REPORT NO. 2015-124
MARCH 2015

PENSACOLA STATE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2014

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2013-14 fiscal year are listed below:

	County
Herbert R. Woll, Vice Chair to 8-19-13 Chair from 8-20-13	Santa Rosa
Marjorie T. Moore, Vice Chair from 8-20-13	Escambia
Edward Moore, Chair to 8-19-13	Escambia
Carol H. Carlan	Escambia
Monsignor Luke Hunt	Santa Rosa
John L. O'Connor (1)	Santa Rosa
Chip W. Simmons from 2-28-14	Escambia
Dona W. Usry to 2-27-14 (2)	Escambia
Frank H. White from 2-28-14	Escambia
Stephania S. Wilson from 2-17-14 (3) (4)	Santa Rosa
Deidre L. Young to 2-27-14 (2)	Escambia

Dr. Charles E. Meadows, President

Notes: (1) Board member served beyond the end of term, May 31, 2013.
(2) Board member served beyond the end of term, May 31, 2010.
(3) Position remained vacant from July 1, 2013, through February 16, 2014.
(4) Board member served beyond the end of term, May 31, 2014.

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 audit team leader was Christy L. Johnson, CPA, and the audit was supervised by Kenneth C. Danley, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

PENSACOLA STATE COLLEGE
TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY	i
INDEPENDENT AUDITOR'S REPORT	1
Report on the Financial Statements	1
Other Reporting Required by *Government Auditing Standards*	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	12
Statement of Revenues, Expenses, and Changes in Net Position	14
Statement of Cash Flows	15
Notes to Financial Statements	17
OTHER REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress – Other Postemployment Benefits Plan	34
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*	35
Report on the Financial Statements	35
Internal Control Over Financial Reporting	35
Compliance and Other Matters	36
Purpose of this Report	36

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the College's basic financial statements 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 determine whether Pensacola State College and its officers with administrative and stewardship responsibilities for College operations had:

- **Presented the College's basic financial statements in accordance with generally accepted accounting principles;**
- **Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and**
- **Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.**

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2014. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also 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

The methodology used to develop the findings in this report included the examination of pertinent College records in connection with the application of procedures required by 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.

AUDITOR GENERAL
STATE OF FLORIDA

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

DAVID W. MARTIN, CPA
AUDITOR GENERAL

PHONE: 850-412-2722
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying 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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial 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 on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the 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, 2014, 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.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** and **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of 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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pensacola State College's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 4, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The 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, 2014, 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, 2014, and June 30, 2013, and its component units, the Pensacola State College Foundation, Inc., for the fiscal years ended December 31, 2013, and December 31, 2012, and the WSRE-TV Foundation, Inc., for the fiscal years ended June 30, 2014, and June 30, 2013.

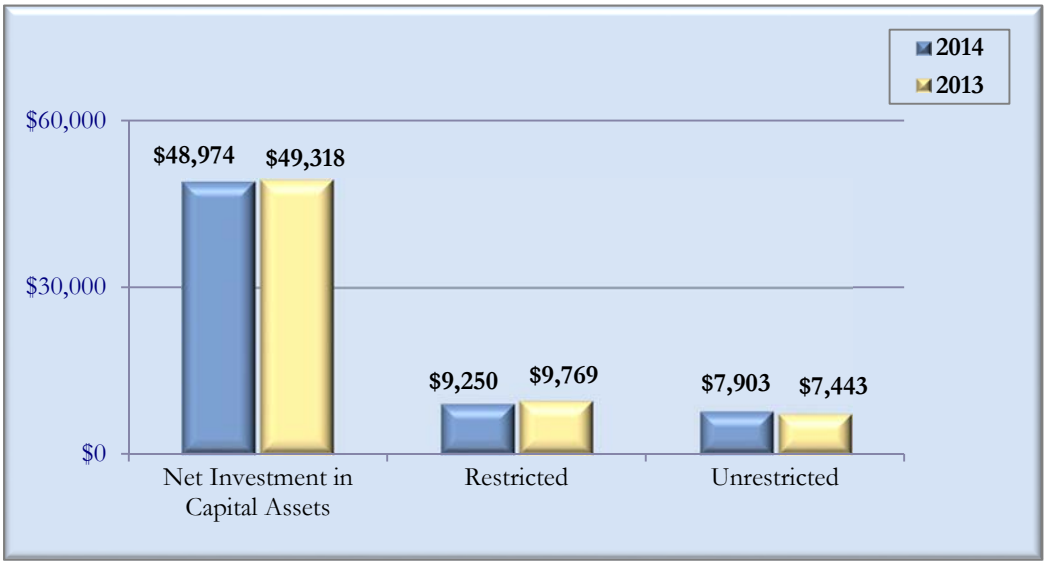
FINANCIAL HIGHLIGHTS

The College's assets totaled $78.3 million at June 30, 2014. This balance reflects a $1.5 million, or 1.9 percent, decrease as compared to the 2012-13 fiscal year, due mainly to a reduction in due from other governmental agencies of $1.4 million, or 30.3 percent. Liabilities decreased by $1.1 million, or 8.2 percent, totaling $12.2 million at June 30, 2014, as compared to $13.3 million at June 30, 2013. Liabilities decreased due mainly to a decrease in unearned revenue of $558 thousand, or 21.4 percent. As a result, the College's net position decreased by $403 thousand, resulting in a fiscal year-end balance of $66.1 million.

The College's operating revenues totaled $15.4 million for the 2013-14 fiscal year, representing a 4.3 percent decrease as compared to the 2012-13 fiscal year due mainly to a reduction in student tuition and fees resulting from a decline in enrollment. Operating expenses totaled $82.5 million for the 2013-14 fiscal year, representing an increase of 3.5 percent as compared to the 2012-13 fiscal year due mainly to an increase in materials and supplies expenses.

