2025, and June 30, 2024, is shown in the following graph:

Net Position
(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2024-25 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)			
	College		Component Units (1)	
	6-30-25	6-30-24	2025	2024
Assets				
Current Assets	\$ 49,332	\$ 57,218	\$ 29,568	\$ 26,054
Capital Assets, Net	116,654	107,267	44	87
Other Noncurrent Assets	37,765	28,016	24,897	22,758
Total Assets	<u>203,751</u>	<u>192,501</u>	<u>54,509</u>	<u>48,899</u>
Deferred Outflows of Resources	<u>10,164</u>	<u>9,325</u>	<u>-</u>	<u>-</u>
Liabilities				
Current Liabilities	7,234	8,747	240	273
Noncurrent Liabilities	43,217	44,748	161	155
Total Liabilities	<u>50,451</u>	<u>53,495</u>	<u>401</u>	<u>428</u>
Deferred Inflows of Resources	<u>7,460</u>	<u>4,224</u>	<u>1,915</u>	<u>1,786</u>
Net Position				
Net Investment in Capital Assets	109,138	98,788	23	43
Restricted	51,585	53,424	46,742	41,860
Unrestricted	(4,719)	(8,105)	5,428	4,782
Total Net Position	<u>\$ 156,004</u>	<u>\$ 144,107</u>	<u>\$ 52,193</u>	<u>\$ 46,685</u>

(1) For the 2025 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2025, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2024. For the 2024 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2024, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2023.

College assets increased by \$11.3 million, or 5.8 percent, primarily due to increases in construction in progress and restricted cash and cash equivalents offset by a decrease in due from other governmental agencies. College liabilities decreased by \$3 million, or 5.7 percent, primarily due to decreases in accounts payable and net pension liability offset by an increase in compensated absences payable. Deferred inflows of resources increased by \$3.2 million, or 76.6 percent, primarily due to increases in deferred inflows relating to pensions and leases receivable.

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)	
	2024-25	2023-24	2025	2024
Operating Revenues	\$ 13,411	\$ 12,480	\$ 4,081	\$ 3,552
Less, Operating Expenses	113,304	109,107	4,965	3,310
Operating Income (Loss)	(99,893)	(96,627)	(884)	242
Net Nonoperating Revenues	108,926	104,587	5,160	5,336
Income Before Other Revenues	9,033	7,960	4,276	5,578
Other Revenues	3,701	14,155	1,232	826
Net Increase In Net Position	12,734	22,115	5,508	6,404
Net Position, Beginning of Year	144,107	121,992	46,685	40,281
Adjustments to Beginning Net Position (2)	(837)	-	-	-
Net Position, Beginning of Year, as Restated	143,270	121,992	46,685	40,281
Net Position, End of Year	<u>\$ 156,004</u>	<u>\$ 144,107</u>	<u>\$ 52,193</u>	<u>\$ 46,685</u>

- (1) For the 2025 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2025, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2024. For the 2024 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2024, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2023.
- (2) For the 2024-25 fiscal year, the College's beginning net position was decreased due to the implementation of GASB Statement No. 101, *Compensated Absences*. Additional information can be found in Note 2. to the financial statements.

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:

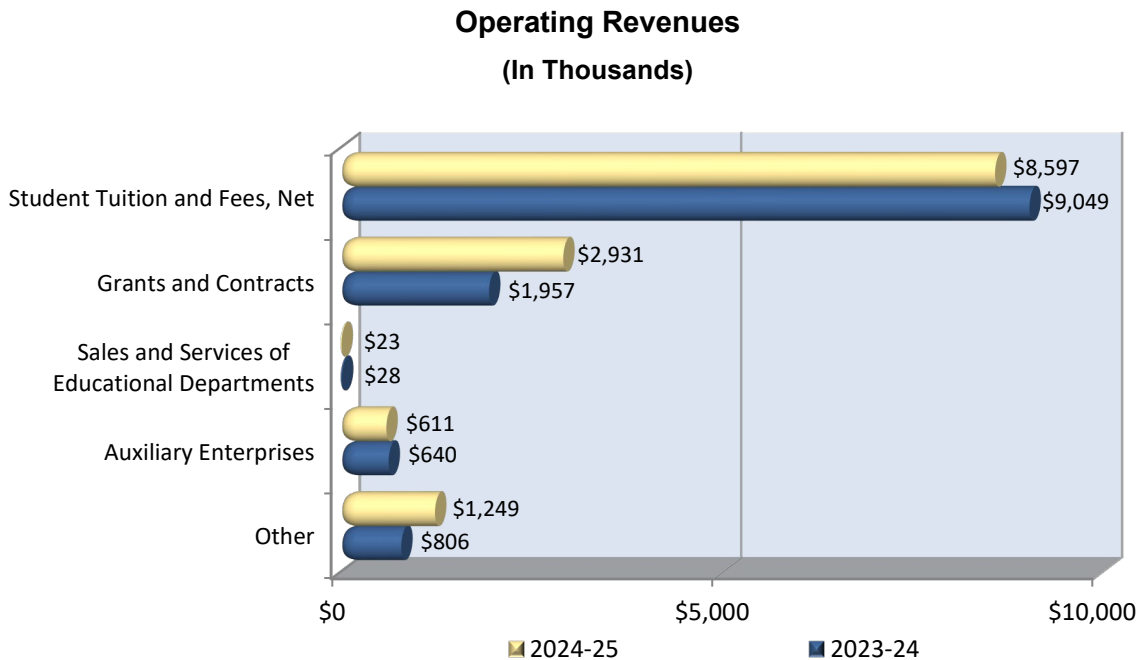
Operating Revenues For the Fiscal Years

(In Thousands)

	College		Component Units (1)	
	2024-25	2023-24	2025	2024
Student Tuition and Fees, Net	\$ 8,597	\$ 9,049	\$ -	\$ -
Grants and Contracts	2,931	1,957	-	-
Sales and Services of Educational Departments	23	28	-	-
Auxiliary Enterprises	611	640	-	-
Other	1,249	806	4,081	3,552
Total Operating Revenues	\$ 13,411	\$ 12,480	\$ 4,081	\$ 3,552

(1) For the 2025 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2025, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2024. For the 2024 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2024, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2023.

The following chart presents the College's operating revenues for the 2024-25 and 2023-24 fiscal years:



College operating revenues increased by \$931 thousand, or 7.5 percent, primarily due to an increase in grants and contracts.

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**

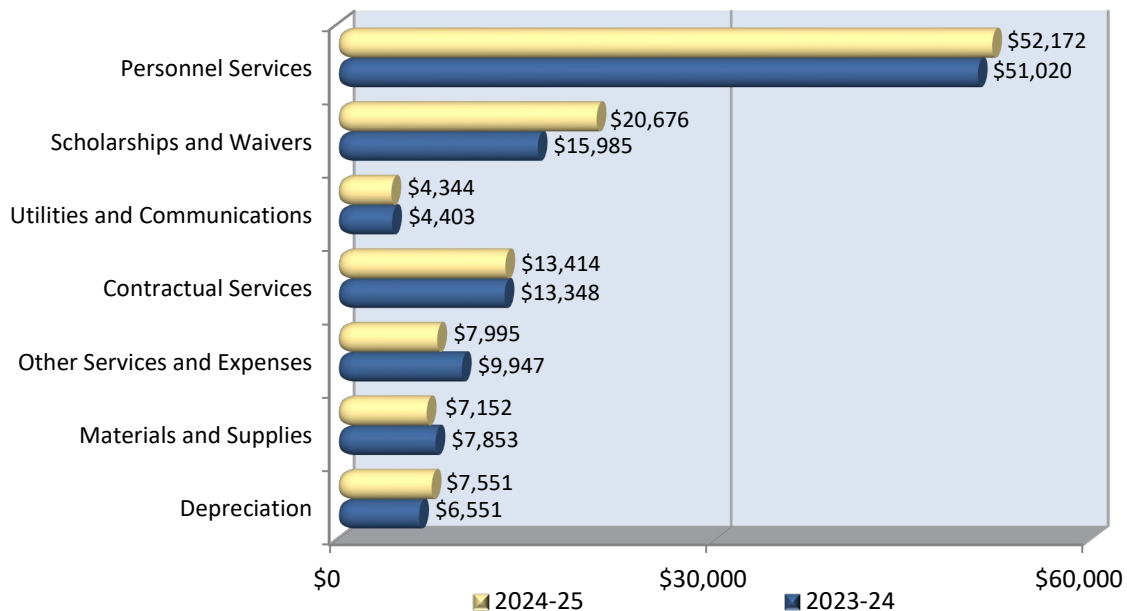
(In Thousands)

	College		Component Units (1)	
	2024-25	2023-24	2025	2024
Personnel Services	\$ 52,172	\$ 51,020	\$ -	\$ -
Scholarships and Waivers	20,676	15,985	857	753
Utilities and Communications	4,344	4,403	7	8
Contractual Services	13,414	13,348	532	635
Other Services and Expenses	7,995	9,947	3,228	1,611
Materials and Supplies	7,152	7,853	321	269
Depreciation	7,551	6,551	20	34
Total Operating Expenses	\$ 113,304	\$ 109,107	\$ 4,965	\$ 3,310

(1) For the 2025 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2025, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2024. For the 2024 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2024, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2023.

The following chart presents the College’s operating expenses for the 2024-25 and 2023-24 fiscal years:

**Operating Expenses
(In Thousands)**



College operating expenses increased by \$4.2 million, or 3.8 percent, primarily due to awarding more scholarships and waivers.

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 2024-25 and 2023-24 fiscal years:

	2024-25	2023-24
State Noncapital Appropriations	\$ 64,620	\$ 69,174
Federal and State Student Financial Aid	31,840	24,443
Gifts and Grants	9,196	8,956
Investment Income	3,210	2,059
Other Nonoperating Revenues	115	40
Interest on Capital Asset-Related Debt	<u>(55)</u>	<u>(85)</u>
Net Nonoperating Revenues	<u>\$108,926</u>	<u>\$104,587</u>

Nonoperating revenues increased by \$4.3 million, or 4.1 percent. This increase was primarily due to an increase in Federal and State student financial aid offset by a decrease in State noncapital appropriations.

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 2024-25 and 2023-24 fiscal years:

	2024-25	2023-24
State Capital Appropriations	\$ 440	\$ 9,873
Capital Grants, Contracts, Gifts, and Fees	<u>3,261</u>	<u>4,282</u>
Total	<u>\$ 3,701</u>	<u>\$ 14,155</u>

Other revenues decreased by \$10.5 million, or 73.9 percent, primarily due to a decrease in State capital appropriations.

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 2024-25 and 2023-24 fiscal years:

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

	2024-25	2023-24
Cash Provided (Used) by:		
Operating Activities	\$(93,312)	\$(86,058)
Noncapital Financing Activities	105,789	102,583
Capital and Related Financing Activities	(3,938)	10,418
Investing Activities	3,455	(2,107)
Net Increase in Cash and Cash Equivalents	11,994	24,836
Cash and Cash Equivalents, Beginning of Year	55,658	30,822
Cash and Cash Equivalents, End of Year	\$ 67,652	\$ 55,658

Major sources of funds came from State noncapital appropriations (\$64.6 million), Federal and State student financial aid (\$31.9 million), State capital appropriations (\$11.6 million), gifts and grants received for other than capital or endowment purposes (\$9.2 million), tuition and fees (\$8.9 million), and Federal direct loan program receipts (\$6.8 million). Major uses of funds were for payments to employees and for employee benefits (\$53 million), payments to suppliers (\$28.3 million), payments for scholarships (\$20.7 million), purchases of capital assets (\$16.7 million), and Federal direct loan program disbursements (\$6.8 million).

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

Capital Assets

At June 30, 2025, the College had \$206.8 million in capital assets, less accumulated depreciation of \$90.1 million, for net capital assets of \$116.7 million. Depreciation charges for the current fiscal year totaled \$7.6 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)

	2025	2024
Land	\$ 14,407	\$ 13,283
Artwork/Artifacts	164	164
Construction in Progress	11,304	2,674
Lease Assets	597	624
Subscription-Based Information Technology Arrangement	8,891	11,386
Buildings	69,357	71,581
Other Structures and Improvements	446	329
Furniture, Machinery, and Equipment	11,488	7,226
Capital Assets, Net	\$116,654	\$107,267

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, 2025, were incurred on the Asphalt Repair and Replacement and HVAC Replacement projects. The College’s construction commitments at June 30, 2025, are as follows:

	Amount (In Thousands)
Total Committed	\$ 33,075
Completed to Date	(23,261)
Balance Committed	\$ 9,814

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 2024-25 fiscal year, there were no bond sales, and the College has no remaining debt repayments. Additional information about the College’s long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College’s economic condition is closely tied to that of the State of Florida. The College’s 2025-26 fiscal year budget was prepared with an increase in State funding. The College received additional operational funding to handle increasing supplier and labor costs. Student enrollment is expected to increase as investments in additional vocational programs are fully operationalized. The College’s overall financial position is expected to be stable. The increased operating revenues will allow the College to operate at current levels of service to more students.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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