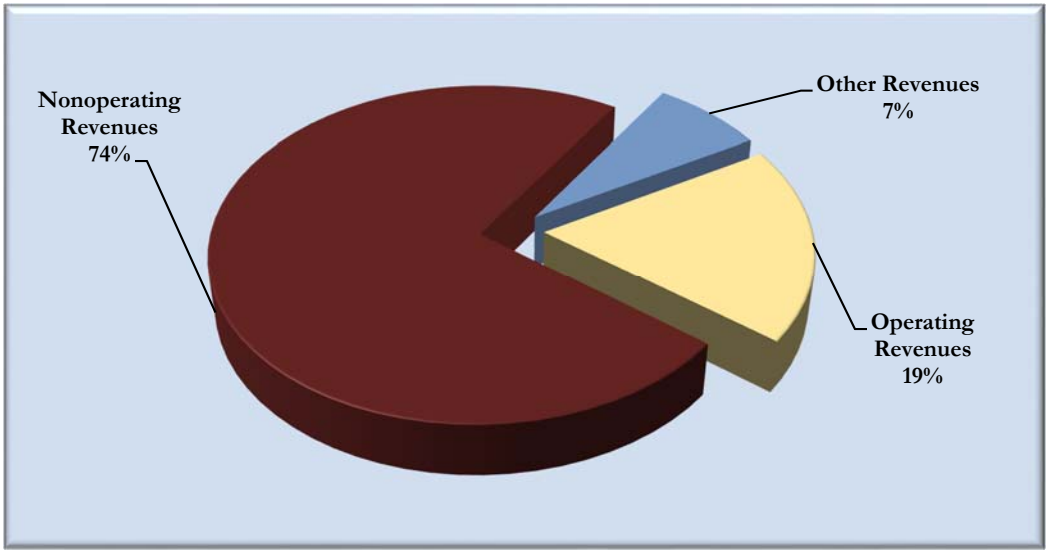
Net position represents the residual interest in the College's assets after deducting liabilities. The College's comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

Net Position: College
(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2013-14 fiscal year:

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to 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. These financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College's finances, and include activities for the following entities:

- 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.

THE STATEMENT OF NET POSITION

The statement of net position reflects the assets and liabilities of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. Assets, less liabilities, 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.

A condensed statement of assets, liabilities, and net position of the College and its component units for the respective fiscal years ended is shown in the following table:

Condensed Statement of Net Position at
(In Thousands)

	College		Component Units (1)	
	6-30-14	6-30-13	2014	2013
Assets				
Current Assets	$ 20,518	$ 22,178	$ 11,647	$ 10,229
Capital Assets, Net	50,314	50,943	9	15
Other Noncurrent Assets	7,506	6,712	10,821	10,534
Total Assets	78,338	79,833	22,477	20,778
Liabilities				
Current Liabilities	5,676	6,408	235	240
Noncurrent Liabilities	6,535	6,895	236	236
Total Liabilities	12,211	13,303	471	476
Net Position				
Net Investment in Capital Assets	48,974	49,318	9	15
Restricted	9,250	9,769	19,778	18,412
Unrestricted	7,903	7,443	2,219	1,875
Total Net Position	$ 66,127	$ 66,530	$ 22,006	$ 20,302

Note: (1) For the 2014 year, the amounts reported are for the fiscal year ended June 30, 2014, for the WSRE-TV Foundation, Inc., and for the fiscal year ended December 31, 2013, for the Pensacola State College Foundation, Inc. For the 2013 year, the amounts reported are for the fiscal year ended June 30, 2013, for the WSRE-TV Foundation, Inc., and for the fiscal year ended December 31, 2012, for the Pensacola State College Foundation, Inc.

Total assets decreased by $1.5 million. Contributing factors in this decrease included a decrease in due from other governmental agencies resulting from payments made to the College for Public Education Capital Outlay (PECO) allocations and a decrease in depreciable capital assets resulting from the recognition of current fiscal year depreciation expense. These decreases were partially offset by an increase in noncurrent restricted cash and cash equivalents related to accumulating student capital improvement fees which will eventually be used to purchase a new phone system for student buildings and for the renovation of the student registration building on the Pensacola Campus. Total liabilities decreased by $1.1 million. Contributing factors in this decrease included a decrease in unearned revenue and a decrease in bonds payable due to debt service payments.

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

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended
(In Thousands)

	College		Component Units (1)	
	6-30-14	6-30-13	2014	2013
Operating Revenues	$ 15,406	$ 16,101	$ 2,574	$ 2,439
Less, Operating Expenses	82,468	79,701	2,711	3,370
Operating Loss	(67,062)	(63,600)	(137)	(931)
Net Nonoperating Revenues	60,458	58,846	2,820	1,931
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(6,604)	(4,754)	2,683	1,000
Other Revenues, Expenses, Gains, or Losses	6,201	3,609	92	40
Net Increase (Decrease) In Net Position	(403)	(1,145)	2,775	1,040
Net Position, Beginning of Year	66,530	67,675	20,302	19,262
Adjustments to Beginning Net Position (2)			(1,071)	
Net Position, Beginning of Year, as Restated	66,530	67,675	19,231	19,262
Net Position, End of Year	$ 66,127	$ 66,530	$ 22,006	$ 20,302

Notes: (1) For the 2014 year, the amounts reported are for the fiscal year ended June 30, 2014, for the WSRE-TV Foundation, Inc., and for the fiscal year ended December 31, 2013, for the Pensacola State College Foundation, Inc. For the 2013 year, the amounts reported are for the fiscal year ended June 30, 2013, for the WSRE-TV Foundation, Inc., and for the fiscal year ended December 31, 2012, for the Pensacola State College Foundation, Inc.

(2) Beginning net position of the Pensacola State College Foundation, Inc., was decreased by $1,072,011 to correct prior year errors in recognizing certain restricted contributions which, under the terms of a contribution agreement, were subsequently transferred to the PACE Center for Girls, Inc.