June 30, 2025

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 25,156,261	\$ 7,922,383
Restricted Cash and Cash Equivalents	9,367,044	-
Investments	863,084	21,329,708
Restricted Investments	863,084	-
Accounts Receivable, Net	1,661,689	220,297
Leases Receivable	103,750	-
Due from Other Governmental Agencies	8,756,796	-
Due from Component Unit	16,824	-
Prepaid Expenses	2,543,368	70,974
Deposits	400	-
Other Assets	-	25,000
Total Current Assets	49,332,300	29,568,362
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	33,128,962	-
Investments	1,523,701	22,641,274
Restricted Investments	1,523,735	-
Leases Receivable	1,521,315	-
Prepaid Expenses	66,510	-
Loans and Notes Receivable, Net	-	178,932
Depreciable Capital Assets, Net	90,779,350	44,313
Nondepreciable Capital Assets	25,875,085	-
Other Assets	-	2,075,992
Total Noncurrent Assets	154,418,658	24,940,511
TOTAL ASSETS	203,750,958	54,508,873
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	584,327	-
Pensions	9,579,510	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,163,837	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,106,961	33,279
Salary and Payroll Taxes Payable	1,563,132	3,321
Retainage Payable	460,775	-
Unearned Revenue	2,151,808	203,722
Deposits Held for Others	316,684	-
Long-Term Liabilities - Current Portion:		
Lease Payable	27,192	-
Subscription-Based IT Arrangement Payable	908,410	-
Compensated Absences Payable	699,259	-
Total Current Liabilities	7,234,221	240,322

	<u>College</u>	<u>Component Units</u>
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Lease Payable	569,456	-
Subscription-Based IT Arrangement Payable	6,010,866	-
Compensated Absences Payable	5,214,456	-
Other Postemployment Benefits Payable	561,872	-
Net Pension Liability	30,859,867	-
Other Long-Term Liabilities	-	161,481
Total Noncurrent Liabilities	<u>43,216,517</u>	<u>161,481</u>
TOTAL LIABILITIES	<u>50,450,738</u>	<u>401,803</u>
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	1,422,040	-
Pensions	4,412,791	-
Irrevocable Split-Interest Agreements	-	1,914,511
Leases Receivable	1,625,064	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>7,459,895</u>	<u>1,914,511</u>
NET POSITION		
Net Investment in Capital Assets	109,138,512	23,478
Restricted:		
Nonexpendable:		
Endowments	-	19,021,121
Expendable:		
Endowments	-	27,720,274
Grants and Loans	6,945,511	-
Scholarships	501,948	-
Capital Projects	44,137,621	-
Unrestricted	<u>(4,719,430)</u>	<u>5,427,686</u>
TOTAL NET POSITION	<u>\$ 156,004,162</u>	<u>\$ 52,192,559</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, 2025

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$14,576,209	\$ 8,596,979	\$ -
Federal Grants and Contracts	1,635,064	-
State and Local Grants and Contracts	1,294,625	-
Nongovernmental Grants and Contracts	1,600	-
Sales and Services of Educational Departments	22,532	-
Auxiliary Enterprises	611,060	-
Other Operating Revenues	1,249,120	4,081,183
Total Operating Revenues	13,410,980	4,081,183
EXPENSES		
Operating Expenses:		
Personnel Services	52,172,040	-
Scholarships and Waivers	20,676,035	856,866
Utilities and Communications	4,343,766	7,485
Contractual Services	13,413,838	531,696
Other Services and Expenses	7,994,809	3,227,723
Materials and Supplies	7,152,048	321,751
Depreciation	7,551,545	19,606
Total Operating Expenses	113,304,081	4,965,127
Operating Loss	(99,893,101)	(883,944)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	64,619,693	-
Federal and State Student Financial Aid	31,839,587	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	9,195,943	-
Investment Income	3,209,905	1,223,944
Net Gain on Investments	-	3,935,992
Other Nonoperating Revenues	116,599	-
Interest on Capital Asset-Related Debt	(55,238)	-
Net Nonoperating Revenues	108,926,489	5,159,936
Income Before Other Revenues	9,033,388	4,275,992
State Capital Appropriations	440,320	-
Capital Grants, Contracts, Gifts, and Fees	3,260,783	-
Additions to Endowments	-	1,231,724
Total Other Revenues	3,701,103	1,231,724
Increase in Net Position	12,734,491	5,507,716
Net Position, Beginning of Year	144,107,222	46,684,843
Adjustment to Beginning Net Position	(837,551)	-
Net Position, Beginning of Year, as Restated	143,269,671	46,684,843
Net Position, End of Year	\$ 156,004,162	\$ 52,192,559

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, 2025

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 8,871,025
Grants and Contracts	1,975,766
Payments to Suppliers	(28,250,014)
Payments for Utilities and Communications	(4,343,766)
Payments to Employees	(37,981,863)
Payments for Employee Benefits	(14,988,876)
Payments for Scholarships	(20,676,036)
Auxiliary Enterprises	711,180
Sales and Services of Educational Departments	22,532
Other Receipts	1,348,508
	(93,311,544)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	64,619,693
Federal and State Student Financial Aid	31,857,369
Federal Direct Loan Program Receipts	6,800,414
Federal Direct Loan Program Disbursements	(6,800,414)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	9,195,943
Other Nonoperating Receipts	116,601
	105,789,606
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	11,551,552
Capital Grants and Gifts	2,235,887
Purchases of Capital Assets	(16,706,787)
Principal Paid on Capital Debt and Leases	(963,537)
Interest Paid on Capital Debt and Leases	(55,239)
	(3,938,124)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	209,758
Investment Income	3,244,869
	3,454,627
Net Increase in Cash and Cash Equivalents	11,994,565
Cash and Cash Equivalents, Beginning of Year	55,657,702
Cash and Cash Equivalents, End of Year	\$ 67,652,267

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$(99,893,101)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	7,551,545
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	118,591
Due from Other Governmental Agencies	(79,988)
Due from Component Unit	10,932
Due to Other Governmental Agencies	(3,919)
Prepaid Expenses	230,044
Leases Receivable (Noncurrent)	(1,521,315)
Other Assets	(400)
Accounts Payable	(485,682)
Salaries and Payroll Taxes	(281,913)
Unearned Revenue	(168,324)
Deposits Held for Others	103,707
Compensated Absences Payable	452,787
Other Postemployment Benefits Payable	(24,492)
Net Pension Liability	(1,717,319)
Deferred Inflows - Leases Receivable	1,625,064
Deferred Outflows of Resources Related to Other Postemployment Benefits	140,500
Deferred Inflows of Resources Related to Other Postemployment Benefits	(131,389)
Deferred Outflows of Resources Related to Pensions	(978,933)
Deferred Inflows of Resources Related to Pensions	<u>1,742,061</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$(93,311,544)</u></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.	\$ 1,024,895

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 five active Board members at the College as of June 30, 2025. 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, 2024. 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, 2025. 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, cash invested in money market mutual funds, 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 money market mutual funds and 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, 2025, the College reported as cash equivalents \$26,265,316 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 47 days as of June 30, 2025. 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, 2025, 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.

At June 30, 2025, the College held \$41,370,540 in money market mutual funds that carried a credit rating of Aaa-mf by Moody’s and had a WAM of 40 days.

Capital Assets. College capital assets consist of land, artwork/artifacts, construction in progress, lease assets, subscription-based information technology arrangement (SBITA) assets, buildings, other structures and improvements, and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property, \$65,000 for buildings and other structures and improvements, and \$2,000,000 for intangible assets. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

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

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net

positions have been determined on the same basis as they are reported by the FRS and the HIS plans. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

2. Accounting Change

The College implemented GASB Statement No. 101, *Compensated Absences*, whose objective is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The objective was achieved by aligning the recognition and measurement guidance under a unified model and by amending previously required note disclosures. Due to the implementation, on July 1, 2024, the beginning balance of the compensated absences liability was increased by \$837,551, which resulted in a decrease to the beginning net position by the same amount as shown in the table below.

	<u>College</u>
Beginning Net Position, as previously reported	\$ 144,107,222
Change in accounting principle (GASB101)	(837,551)
Beginning Net Position, as restated	<u>\$ 143,269,671</u>

3. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (6,753,215)
Auxiliary Funds	<u>2,033,785</u>
Total	<u>\$ (4,719,430)</u>

4. Investments

College Investments. Section 218.415(17), Florida Statutes, authorizes the College 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. The College has investments in Florida PRIME, money market mutual funds, and United States Treasury securities at fiscal year end.

Investments set aside to make debt service payments, maintain sinking or reserve accounts, or purchase or construct capital assets are classified as restricted.

Fair Value Measurement. The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active

markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

All of the College’s recurring fair value measurements as of June 30, 2025, are valued using quoted market prices (Level 1 inputs).

The College’s investments at June 30, 2025, are reported as follows:

Investments by fair value level	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
United States Treasury Securities	\$ 4,773,604	\$ 4,773,604	\$ -	\$ -

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College only buys United States Treasury securities that can be held to maturity to minimize interest rate risk. At June 30, 2025, the average maturity of investments was 1.37 years with the average maturity date of November 11, 2026.

Custodial Credit Risk: Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The College’s investments in United States Treasury securities are held by the safekeeping agent in the name of the College. The holding bank is a qualified public depository in the State of Florida.

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. 12-31-24</u>	<u>WSRE-TV Foundation, Inc. 6-30-25</u>	<u>Total (1)</u>
Federal Agency Obligations					
Government National Mortgage Association II Modified Pass Through Pool	(2)	(2)	\$ 48	\$ -	\$ 48
Fixed Income					
Vanguard Inflation-Protected Securities Fund	7.6 Years	(3)	1,881,562	-	1,881,562
Vanguard Intermediate Term Bond Index Fund	7.2 Years	(3)	1,386,014	-	1,386,014
Federated Total Return Bond Fund	8.7 Years	(3)	5,184,158	-	5,184,158
iShares Intermediate Gov/Cred Bond ETF	4.4 Years	(3)	-	816,837	816,837
Baird Intermediate Bond Fund Instl	4.3 Years	(3)	-	814,347	814,347
Dodge & Cox Income Fund	9.7 Years	(3)	3,685,295	-	3,685,295
Dodge & Cox Income Fund	9.5 Years	(3)	-	181,969	181,969
Equities					
Vanguard 500 Index Fund	(2)	(2)	14,716,429	1,380,895	16,097,324
Vanguard Small Cap Index Fund	(2)	(2)	1,529,729	-	1,529,729
Vanguard Developed Market Index Fund	(2)	(2)	2,828,568	-	2,828,568
Vanguard Mid Cap Index Fund	(2)	(2)	1,518,716	-	1,518,716
Vanguard Dividend Appreciation Index Fund	(2)	(2)	2,684,815	-	2,684,815
DFA Emerging Markets Funds	(2)	(2)	673,820	-	673,820
Alliance Bernstein Small Cap Growth Portfolio Advisor	(2)	(2)	702,452	-	702,452
Mainstay CBRE Global Infrastructure Fund	(2)	(2)	456,184	-	456,184
Nyli Cbre Global Infrastructure Fund	(2)	(2)	-	126,321	126,321
Alliance Bernstein Small Cap Growth Fund	(2)	(2)	-	13,405	13,405
Vanguard Total International Stock	(2)	(2)	-	141,013	141,013
Fidelity Small Cap Value Fund	(2)	(2)	670,011	12,636	682,647
Vanguard International Growth Fund	(2)	(2)	-	143,128	143,128
Vanguard International Value Fund	(2)	(2)	-	137,720	137,720
Janus Henderson Enterprise Fund	(2)	(2)	612,655	69,040	681,695
JP Morgan Mid Cap Value Fund	(2)	(2)	651,383	235,907	887,290
Other					
Federated Hermes Government Obligations	(2)	(2)	-	715,925	715,925
Total Component Units' Investments			<u>\$ 39,181,839</u>	<u>\$ 4,789,143</u>	<u>\$ 43,970,982</u>

- (1) Federal agency obligations are reported at fair value using significant other observable inputs (Level 2 inputs). 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 Inflation-Protected Securities Fund had an average effective duration of 6.7 years. The Vanguard Intermediate Term Bond Index Fund had an average effective duration of 6.1 years. The Federated Total Return Bond Fund had an average effective duration of 5.9 years. The Dodge & Cox Income Fund had an average effective duration of 6.3 years.

The WSRE-TV Foundation, Inc.'s investment in the iShares Intermediate Gov/Cred Bond ETF had an average effective duration of 3.7 years. The Baird Intermediate Bond Fund Instl had an average effective duration of 3.8 years. The Dodge & Cox Income Fund had an average effective duration of 6.3 years.

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

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

The WSRE-TV Foundation, Inc. holds assets within two separate investment portfolios separated between operating funds and endowment funds. The Foundation's investment policy guidelines provide for allocations in which equity investments will not exceed 65 percent for the endowment portfolio and 20 percent for the operating account. There is a caveat included in the investment policy that allows for up to a 5 percent deviation from those percentages to allow for market adjustments. The endowment portfolio at June 30, 2025, meets the policy guidelines, with equities representing 64 percent, fixed income representing 26 percent, and cash equivalents representing 10 percent. The short-term investment portfolio meets these requirements at June 30, 2025, with 16 percent in equity investments, 59 percent in fixed income investments, and 25 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, 2024, the Pensacola State College Foundation, Inc.'s cash equivalents consisted of \$5,393,192 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 nor 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: 25 percent or less in international and emerging market equities and 5 to 15 percent in mid-capitalization equities and small capitalization equities. Ranges within fixed income securities are 5 percent or less in diversified portfolios 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, 2024, 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, 2025, 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.