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

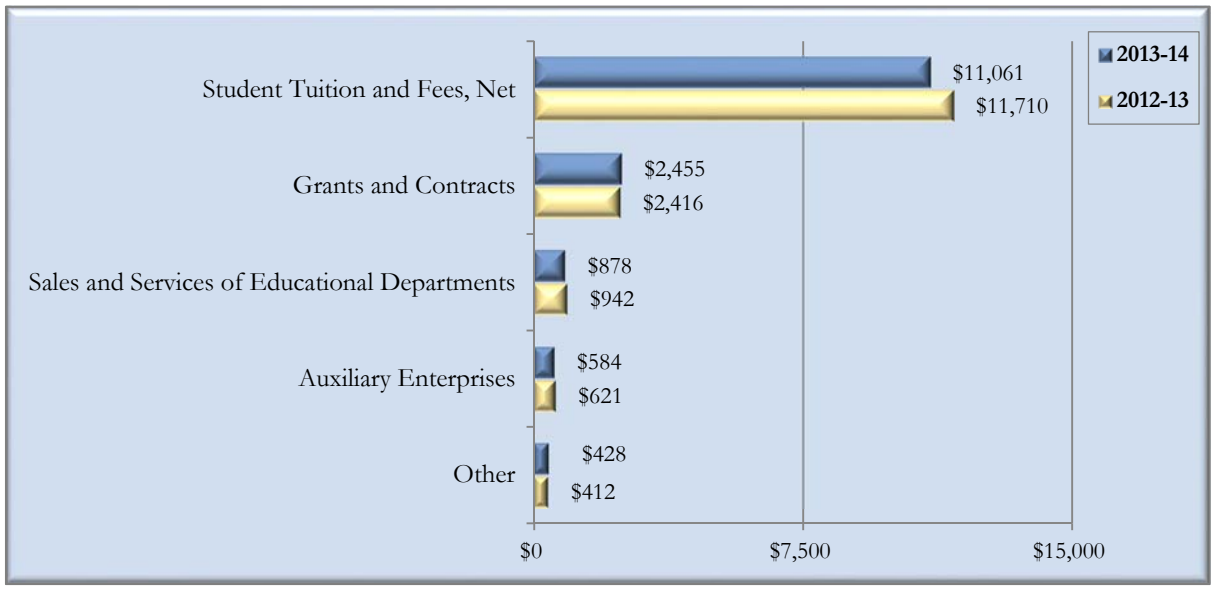
Operating Revenues
For the Fiscal Years Ended
(In Thousands)

	College		Component Units (1)	
	6-30-14	6-30-13	2014	2013
Student Tuition and Fees, Net	$ 11,061	$ 11,710	$	$
Grants and Contracts	2,455	2,416		
Sales and Services of Educational Departments	878	942		
Auxiliary Enterprises	584	621		
Other	428	412	2,574	2,439
Total Operating Revenues	$ 15,406	$ 16,101	$ 2,574	$ 2,439

Note: (1) For the 2014 year, the amounts reported are for the fiscal year ended June 30, 2014, for the WSRE-TV Foundation, Inc., and for the fiscal year ended December 31, 2013, for the Pensacola State College Foundation, Inc. For the 2013 year, the amounts reported are for the fiscal year ended June 30, 2013, for the WSRE-TV Foundation, Inc., and for the fiscal year ended December 31, 2012, for the Pensacola State College Foundation, Inc.

The following chart presents the College's operating revenues for the 2013-14 and 2012-13 fiscal years:

Operating Revenues: College
(In Thousands)



College operating revenues decreased primarily due to a reduction in student tuition and fees resulting from a decline in student enrollment.

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 ended:

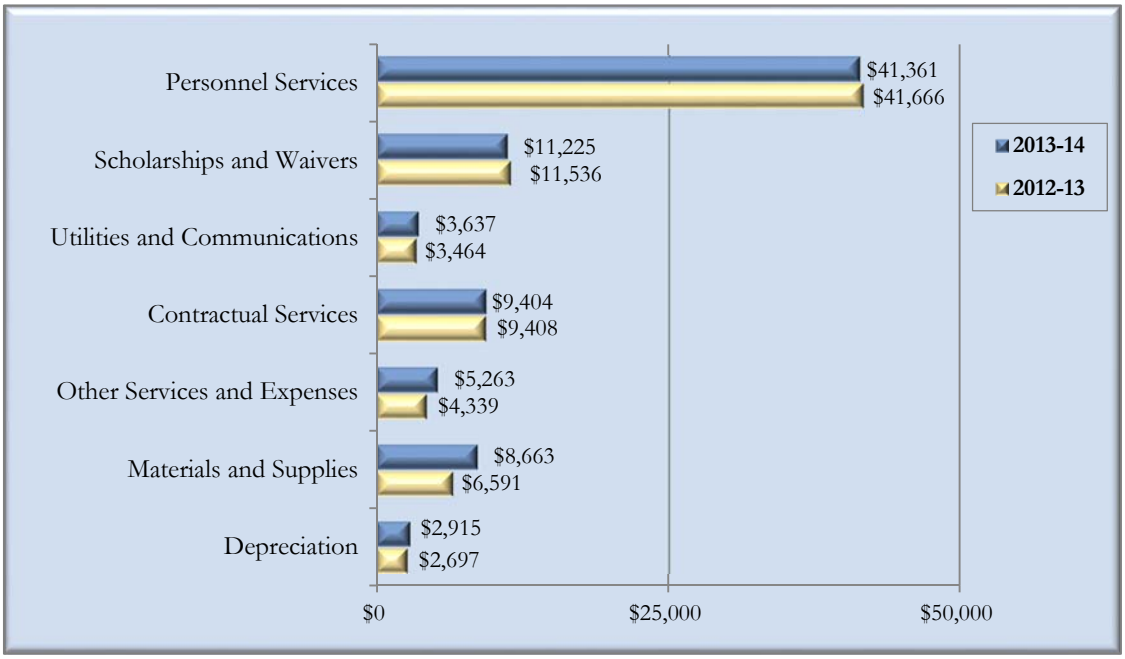
Operating Expenses
For the Fiscal Years Ended
(In Thousands)

	College		Component Units (1)	
	6-30-14	6-30-13	2014	2013
Personnel Services	$ 41,361	$ 41,666	$	$
Scholarships and Waivers	11,225	11,536	611	768
Utilities and Communications	3,637	3,464	15	19
Contractual Services	9,404	9,408	308	349
Other Services and Expenses	5,263	4,339	1,563	2,061
Materials and Supplies	8,663	6,591	207	164
Depreciation	2,915	2,697	7	9
Total Operating Expenses	$ 82,468	$ 79,701	$ 2,711	$ 3,370

Note: (1) For the 2014 year, the amounts reported are for the fiscal year ended June 30, 2014, for the WSRE-TV Foundation, Inc., and for the fiscal year ended December 31, 2013, for the Pensacola State College Foundation, Inc. For the 2013 year, the amounts reported are for the fiscal year ended June 30, 2013, for the WSRE-TV Foundation, Inc., and for the fiscal year ended December 31, 2012, for the Pensacola State College Foundation, Inc.