5. Accounts Receivable

Accounts receivable of \$1,661,689 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, accrued interest receivables, and contract and grant reimbursements due from third parties. Accounts receivable is reported net of a \$670,340 allowance for doubtful accounts.

6. Leases Receivable

Leases receivable represent contracted arrangements for the use of the College's assets including land. The terms of the lease arrangements are determined by evaluating the non-cancelable term length, the optional term length, and assessing the likelihood with reasonable certainty the option to extend the term or terminate the agreement may occur. The term lengths are from May 1, 2025, to April 30, 2045. Lease revenues and interest revenues totaling \$17,596 and \$66, respectively, were received during the 2024-25 fiscal year.

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 105,972	\$ 103,750	\$ 2,222
2027	105,971	100,687	5,284
2028	105,971	97,715	8,256
2029	105,971	94,831	11,140
2030	105,971	92,031	13,940
2031-2035	530,738	421,628	109,110
2036-2040	557,275	381,115	176,160
2041-2045	564,693	333,308	231,385
Total Minimum Lease Revenue	<u>\$2,182,562</u>	<u>\$1,625,065</u>	<u>\$ 557,497</u>

7. Due From Other Governmental Agencies

The \$8,756,796 reported as due from other governmental agencies primarily consists of amounts due from the State for the fixed capital outlay appropriations for the Science, Technology, Engineering, and Math (STEM) Building, Roadway/Parking/Asphalt Improvements, Career and Technical Charter Academy, WSRE Security System, and Deferred Maintenance projects.

8. Due From Component Unit

The \$16,824 reported as due from component unit primarily consists of amounts owed to the College by the Pensacola State College Foundation, Inc. (Foundation), to pay for student scholarships. The College's financial statements are reported for the fiscal year ended June 30, 2025. The Foundation's financial statements are reported for the fiscal year ended December 31, 2024. 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.

9. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2025, 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	\$ 13,282,518	\$ -	\$ 1,124,931	\$ -	\$ 14,407,449
Artwork/Artifacts	163,927	-	-	-	163,927
Construction in Progress	2,674,088	-	10,261,037	(1,631,416)	11,303,709
Total Nondepreciable Capital Assets	\$ 16,120,533	\$ -	\$ 11,385,968	\$ (1,631,416)	\$ 25,875,085
Depreciable Capital Assets:					
Lease Assets	\$ 1,019,843	\$ 5,925	\$ -	\$ -	\$ 1,025,768
Subscription-Based Information					
Technology Arrangement	16,129,918	-	-	-	16,129,918
Buildings	123,531,689	-	69,720	-	123,601,409
Other Structures and Improvements	10,930,689	-	224,623	-	11,155,312
Furniture, Machinery, and Equipment	23,629,304	-	6,936,866	(1,527,942)	29,038,228
Total Depreciable Capital Assets	175,241,443	5,925	7,231,209	(1,527,942)	180,950,635
Less, Accumulated Depreciation:					
Lease Assets	395,700	-	33,421	-	429,121
Subscription-Based Information					
Technology Arrangement	4,744,089	-	2,495,232	-	7,239,321
Buildings	51,950,038	-	2,293,841	-	54,243,879
Other Structures and Improvements	10,601,589	-	107,371	-	10,708,960
Furniture, Machinery, and Equipment	16,403,439	-	2,621,680	(1,475,115)	17,550,004
Total Accumulated Depreciation	84,094,855	-	7,551,545	(1,475,115)	90,171,285
Total Depreciable Capital Assets, Net	\$ 91,146,588	\$ 5,925	\$ (320,336)	\$ (52,827)	\$ 90,779,350

(1) Adjustments were made to correct accounting errors.

10. Unearned Revenue

Unearned revenue represents restricted grants and contracts. As of June 30, 2025, the College reported \$2,151,808 as unearned revenue.

11. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2025, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Lease Payable	\$ 624,143	\$ 7,618	\$ 35,113	\$ 596,648	\$ 27,192
Subscription-Based Information					
Technology Arrangement	7,855,316	-	936,040	6,919,276	908,410
Compensated Absences Payable (1)	5,460,928	452,787	-	5,913,715	699,259
Other Postemployment					
Benefits Payable	586,364	59,920	84,412	561,872	-
Net Pension Liability	32,577,186	11,198,313	12,915,632	30,859,867	-
Total Long-Term Liabilities	\$ 47,103,937	\$ 11,718,638	\$ 13,971,197	\$ 44,851,378	\$ 1,634,861

(1) Compensated Absences Payable beginning balance was adjusted for GASB Statement No. 101, as discussed in Note 2. The change in compensated absences payable is presented as a net change.

Lease Payable. A broadcasting tower and equipment are being acquired under a lease agreement. The original 15-year lease term began in June 2000 and includes 7 additional consecutive 5-year renewal periods. Lease payments vary and are updated each year for changes in the consumer price index. The estimated lease payments in the schedule below assume a 1.9 percent increase each year through the remainder of the lease period. Future minimum payments under the lease agreement and the present value of the minimum payments as of June 30, 2025, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 54,104	\$ 27,192	\$ 26,912
2027	55,131	26,890	28,241
2028	56,180	26,593	29,587
2029	57,247	26,298	30,949
2030	58,335	26,007	32,328
2031-2035	308,726	125,775	182,951
2036-2040	339,190	118,960	220,230
2041-2045	372,662	112,515	260,147
2046-2050	409,435	106,418	303,017
Total Minimum Lease Payments	\$ 1,711,010	\$ 596,648	\$ 1,114,362

Subscription-Based Information Technology Arrangement. The College has a SBITA for the right to use Workday, an enterprise resource planning system asset, totaling \$8,333,960. The subscription term ends January 2034. The College discounted the future minimum subscription payments using its incremental borrowing rate of 3 percent. The present value of the remaining minimum payments for the SBITA liability as of June 30, 2025, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 965,680	\$ 908,410	\$ 57,270
2027	965,680	881,596	84,084
2028	965,680	855,573	110,107
2029	965,680	830,318	135,362
2030	965,680	805,808	159,872
2031-2034	3,379,880	2,637,571	742,309
Total Minimum SBITA Payments	\$ 8,208,280	\$ 6,919,276	\$ 1,289,004

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, 2025, the estimated liability for compensated absences, which includes the College's share of the defined contribution retirement plan and Federal Insurance Contributions Act (FICA) contributions, totaled \$5,913,715, an increase of \$452,787. The current portion of the compensated absences liability, \$699,259, 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, 2023, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	53
Deferred Retirement Option Program Members	25
Active Employees	527
Total	<u>605</u>

Total OPEB Liability

The College’s total OPEB liability of \$561,872 was measured as of June 30, 2024, and was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2023, 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	3.65 percent – 6.35 percent
Senior Management	4.20 percent – 9.30 percent
Special Risk	4.80 percent – 8.50 percent
Municipal Bond Index Rate	
Prior Measurement Date	3.65 percent
Measurement Date	3.93 percent
Healthcare Cost Trend Rates	
Pre Medicare	7.00 percent for 2023, decreasing to an ultimate rate of 4.40 percent by 2034
Medicare	5.125 percent for 2023, decreasing to an ultimate rate of 4.40 percent by 2027

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-2021.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2023, 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, 2023, valuation were based on a review of recent plan experience done concurrently with the June 30, 2023, valuation.

Changes in the Total OPEB Liability

	Amount
Balance at June 30, 2024	<u>\$ 586,364</u>
Changes for the year:	
Service Cost	37,161
Interest	22,759
Changes in Assumptions or Other Inputs	<u>(84,412)</u>
Net Changes	<u>(24,492)</u>
Balance at June 30, 2025	<u><u>\$ 561,872</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.65 percent in 2023 to 3.93 percent in 2024.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93 percent) or 1 percentage point higher (4.93 percent) than the current rate:

	<u>1% Decrease (2.93%)</u>	<u>Current Discount Rate (3.93%)</u>	<u>1% Increase (4.93%)</u>
Total OPEB liability	\$664,631	\$561,872	\$481,343

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	\$462,345	\$561,872	\$694,612

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

For the fiscal year ended June 30, 2025, the College recognized negative OPEB expense of \$15,381. At June 30, 2025, 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	\$ 439,999	\$ 754,334
Change of assumptions or other inputs	144,328	667,706
Total	<u>\$ 584,327</u>	<u>\$ 1,422,040</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2026	\$ (72,400)
2027	(70,037)
2028	(104,933)
2029	(107,592)
2030	(122,154)
Thereafter	<u>(360,597)</u>
Total	<u>\$ (837,713)</u>

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the College recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2025, the College's proportionate share of the net pension liabilities totaled \$30,859,867. Note 12. includes a complete discussion of defined benefit pension plans.

12. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

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

The College's FRS and HIS pension expense totaled \$2,975,477 for the fiscal year ended June 30, 2025.

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 96 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 2024-25 fiscal year were:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	13.63
FRS, Senior Management Service	3.00	34.52
FRS, Special Risk	3.00	32.79
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	21.13
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 2 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 \$3,372,881 for the fiscal year ended June 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, the College reported a liability of \$20,443,193 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The College's proportionate share of the net pension liability was based on the College's 2023-24 fiscal year contributions relative to the total 2023-24 fiscal year contributions of all participating members. At June 30, 2024, the College's proportionate share was 0.052845675 percent, which was a decrease of 0.002225942 from its proportionate share measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the College recognized pension expense of \$2,634,299. 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	\$ 2,065,312	\$ -
Change of assumptions	2,801,926	-
Net difference between projected and actual earnings on FRS Plan investments	-	1,358,761
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	-	1,452,651
College FRS contributions subsequent to the measurement date	3,372,881	-
Total	\$ 8,240,119	\$ 2,811,412

The deferred outflows of resources totaling \$3,372,881, 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, 2026. 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>
2026	\$ (885,866)
2027	2,828,637
2028	25,731
2029	(67,349)
2030	159,773
Thereafter	<u>(5,100)</u>
Total	<u>\$ 2,055,826</u>

Actuarial Assumptions. The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.50 percent, average, including inflation
Investment rate of return	6.70 percent, net of pension plan investment expense, including inflation

Salary increases were changed from 3.25 percent in the previous valuation to 3.50 percent in the current valuation.

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2021. This is a change from the previous valuation in which the mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2023.

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%	3.3%	3.3%	1.1%
Fixed Income	29.0%	5.7%	5.6%	3.9%
Global Equity	45.0%	8.6%	7.0%	18.2%
Real Estate (Property)	12.0%	8.1%	6.8%	16.6%
Private Equity	11.0%	12.4%	8.8%	28.4%
Strategic Investments	2.0%	6.6%	6.2%	8.7%
Total	<u>100.0%</u>			
Assumed inflation - Mean			2.4%	1.5%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.70 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2024 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 6.70 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.70 percent) or 1 percentage point higher (7.70 percent) than the current rate:

	<u>1% Decrease (5.70%)</u>	<u>Current Discount Rate (6.70%)</u>	<u>1% Increase (7.70%)</u>
College's proportionate share of the net pension liability	\$35,958,860	\$20,443,193	\$7,445,530

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, 2025, the College reported a payable of \$201,791 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2025.

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, 2025, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 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, 2025, the contribution rate was 2 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 \$654,522 for the fiscal year ended June 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, the College reported a net pension liability of \$10,416,674 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The College's proportionate share of the net pension liability was based on the College's 2023-24 fiscal year contributions relative to the total 2023-24 fiscal year contributions of all participating members. At June 30, 2024, the College's proportionate share was 0.069439973 percent, which was an increase of 0.00248785 from its proportionate share measured as of June 30, 2023.

For the fiscal year ended June 30, 2025, the College recognized pension expense of \$341,178. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 100,580	\$ 20,002
Change of assumptions	184,351	1,233,201
Net difference between projected and actual earnings on HIS Plan investments	-	3,766
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	399,938	344,410
College contributions subsequent to the measurement date	654,522	-
Total	\$ 1,339,391	\$ 1,601,379

The deferred outflows of resources totaling \$654,522, 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, 2026. 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>
2026	\$ 190,498
2027	(142,833)
2028	(418,736)
2029	(383,581)
2030	(121,263)
Thereafter	<u>(40,595)</u>
Total	<u><u>\$ (916,510)</u></u>

Actuarial Assumptions. The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.50 percent, average, including inflation
Municipal bond rate	3.93 percent

Salary increases were changed from 3.25 percent in the previous valuation to 3.50 percent in the current valuation.

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2021. This is a change from the previous valuation in which the mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

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

Discount Rate. The discount rate used to measure the total pension liability was 3.93 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 changed from 3.65 percent to 3.93 percent.

Sensitivity of the College’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College’s proportionate share of the net pension liability calculated using the discount rate of 3.93 percent, as well as what the College’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.93 percent) or 1 percentage point higher (4.93 percent) than the current rate:

	<u>1% Decrease (2.93%)</u>	<u>Current Discount Rate (3.93%)</u>	<u>1% Increase (4.93%)</u>
College's proportionate share of the net pension liability	\$11,858,045	\$10,416,674	\$9,220,104

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, 2025, the College reported a payable of \$22,528 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2025.