The following chart presents the College's operating expenses for the 2013-14 and 2012-13 fiscal years:

Operating Expenses: College
(In Thousands)



College operating expenses increased primarily because materials and supplies expenditures were larger than usual due to the interior renovation of Building 3600 on the Warrington Campus and Building 4 on the Pensacola Campus.

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 2013-14 and 2012-13 fiscal years:

Nonoperating Revenues (Expenses): College
(In Thousands)

	2013-14	2012-13
State Noncapital Appropriations	$ 34,333	$ 33,282
Federal and State Student Financial Aid	19,906	21,623
Gifts and Grants	5,095	3,902
Investment Income	94	91
Other Nonoperating Revenues	1,060	94
Gain (Loss) on Disposal of Capital Assets	50	(51)
Interest on Capital Asset-Related Debt	(80)	(95)
Net Nonoperating Revenues	$ 60,458	$ 58,846

Net nonoperating revenues increased primarily due to the following factors:

- State noncapital appropriations increased $1.1 million.
- Federal and State Student Financial aid decreased $1.7 million primarily due to a decline in student enrollment.
- Gifts and grants increased $1.2 million primarily due to dual enrollment revenues received from local public school districts and a local private school.
- Other nonoperating revenues increased $966 thousand due to the receipt of insurance loss recoveries due to flooding in April 2014.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2013-14 and 2012-13 fiscal years:

Other Revenues, Expenses, Gains, or Losses: College
(In Thousands)

	2013-14	2012-13
State Capital Appropriations	$ 1,990	$ 440
Capital Grants, Contracts, Gifts, and Fees	4,211	3,169
Total	$ 6,201	$ 3,609

Other revenues increased primarily due to the awarding of the Trade Adjustment Assistance Community College and Career Training Act welding grant and an increase in PECO funding for general renovations, remodeling, and repairs.

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. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt

activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections. The statement of cash flows also helps users assess:

- An entity's ability to generate future net cash flows.
- Its ability to meet its obligations as they come due.
- Its need for external financing.

The following summarizes the College's cash flows for the 2013-14 and 2012-13 fiscal years:

Condensed Statement of Cash Flows: College
(In Thousands)

	2013-14	2012-13
Cash Provided (Used) by:		
Operating Activities	$ (64,009)	$ (61,153)
Noncapital Financing Activities	59,780	59,228
Capital and Related Financing Activities	4,947	3,774
Investing Activities	97	94
Net Increase in Cash and Cash Equivalents	815	1,943
Cash and Cash Equivalents, Beginning of Year	22,456	20,513
Cash and Cash Equivalents, End of Year	$ 23,271	$ 22,456

Major sources of cash inflows came from State noncapital appropriations ($34.3 million), Federal and State student financial aid ($19.5 million), and net student tuition and fees ($10.6 million). Major cash outflows were for payments to employees ($33.2 million), payments to suppliers ($23.2 million) and payments for scholarships ($11.2 million).

Cash and cash equivalents increased by $815 thousand, or 3.6 percent, because the net cash provided by noncapital financing, capital and related financing, and investing activities exceeded the net cash used by operating activities. The most significant changes in cash flows from the prior fiscal year were increases in payments to suppliers for goods and services, decreases in Federal and State student financial aid receipts, and increases in PECO receipts.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2014, the College had $112.5 million in capital assets, less accumulated depreciation of $62.2 million, for net capital assets of $50.3 million. Depreciation charges for the current fiscal year totaled $2.9 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30: College
(In Thousands)

Capital Assets	2014	2013
Land	$12,680	$12,680
Artwork	117	117
Construction in Progress	6	4
Buildings	33,912	35,466
Other Structures and Improvements	1,407	1,320
Furniture, Machinery, and Equipment	2,192	1,356
Capital Assets, Net	$50,314	$50,943

CAPITAL EXPENSES AND COMMITMENTS

Capital expenses were primarily for the acquisition of furniture, machinery, and equipment. The College had no major construction contract commitments at June 30, 2014.

DEBT ADMINISTRATION

As of June 30, 2014, the College had $1.3 million in long-term debt outstanding as compared to $1.6 million at the end of the prior fiscal year, a decrease of 18.8 percent.

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2013-14 fiscal year, there were no bond sales and debt repayments totaled $366 thousand for principal and interest. 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. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2014-15 fiscal year. The tuition rates for the 2014-15 fiscal year remained the same as the 2013-14 fiscal year. Due to enrollment trends and the current inability to raise tuition, additional State noncapital funding will be necessary for the College to maintain its present level of services into the 2014-15 and 2015-16 fiscal years.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION
June 30, 2014

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 14,631,897	$ 1,959,409
Restricted Cash and Cash Equivalents	1,259,763	242,770
Investments		692,981
Restricted Investments		8,441,959
Accounts Receivable, Net	998,991	61,405
Notes Receivable, Net	128,506	
Due from Other Governmental Agencies	3,251,597	
Due from Component Unit	123,957	
Prepaid Expenses	123,292	88,410
Other Assets	400	160,388
Total Current Assets	20,518,403	11,647,322
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	7,379,660	
Investments		716,234
Restricted Investments	55,590	9,414,597
Other Noncurrent Assets	69,953	689,782
Depreciable Capital Assets, Net	37,511,967	8,679
Nondepreciable Capital Assets	12,802,454	
Total Noncurrent Assets	57,819,624	10,829,292
TOTAL ASSETS	78,338,027	22,476,614
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,248,706	81,177
Salary and Payroll Taxes Payable	1,355,926	
Retainage Payable	16,452	
Unearned Revenue	2,051,867	153,909
Deposits Held for Others	270,891	
Long-Term Liabilities - Current Portion:		
Bonds Payable	305,000	
Compensated Absences Payable	427,033	
Total Current Liabilities	5,675,875	235,086
Noncurrent Liabilities:		
Bonds Payable	1,035,000	
Notes Payable		141,310
Compensated Absences Payable	5,499,978	
Other Long-Term Liabilities		94,462
Total Noncurrent Liabilities	6,534,978	235,772
TOTAL LIABILITIES	12,210,853	470,858