13. 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 2024-25 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	11.30
FRS, Senior Management Service	12.67
FRS, Special Risk Regular	19.00

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, 2025, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

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

The College's Investment Plan pension expense totaled \$1,539,813 for the fiscal year ended June 30, 2025.

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 4.84 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 9.99 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 \$28,099 for the 2024-25 fiscal year.

14. Construction Commitments

The College's construction commitments at June 30, 2025, were as follows:

Project Description	Total Commitment	Completed to Date	Retainage Payable	Balance Committed
Airframe and Power Plant Training Facility	\$ 1,234,020	\$ 416,300	\$ -	\$ 817,720
Diesel Mechanics Training Facility	260,261	214,089	-	46,172
Asphalt Repair and Replacement	8,043,021	7,710,823	160,556	171,642
Soccer and Athletic Field	4,046,354	843,638	28,667	3,174,049
Door Security Upgrades	1,431,019	934,855	-	496,164
Charter Academy Renovation	838,299	772,193	-	66,106
Jan Miller Training and Conference Center	221,523	189,339	-	32,184
New Pensacola Campus Signage	172,761	31,585	1,662	139,514
HVAC Replacement	16,828,133	11,687,638	269,890	4,870,605
Total	\$ 33,075,391	\$ 22,800,460	\$ 460,775	\$ 9,814,156

15. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to \$100 million to February 28, 2025, and up to \$125 million from March 1, 2025, 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.

Beginning in January 2025, College employees may participate in the State group health insurance plan. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

16. 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	\$ 26,483,356
Public Services	4,152,647
Academic Support	7,536,859
Student Services	10,877,253
Institutional Support	17,003,983
Operation and Maintenance of Plant	19,022,403
Scholarships and Waivers	20,676,035
Depreciation	<u>7,551,545</u>
Total Operating Expenses	<u>\$ 113,304,081</u>

17. 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>Total</u>
	<u>Pensacola State College Foundation, Inc.</u>	<u>WSRE-TV Foundation, Inc.</u>	
Assets:			
Current Assets	\$ 29,072,215	\$ 496,147	\$ 29,568,362
Capital Assets, Net	20,835	23,478	44,313
Other Noncurrent Assets	<u>20,066,037</u>	<u>4,830,161</u>	<u>24,896,198</u>
Total Assets	<u>49,159,087</u>	<u>5,349,786</u>	<u>54,508,873</u>
Liabilities:			
Current Liabilities	102,599	137,723	240,322
Noncurrent Liabilities	<u>161,481</u>	<u>-</u>	<u>161,481</u>
Total Liabilities	<u>264,080</u>	<u>137,723</u>	<u>401,803</u>
Deferred Inflows of Resources	<u>1,914,511</u>	<u>-</u>	<u>1,914,511</u>
Net Position:			
Investment in Capital Assets	-	23,478	23,478
Restricted Nonexpendable	19,021,121	-	19,021,121
Restricted Expendable	25,917,237	1,803,037	27,720,274
Unrestricted	<u>2,042,138</u>	<u>3,385,548</u>	<u>5,427,686</u>
Total Net Position	<u>\$ 46,980,496</u>	<u>\$ 5,212,063</u>	<u>\$ 52,192,559</u>

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

	Direct-Support Organizations		
	Pensacola State College Foundation, Inc.	WSRE-TV Foundation, Inc.	Total
Operating Revenues	\$ 3,057,308	\$ 1,023,875	\$ 4,081,183
Operating Expenses	(4,357,799)	(607,328)	(4,965,127)
Operating Income (Loss)	(1,300,491)	416,547	(883,944)
Net Nonoperating Revenues	4,764,055	395,881	5,159,936
Other Revenues	1,231,724	-	1,231,724
Increase in Net Position	4,695,288	812,428	5,507,716
Net Position, Beginning of Year	42,285,208	4,399,635	46,684,843
Net Position, End of Year	\$ 46,980,496	\$ 5,212,063	\$ 52,192,559

18. Related Party Transactions

Support

The Pensacola State College Foundation, Inc. provides various levels of monetary support and service to the College. In 2024, the Foundation paid the College \$1,409,322. This amount includes reimbursements for payments made by the College on behalf of the Foundation, scholarships, lease payments, and building renovations. In 2024, the Foundation received a donation of an aircraft from a third party with an estimated value of \$900,000. The Foundation conveyed the aircraft to the College to provide training for students in the Aviation Airframe Mechanics and Aviation Power Plant Mechanics Program.

The College provides support to the Foundation by providing management and clerical staff, supplies and office expenses, and the use of computer equipment without charge to the Foundation.

A portion of certain salaries and expenses of the WSRE-TV Foundation, Inc. totaling approximately \$604,000 for the fiscal year ended June 30, 2025, were provided by the College.

Leases

The College leases the College Centre Apartments to the Pensacola State College Foundation, Inc. for use as dormitories. The lease is effective through July 31, 2025, and is renewable annually. The annual rental rate is renegotiated at each renewal. The Foundation's rental expense for the year ended December 31, 2024, was \$123,046. There are no minimum future rental payments as the annual payment had been made as of December 31, 2024.

The Foundation leases land and buildings, two houses, one triplex and one duplex from the College and subleases these as residential apartments to the general public. The leases are effective through 2028, with 1-year renewal options through 2032. The annual rental payment of \$1 per year was made for 2024 and future minimum payments are \$1 per year through 2032. No estimate of the fair value of these leases has been determined. Total sublease income recognized by the Foundation under these leases for the year ended December 31, 2024, was \$213,722. All subleases are for a period of 1 year.

19. Subsequent Events

In September 2025, the Pensacola State College Board of Trustees voted to decertify the WSRE-TV Foundation, Inc. as a direct support organization.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total OPEB Liability					
Service cost	\$ 37,161	\$ 47,154	\$ 68,704	\$ 71,197	\$ 52,720
Interest	22,759	55,773	41,422	32,039	42,432
Difference between expected and actual experience	-	(945,092)	-	779,111	-
Changes of assumptions or other inputs	(84,412)	(94,030)	(425,055)	(404,029)	134,048
Benefit payments	-	(11,484)	-	(15,695)	(4,936)
Net change in total OPEB liability	(24,492)	(947,679)	(314,929)	462,623	224,264
Total OPEB Liability - beginning	586,364	1,534,043	1,848,972	1,386,349	1,162,085
Total OPEB Liability - ending	\$ 561,872	\$ 586,364	\$ 1,534,043	\$ 1,848,972	\$ 1,386,349
Covered-Employee Payroll	\$ 25,427,013	\$ 25,427,013	\$ 23,573,643	\$ 23,573,643	\$ 24,769,059
Total OPEB Liability as a percentage of covered-employee payroll	2.21%	2.31%	6.51%	7.84%	5.60%
	<u>2019</u>	<u>2018</u>	<u>2017</u>		
Total OPEB Liability					
Service cost	\$ 35,534	\$ 35,850	\$ 37,379		
Interest	31,552	29,059	24,615		
Difference between expected and actual experience	(23,116)	-	-		
Changes of assumptions or other inputs	329,751	(15,946)	(31,011)		
Benefit Payments	(53,340)	(46,612)	(18,699)		
Net change in total OPEB liability	320,381	2,351	12,284		
Total OPEB Liability - beginning	841,704	839,353	827,069		
Total OPEB Liability - ending	\$ 1,162,085	\$ 841,704	\$ 839,353		
Covered-Employee Payroll	\$ 24,769,059	\$ 24,110,994	\$ 24,110,994		
Total OPEB Liability as a percentage of covered-employee payroll	4.69%	3.49%	3.48%		

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

	<u>2024 (1)</u>	<u>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>
College's proportion of the FRS net pension liability	0.052845675%	0.055071617%	0.058167774%	0.059934473%
College's proportionate share of the FRS net pension liability	\$ 20,443,193	\$ 21,944,296	\$ 21,643,086	\$ 4,527,368
College's covered payroll (2)	\$ 30,539,070	\$ 28,038,577	\$ 26,246,008	\$ 26,763,541
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	66.94%	78.26%	82.46%	16.92%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	83.70%	82.38%	82.89%	96.40%

(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>2025 (1)</u>	<u>2024 (1)</u>	<u>2023 (1)</u>	<u>2022 (1)</u>
Contractually required FRS contribution	\$ 3,372,881	\$ 3,089,423	\$ 2,703,590	\$ 2,517,743
FRS contributions in relation to the contractually required contribution	<u>(3,372,881)</u>	<u>(3,089,423)</u>	<u>(2,703,590)</u>	<u>(2,517,743)</u>
FRS contribution deficiency (excess)	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
College's covered payroll (2)	\$ 33,715,457	\$ 30,539,070	\$ 28,038,577	\$ 26,246,008
FRS contributions as a percentage of covered payroll	10.00%	10.12%	9.64%	9.59%

(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>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
0.060781828%	0.061439597%	0.061844555%	0.060886262%	0.063136719%	0.071557043%
\$ 26,343,740	\$ 21,158,942	\$ 18,627,900	\$ 18,009,748	\$ 15,942,071	\$ 9,242,554
\$ 28,263,829	\$ 27,793,874	\$ 26,795,476	\$ 26,297,216	\$ 26,311,174	\$ 24,893,556
93.21%	76.13%	69.52%	68.49%	60.59%	37.13%
78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
\$ 2,300,542	\$ 2,011,501	\$ 1,912,048	\$ 1,769,533	\$ 1,585,019	\$ 1,547,605
(2,300,542)	(2,011,501)	(1,912,048)	(1,769,533)	(1,585,019)	(1,547,605)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 26,763,541	\$ 28,263,829	\$ 27,793,874	\$ 26,795,476	\$ 26,297,216	\$ 26,311,174
8.60%	7.12%	6.88%	6.60%	6.03%	5.88%

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

	<u>2024 (1)</u>	<u>2023 (1)</u>	<u>2022 (1)</u>	<u>2021 (1)</u>
College's proportion of the HIS net pension liability	0.069439973%	0.066952123%	0.066283186%	0.068519035%
College's proportionate share of the HIS net pension liability	\$ 10,416,674	\$ 10,632,890	\$ 7,020,448	\$ 8,404,890
College's covered payroll (2)	\$ 29,433,457	\$ 26,672,085	\$ 24,228,216	\$ 24,290,982
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	35.39%	39.87%	28.98%	34.60%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	4.80%	4.12%	4.81%	3.56%

(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>2025 (1)</u>	<u>2024 (1)</u>	<u>2023 (1)</u>	<u>2022 (1)</u>
Contractually required HIS contribution	\$ 654,522	\$ 588,669	\$ 442,757	\$ 402,188
HIS contributions in relation to the contractually required HIS contribution	<u>(654,522)</u>	<u>(588,669)</u>	<u>(442,757)</u>	<u>(402,188)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll (2)	\$ 32,726,121	\$ 29,433,457	\$ 26,672,085	\$ 24,228,216
HIS contributions as a percentage of covered payroll	2.00%	2.00%	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>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>	<u>2015 (1)</u>
0.072970274%	0.073377317%	0.073691345%	0.075470928%	0.078429231%	0.083866520%
\$ 8,909,552	\$ 8,210,187	\$ 7,799,575	\$ 8,069,700	\$ 9,140,602	\$ 8,553,066
\$ 25,357,099	\$ 24,785,296	\$ 24,270,611	\$ 24,142,865	\$ 26,311,174	\$ 24,893,556
35.14%	33.13%	32.14%	33.42%	34.74%	34.36%
3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

<u>2021 (1)</u>	<u>2020 (1)</u>	<u>2019 (1)</u>	<u>2018 (1)</u>	<u>2017 (1)</u>	<u>2016 (1)</u>
\$ 403,230	\$ 420,928	\$ 411,436	\$ 400,867	\$ 399,414	\$ 402,224
(403,230)	(420,928)	(411,436)	(400,867)	(399,414)	(402,224)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 24,290,982	\$ 25,357,099	\$ 24,785,296	\$ 24,270,611	\$ 24,142,865	\$ 26,311,174
1.66%	1.66%	1.66%	1.65%	1.65%	1.53%

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

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

Changes of Assumptions. Since the prior measurement date, changes included the following:

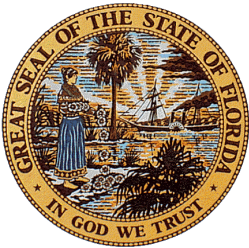
- The discount rate increased from 3.65 percent to 3.93 percent due to a change in the Municipal Bond Index Rate.
- Changes occurred in retirement rates, termination rates, disability rates, mortality rates, DROP entry assumptions, and salary increases.

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

Changes of Assumptions. In 2024, salary increases, including inflation, increased from 3.25 percent to 3.5 percent and the mortality assumptions were updated.

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

Changes of Assumptions. In 2024, the municipal rate used to determine total pension liability increased from 3.65 percent to 3.93 percent and the demographic and coverage election assumptions were updated.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of 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, 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated October 9, 2025, 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
October 9, 2025