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2014

	College	Component Units
NET POSITION		
Net Investment in Capital Assets	$ 48,974,421	$ 8,679
Restricted:		
Nonexpendable:		
Endowment		8,756,474
Expendable:		
Endowment		5,683,423
Grants and Loans	628,067	
Capital Projects	8,587,027	
Debt Service	35,090	
Other		5,338,058
Unrestricted	7,902,569	2,219,122
TOTAL NET POSITION	$ 66,127,174	$ 22,005,756

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 REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2014

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $11,099,010	$ 11,060,568	$
Federal Grants and Contracts	2,413,060	
Nongovernmental Grants and Contracts	42,593	
Sales and Services of Educational Departments	878,299	
Auxiliary Enterprises	583,708	
Other Operating Revenues	427,509	2,574,488
Total Operating Revenues	15,405,737	2,574,488
EXPENSES		
Operating Expenses:		
Personnel Services	41,361,075	
Scholarships and Waivers	11,225,388	611,187
Utilities and Communications	3,636,922	15,178
Contractual Services	9,403,643	307,889
Other Services and Expenses	5,262,560	1,563,469
Materials and Supplies	8,663,333	206,830
Depreciation	2,914,863	6,771
Total Operating Expenses	82,467,784	2,711,324
Operating Loss	(67,062,047)	(136,836)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	34,333,300	
Federal and State Student Financial Aid	19,906,142	
Gifts and Grants	5,094,626	
Investment Income	94,350	2,825,860
Other Nonoperating Revenues	1,060,184	
Gain on Disposal of Capital Assets	50,008	
Interest on Capital Asset-Related Debt	(80,717)	
Other Nonoperating Expenses		(5,464)
Net Nonoperating Revenues	60,457,893	2,820,396
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(6,604,154)	2,683,560
State Capital Appropriations	1,990,265	
Capital Grants, Contracts, Gifts, and Fees	4,211,225	
Additions to Permanent Endowments		91,582
Total Other Revenues	6,201,490	91,582
Increase (Decrease) in Net Position	(402,664)	2,775,142
Net Position, Beginning of Year	66,529,838	20,302,625
Adjustment to Beginning Net Position		(1,072,011)
Net Position, Beginning of Year, as Restated	66,529,838	19,230,614
Net Position, End of Year	$ 66,127,174	$ 22,005,756

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, 2014

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 10,646,708
Grants and Contracts	2,835,209
Payments to Suppliers	(23,233,020)
Payments for Utilities and Communications	(3,636,922)
Payments to Employees	(33,247,078)
Payments for Employee Benefits	(8,193,606)
Payments for Scholarships	(11,225,388)
Loans Issued to Students	(1,418,011)
Collection on Loans to Students	1,416,914
Auxiliary Enterprises	583,708
Sales and Service of Educational Departments	878,299
Other Receipts	584,499
Net Cash Used by Operating Activities	(64,008,688)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	34,333,300
Federal and State Student Financial Aid	19,496,982
Federal Direct Loan Program Receipts	2,341,581
Federal Direct Loan Program Disbursements	(2,412,524)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	4,991,208
Other Nonoperating Receipts	1,029,217
Net Cash Provided by Noncapital Financing Activities	59,779,764
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	3,503,324
Capital Grants and Gifts	4,037,378
Proceeds from Sale of Capital Assets	30,967
Purchases of Capital Assets	(2,259,094)
Principal Paid on Capital Debt	(285,000)
Interest Paid on Capital Debt	(80,717)
Net Cash Provided by Capital and Related Financing Activities	4,946,858
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	12,818
Investment Income	84,939
Net Cash Provided by Investing Activities	97,757
Net Increase in Cash and Cash Equivalents	815,691
Cash and Cash Equivalents, Beginning of Year	22,455,629
Cash and Cash Equivalents, End of Year	$ 23,271,320

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2014

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (67,062,047)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	2,914,863
Changes in Assets and Liabilities:	
Receivables, Net	480,728
Other Assets	341,713
Accounts Payable	(2,250)
Unearned Revenue	(456,942)
Deposits Held for Others	(174,774)
Compensated Absences Payable	(49,979)
NET CASH USED BY OPERATING ACTIVITIES	$ (64,008,688)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL AND RELATED FINANCING ACTIVITIES	
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 9,411
Gains from the disposal 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.	$ 50,008

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

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 District Board of Trustees. The Board constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by law and State Board of Education rules. However, the District 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 State Board of Education rules. Geographic boundaries of the District correspond with those of 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 District Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the District Board of Trustees are such that exclusion would cause the College's financial statements to be misleading. Based upon 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 Comprehensive Annual 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:

- The 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.
- The 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 are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The audited financial statements for each component unit are available to the public at the College. 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, 2013. 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, 2014. Additional condensed financial statements for the College's component units are included in a subsequent note.

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

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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.

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements
- Other Required Supplementary Information

Basis of Accounting. Basis of accounting refers to when revenues, expenses, related assets, and liabilities 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, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities 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, investment income (net of unrealized gains on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. To the extent that these resources are used to pay student charges, the College records a scholarship allowance against tuition and fees.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash invested with the State Board of Administration (SBA) Florida PRIME investment pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in the SBA Florida PRIME investment pool to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, 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, 2014, the College and the WSRE-TV Foundation, Inc., reported as cash equivalents $3,157,335 and $45,972, respectively, in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2014, 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 40 days as of June 30, 2014. 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 fair value, which is amortized cost.

Capital Assets. College capital assets consist of land; artwork; construction in progress; 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 estimated fair 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

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

a capitalization threshold of $5,000 for tangible personal property and $25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

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

Noncurrent Liabilities. Noncurrent liabilities include bonds payable and compensated absences payable that are not scheduled to be paid within the next fiscal year.

2. ADJUSTMENT TO BEGINNING NET POSITION – COMPONENT UNIT

The beginning net position of the Pensacola State College Foundation, Inc., was decreased by $1,072,011 to correct prior year errors in recognizing certain restricted contributions and interest earnings which, according to the terms of a contribution agreement, were subsequently transferred to the PACE Center for Girls, Inc.

3. INVESTMENTS

The College's Board of Trustees had not adopted a written investment policy. Therefore, pursuant to Section 218.415(17), Florida Statutes, the College is authorized to invest in the Florida PRIME investment pool, administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The College's investments at June 30, 2014, are reported at fair value, as follows:

Investment Type	Amount
SBA Fund B Surplus Trust Fund	$ 20,500
SBA Debt Service	35,090
Total College Investments	$ 55,590

State Board of Administration Fund B Surplus Funds Trust Fund. The Fund B Surplus Funds Trust Fund (Fund B) is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, and is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the SBA, are effected by transferring eligible cash or securities to the Florida PRIME investment pool, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B on December 4, 2007. One hundred

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

percent of such distributions from Fund B are available as liquid balance within the Florida PRIME investment pool.

At June 30, 2014, the College and WSRE-TV Foundation, Inc., reported investments at fair value of $20,500 and $1,387, respectively, in Fund B. Investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.84438408 at June 30, 2014. The weighted-average life (WAL) of Fund B at June 30, 2014, was 2.86 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2014. WAL measures the sensitivity of Fund B to interest rate changes. The investments in Fund B are unrated.

State Board of Administration Debt Service Accounts. The College reported investments totaling $35,090 at June 30, 2014, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Component Units' Investments

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

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Investment Type	Average Maturity	Credit Quality	Fair Value		
			Pensacola State College Foundation, Inc. 12-31-13	WSRE-TV Foundation, Inc. 6-30-14	Total
Federal Agency Obligations					
Government National Mortgage Association II Modified Pass Through Pool #26442	September 2028	(1)	$ 810	$	$ 810
Fixed Income					
Vanguard Short-Term Investment-Grade Fund	3.2 Years	(2)	694,500		694,500
Vanguard Inflation-Protected Securities Fund	8.2 Years	(2)	1,267,572		1,267,572
Vanguard Intermediate-Term Bond Index Fund	7.2 Years	(2)	885,587		885,587
PIMCO Total Return Fund	6.04 Years	(2)	2,554,738		2,554,738
PIMCO Total Return Fund	8.4 Years	(2)		197,648	197,648
Federated Total Return Bond Fund	6.8 Years	(2)		265,278	265,278
Goldman Sachs Strategic Income Fund	5.8 Years	(2)		54,651	54,651
PIMCO Low Duration Fund	3.5 Years	(2)		101,229	101,229
PIMCO All Asset Fund	5.76 Years	(2)	784,341		784,341
Equities					
Vanguard 500 Index Fund	(1)	(1)	5,192,097	217,808	5,409,905
Vanguard Dividend Growth Fund	(1)	(1)	1,791,098		1,791,098
Vanguard Selected Value Fund	(1)	(1)		37,228	37,228
Vanguard Small Cap Index Fund	(1)	(1)	3,029,203		3,029,203
Vanguard Developed Market Index Fund	(1)	(1)	1,279,925		1,279,925
Alliance Bernstein Small Cap Growth	(1)	(1)		37,623	37,623
American EuroPacific Growth Fund	(1)	(1)		48,661	48,661
Fidelity Small Cap Value Fund	(1)	(1)		36,978	36,978
Harbor International Fund	(1)	(1)		47,810	47,810
Mainstay Marketfield Fund	(1)	(1)		21,395	21,395
Munder Midcap Core Growth Fund	(1)	(1)		36,834	36,834
Oppenheimer Developing Markets Fund	(1)	(1)	306,468	29,234	335,702
Sentinel Common Stock Fund Class I	(1)	(1)		217,696	217,696
Other					
Federated Government Obligations	(1)	(1)		127,972	127,972
SBA Fund B Surplus Funds Trust Fund	(3)	(3)		1,387	1,387
Total Component Units' Investments			$ 17,786,339	$ 1,479,432	$ 19,265,771

Notes: (1) Investment risk disclosures are not required for these investments.
(2) These funds are not rated by a nationally recognized statistical rating organization.
(3) SBA Fund B disclosures are detailed on page 20 and 21.

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 7.58 years. The Vanguard Short-Term Investment-Grade Fund had an average effective duration of 2.33 years. The Vanguard Intermediate-Term Bond Index Fund had an average effective duration of 6.48 years. The PIMCO Total Return Fund had an average effective duration of 5.37 years. The PIMCO All Asset Fund had an average effective duration of 3.63 years.

The WSRE-TV Foundation, Inc.'s investment in the PIMCO Total Return Fund had an average effective duration of 5.7 years. The Federated Total Return Bond Fund had an average effective duration of 4.3 years.

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

The PIMCO Low Duration Fund had an average effective duration of 2.8 years. The Goldman Sachs Strategic Income Fund had an average effective duration of 5.11 years.

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

The Pensacola State College Foundation, Inc.'s, investment policy permits investments in equities listed on a national exchange and bonds issued in United States (U.S.) dollars. Uses of leverage in an account (margin or derivative 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 mutual funds.

The WSRE-TV Foundation, Inc.'s, investment policy provides that cash funds or equivalents will generally not exceed 25 percent of investable assets, equity investments will not exceed 60 percent, and fixed income investments will generally not exceed 75 percent. The investment portfolio at June 30, 2014, meets the policy guidelines, with equity investments representing 49.4 percent, fixed income investments representing 41.9 percent, and cash representing 8.7 percent.

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.

Investments of the Pensacola State College Foundation, Inc., are held by Synovus Trust Company, N.A., of Columbus, Georgia, at its sub-custodian, the Bank of New York Mellon. At December 31, 2013, the Foundation's cash balances before outstanding checks totaled approximately $745,228 of which $522,265 was insured by the Federal Depository Insurance Corporation.

The WSRE-TV Foundation, Inc.'s, investment policy does not address custodial credit 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, investment policy provides that investments should produce maximum total return consistent with prudent risk limits. Therefore, the Foundation uses target ranges of 45 to 75 percent in equities with an initial target of 60 percent; 25 to 55 percent in bonds with an initial target of 40 percent; and 5 to 25 percent in small capitalization equities. No more than 20 percent of Foundation assets may be invested in international equities, and no more than 5 percent of Foundation assets may be invested in a diversified portfolio of noninvestment grade bonds. The investments at December 31, 2013, meet the investment policy guidelines.

The WSRE-TV Foundation, Inc., did not have any investments at June 30, 2014, 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.

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

4. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments and contract and grant reimbursements due from third parties. These receivables are reported net of a $714,991 allowance for doubtful accounts.

5. NOTES RECEIVABLE

Notes receivable represent student loans made under the College's short-term loan programs and are reported net of a $104,264 allowance for doubtful notes.

6. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of $1,310,891 of Public Education Capital Outlay allocations due from the State for construction, remodeling, and renovation of College facilities and $616,375 of Federal financial assistance due from the United States Department of Education.

7. DUE FROM COMPONENT UNIT

The $123,957 reported as due from component unit consists of amounts owed to the College by the Pensacola State College Foundation, Inc. (Foundation), for scholarships and student aid. The College's financial statements are reported for the fiscal year ended June 30, 2014. The Foundation's financial statements are reported for the fiscal year ended December 31, 2013. Accordingly, while the College reported an amount as due from component unit on the statement of net position, no amount is reported by the component unit as due to the College.

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 12,679,633	$	$	$ 12,679,633
Artwork	116,700			116,700
Construction in Progress	3,841	6,121	3,841	6,121
Total Nondepreciable Capital Assets	$ 12,800,174	$ 6,121	$ 3,841	$ 12,802,454
Depreciable Capital Assets:				
Buildings	$ 73,270,302	$	$	$ 73,270,302
Other Structures and Improvements	10,759,709	359,340	6,121	11,112,928
Furniture, Machinery, and Equipment	13,578,707	1,935,604	226,068	15,288,243
Total Depreciable Capital Assets	97,608,718	2,294,944	232,189	99,671,473
Less, Accumulated Depreciation:				
Buildings	37,804,135	1,553,776		39,357,911
Other Structures and Improvements	9,439,874	265,350		9,705,224
Furniture, Machinery, and Equipment	12,222,227	1,095,737	221,593	13,096,371
Total Accumulated Depreciation	59,466,236	2,914,863	221,593	62,159,506
Total Depreciable Capital Assets, Net	$ 38,142,482	$ (619,919)	$ 10,596	$ 37,511,967

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

9. UNEARNED REVENUE

Unearned revenue includes restricted grants and contracts and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2014, the College reported the following amounts as unearned revenue:

Description	Amount
Restricted Grants and Contracts	$ 1,569,180
Student Tuition and Fees	301,568
Other Unearned Revenue	181,119
Total Unearned Revenue	$ 2,051,867

10. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2014, include bonds payable and compensated absences payable. Long-term liabilities activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 1,625,000	$	$ 285,000	$ 1,340,000	$ 305,000
Compensated Absences Payable	5,976,990	477,195	527,174	5,927,011	427,033
Total Long-Term Liabilities	$ 7,601,990	$ 477,195	$ 812,174	$ 7,267,011	$ 732,033

Bonds Payable. The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the State Board of Administration (SBA) administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements. The College had the following bonds payable at June 30, 2014:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2005B	$ 1,270,000	5	2018
Series 2009A	70,000	5	2019
Total	$ 1,340,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2014, are as follows:

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Fiscal Year Ending June 30	SBE Capital Outlay Bonds		
	Principal	Interest	Total
2015	$ 305,000	$ 67,000	$ 372,000
2016	320,000	51,750	371,750
2017	340,000	35,750	375,750
2018	360,000	18,750	378,750
2019	15,000	750	15,750
Total	$ 1,340,000	$ 174,000	$ 1,514,000

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, 2014, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $5,927,011. The current portion of the compensated absences liability, $427,033, 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. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for other postemployment benefits provided by the Florida College System Risk Management Consortium (Consortium).

Plan Description. The College contributes to an agent, multiple-employer, defined-benefit plan administered by the Consortium for postemployment benefits. 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 and life insurance benefits. The College subsidizes the group health insurance premium rates paid by retirees by allowing them to participate in the 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 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 program for their primary health coverage as soon as they are eligible. Neither the College nor the Consortium issue a stand-alone annual report for the Plan, and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2013-14 fiscal year, 78 retirees received other postemployment healthcare benefits, and 149 retirees received postemployment life insurance benefits. The College provided required contributions of $62,506 toward the annual OPEB cost, comprised of benefit

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $516,981, which represents 2 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation. The College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the College's annual OPEB cost for the fiscal year, the amount actually contributed to the Plan, and changes in the College's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 31,680
Amortization of Unfunded Actuarial Accrued Liability	41,308
Annual Required Contribution	72,988
Interest on Net OPEB Obligation	(3,196)
Adjustment to Annual Required Contribution	2,664
Annual OPEB Cost (Expense)	72,456
Contribution Toward the OPEB Cost	(62,506)
Increase in Net OPEB Obligation	9,950
Net OPEB Obligation (Asset), Beginning of Year	(79,903)
Net OPEB Obligation (Asset), End of Year (1)	$ (69,953)

Note: (1) Included in Other Noncurrent Assets on the Statement of Net Position.

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2014, and for the two preceding fiscal years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011-12	$ 78,862	121.8%	$ (54,496)
2012-13	78,747	132.3%	(79,903)
2013-14	72,456	86.3%	(69,953)

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was $1,239,244, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $1,239,244 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $25,996,779 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.8 percent.

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2013, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the College's 2013-14 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year, an inflation rate of 3 percent per year, and an annual healthcare cost trend rate of 8.5 percent pre-Medicare and 6.25 percent Medicare for the 2013-14 fiscal year, reduced by decrements to an ultimate rate of 5 percent after 5 years for pre-Medicare and 4 years for Medicare. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2014, was 23 years.

11. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (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 Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight 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 service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

25 years of 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 service. Members of both Plans 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.

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 employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

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. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Florida Retirement System, Special Risk	3.00	19.06
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.
(B) Contribution rates are dependent upon retirement class in which reemployed.

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions including employee contributions for the fiscal years ended June 30, 2012, June 30, 2013, and June 30, 2014, totaled $1,955,818, $2,116,592, and $2,890,612, respectively, which were equal to the required contributions for each fiscal year.

There were 95 College participants in the Investment Plan during the 2013-14 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled $439,580, which was equal to the required contribution for the 2013-14 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services' Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Division of Retirement's Web site (www.frs.myflorida.com).

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 eight 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, on behalf of the participant, 7.34 percent of the participant's salary, less a small amount used to cover administrative costs 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.

There were 24 College participants during the 2013-14 fiscal year. The College's contributions to the Program totaled $91,916 and employee contributions totaled $36,333 for the 2013-14 fiscal year.

Senior Management Service Optional Annuity Program. Section 121.055, Florida Statutes, created the Senior Management Service Optional Annuity Program (Annuity Program) as an optional retirement program for College employees that are members of the FRS Senior Management Service Class.

The Annuity 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. College employees in eligible positions make an irrevocable election to participate in the Annuity Program in lieu of the Senior Management Service Class of FRS, and purchase retirement and death benefits through contracts with participating provider companies. The College contributes 18.31 percent and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by salary reduction, an additional amount not to exceed the

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

percentage contributed by the College. These contributions are invested in the companies selected by the employee to create a fund for the purchase of annuities at retirement.

There was one College participant during the 2013-14 fiscal year. The College's contributions to the Annuity Program totaled $16,738 and employee contributions totaled $2,743 for the 2013-14 fiscal year.

12. 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 for property insurance of up to $125 million to February 28, 2014, and up to $150 million from March 1, 2014. 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 three fiscal years.

13. 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:

Functional Classification	Amount
Instruction	$ 26,787,227
Public Services	3,089,224
Academic Support	5,109,158
Student Services	8,302,400
Institutional Support	12,200,193
Operation and Maintenance of Plant	12,839,331
Scholarships and Waivers	11,225,388
Depreciation	2,914,863
Total Operating Expenses	$ 82,467,784

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

14. 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

	Direct-Support Organizations		Total
	Pensacola State College Foundation, Inc.	WSRE-TV Foundation, Inc.	
Assets:			
Current Assets	$ 10,547,321	$ 1,100,001	$ 11,647,322
Capital Assets, Net		8,679	8,679
Other Noncurrent Assets	9,291,162	1,529,451	10,820,613
Total Assets	19,838,483	2,638,131	22,476,614
Liabilities:			
Current Liabilities	96,263	138,823	235,086
Noncurrent Liabilities	235,772		235,772
Total Liabilities	332,035	138,823	470,858
Net Position:			
Net Investment in Capital Assets		8,679	8,679
Restricted Nonexpendable	8,756,474		8,756,474
Restricted Expendable	9,983,825	1,037,656	11,021,481
Unrestricted	766,149	1,452,973	2,219,122
Total Net Position	$ 19,506,448	$ 2,499,308	$ 22,005,756

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2014

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

	Direct-Support Organizations		Total
	Pensacola State College Foundation, Inc.	WSRE-TV Foundation, Inc.	
Operating Revenues	$ 1,543,860	$ 1,030,628	$ 2,574,488
Depreciation Expense		(6,771)	(6,771)
Operating Expenses	(1,718,285)	(986,268)	(2,704,553)
Operating Income (Loss)	(174,425)	37,589	(136,836)
Net Nonoperating Revenues	2,665,164	155,232	2,820,396
Other Revenues	91,582		91,582
Increase in Net Position	2,582,321	192,821	2,775,142
Net Position, Beginning of Year	17,996,138	2,306,487	20,302,625
Adjustment to Beginning Net Position (1)	(1,072,011)		(1,072,011)
Net Position, Beginning of Year, as Restated	16,924,127	2,306,487	19,230,614
Net Position, End of Year	$ 19,506,448	$ 2,499,308	$ 22,005,756

Note: (1) See note 2 to financial statements for details.

15. RELATED PARTY TRANSACTIONS

The College leases a portion of a College-owned building complex known as the College Centre, together with adjacent parking areas, to the Pensacola State College Foundation, Inc. (Foundation). The leased property is used by the Foundation as apartments for students on athletic scholarships and for coaches or counselors assigned by the College to supervise and counsel the student athletes. The lease requires the Foundation to make annual payments of $44,568 to the College. At the option of the Foundation, the lease is renewable for one-year terms through the 2015-16 fiscal year.

The College also leases College-owned land and buildings located on Metzger Drive, Pensacola, Escambia County, Florida to the Foundation. The leased property is used by the Foundation as residential apartments for the general public. The lease requires the Foundation to make annual payments of $1 to the College. At the option of the Foundation, the lease is renewable for one-year terms through the 2023-24 fiscal year.

PENSACOLA STATE COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	$ -	$ 1,078,469	$ 1,078,469	0%	$ 26,620,835	4.1%
7/1/2011	-	1,223,867	1,223,867	0%	24,529,439	5.0%
7/1/2013	-	1,239,244	1,239,244	0%	25,996,779	4.8%

Note: (1) The OPEB actuarial valuation used the projected unit credit method to estimate the actuarial accured liability.

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

PHONE: 850-412-2722
FAX: 850-488-6975

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 THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 4, 2015, 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.

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) to determine 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the result 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 report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 4, 2015