

PENSACOLA STATE COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2010



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

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Notes: (1) Board member served beyond the end of their term, May 31, 2010.
(2) Position vacant from July 1, 2009, to July 14, 2009.

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 Edward H. Brewton, CPA, and the audit was supervised by James W. Kiedinger, Jr., 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) 922-2263.

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) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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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:

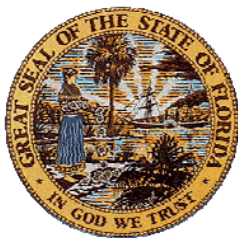
- Presented the College's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied 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, 2010. 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.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT ON 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, 2010, which collectively comprise the College's basic financial statements as shown on pages 11 through 32. These financial statements are the responsibility of College management. 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, as described in note 1 to the financial statements, 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 thereon 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our 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, 2010, and the respective changes in financial position and cash flows thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the Pensacola State College Foundation, Inc. (Foundation), a component unit of the College, changed its fiscal year from July through June to January through December. As a result of this change, the College's financial statements include the Foundation's financial activities for the six-month period ending December 31, 2009. This affects the comparability of amounts reported on the statement of revenues, expenses, and changes in net assets for the aggregate discretely presented component units' column for the 2009-10 fiscal year with amounts reported for the 2008-09 fiscal year.

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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 10 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on pages 33 and 34 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.

Respectfully submitted,



David W. Martin, CPA
December 1, 2010

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, 2010, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management.

COLLEGE NAME CHANGE

The College's Board of Trustees approved the name change from Pensacola Junior College to Pensacola State College on June 15, 2010, pursuant to Section 1001.60(2)(b), Florida Statutes.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$81.6 million at June 30, 2010. This balance reflects a \$2.7 million, or 3.2 percent, decrease from the 2008-09 fiscal year, primarily resulting from the College repaying \$2.2 million to the Florida Department of Education for a Facility Enhancement Challenge Grant Appropriation received in a prior year for which the College no longer met the eligibility requirements for the appropriation. Liabilities decreased by \$3.6 million, or 19 percent, totaling \$15.4 million at June 30, 2010, compared to \$19 million at June 30, 2009. As a result, the College's net assets increased by \$0.9 million, reaching a year-end balance of \$66.3 million.

The College's operating revenues totaled \$15.1 million for the 2009-10 fiscal year, representing a 21 percent increase over the 2008-09 fiscal year due mainly to an increase in Federal grant and contract revenues. Operating expenses totaled \$78.6 million for the 2009-10 fiscal year, representing an increase of 1.3 percent over the 2008-09 fiscal year due mainly to an increase in scholarship expenses.

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 assets; the statement of revenues, expenses, and changes in net assets; 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. (formerly Pensacola Junior 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. The Pensacola State College Foundation, Inc., changed its fiscal year from July through June to January through December, resulting in its financial statements being presented for a six-month period.
- 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 ASSETS AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

One of the most important questions asked about the College's finances is, "Is Pensacola State College as a whole, better or worse off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as Pensacola State College's operating results.

These two statements report Pensacola State College's net assets and changes in them. You can think of the College's net assets, the difference between assets and liabilities, as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indication of whether its financial health is improving or deteriorating. You will need to consider many other nonfinancial factors, such as certain trends, student retention, condition of the buildings, and the safety of the campus, to assess the College's overall financial health.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current fiscal year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

Condensed Statement of Net Assets at (In Thousands)

	College		Component Units (1)	
	6-30-10	6-30-09	2010	2009
Assets				
Current Assets	\$ 32,930	\$ 33,646	\$ 8,388	\$ 7,172
Capital Assets, Net	44,448	44,148	52	56
Other Noncurrent Assets	4,261	6,573	9,842	9,645
Total Assets	81,639	84,367	18,282	16,873
Liabilities				
Current Liabilities	7,311	10,272	581	276
Noncurrent Liabilities	8,059	8,698	75	67
Total Liabilities	15,370	18,970	656	343
Net Assets				
Invested in Capital Assets, Net of Related Debt	42,043	41,473	52	56
Restricted	18,131	22,245	15,103	14,364
Unrestricted	6,095	1,679	2,471	2,110
Total Net Assets	\$ 66,269	\$ 65,397	\$ 17,626	\$ 16,530
Increase in Net Assets	\$ 872	1.3%	\$ 1,096	6.6%

Note: (1) For the 2009 year, the amounts reported are for the fiscal year ended June 30, 2009. For the 2010 year, the amounts are for the fiscal year ended June 30, 2010, for the WSRE-TV Foundation, Inc., and as of December 31, 2009, for the Pensacola State College Foundation, Inc.

The College's other noncurrent assets decreased by \$2.3 million and current liabilities decreased by \$3 million from the 2008-09 fiscal year. This decrease was primarily the result of the College repaying \$2.2 million to the Florida Department of Education for a Facility Enhancement Challenge Grant Appropriation that was reported as due to other governmental agencies at June 30, 2009. Restricted net assets decreased by \$4.1 million from the 2008-09 fiscal year. The decrease was primarily the result of the College repaying the \$2.2 million for the Facility Enhancement Challenge Grant Appropriation and a decrease in Public Education Capital Outlay appropriations in the 2009-10 fiscal year.

Revenues and expenses of the College and its component units for the respective periods ended are shown in the following table:

Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the Periods Ended
(In Thousands)

	College		Component Units (1)	
	6-30-10	6-30-09	2010	2009
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 10,762	\$ 10,433	\$	\$
Federal Grants and Contracts	1,688	17		
State and Local Grants and Contracts	307			
Nongovernmental Grants and Contracts	398	162		
Sales and Services of Educational Departments	1,090	1,128		
Auxiliary Enterprises	406	486		
Other Operating Revenues	416	225	2,268	4,633
Total Operating Revenues	15,067	12,451	2,268	4,633
Less, Operating Expenses	78,569	77,523	3,155	4,372
Operating Income (Loss)	(63,502)	(65,072)	(887)	261
Nonoperating Revenues (Expenses)				
State Appropriations	31,758	34,727		
Other Nonoperating Revenues	27,347	19,783	1,860	516
Other Nonoperating Expenses	(191)	(2,325)		(2,462)
Net Nonoperating Revenues (Expenses)	58,914	52,185	1,860	(1,946)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(4,588)	(12,887)	973	(1,685)
Capital Appropriations	2,565	15,873		
Capital Grants, Contracts, Gifts, and Fees	2,895	1,790		
Additions to Permanent Endowments			123	192
Increase (Decrease) in Net Assets	872	4,776	1,096	(1,493)
Net Assets, Beginning of Year	65,397	60,621	16,530	18,023
Net Assets, End of Year	\$ 66,269	\$ 65,397	\$ 17,626	\$ 16,530

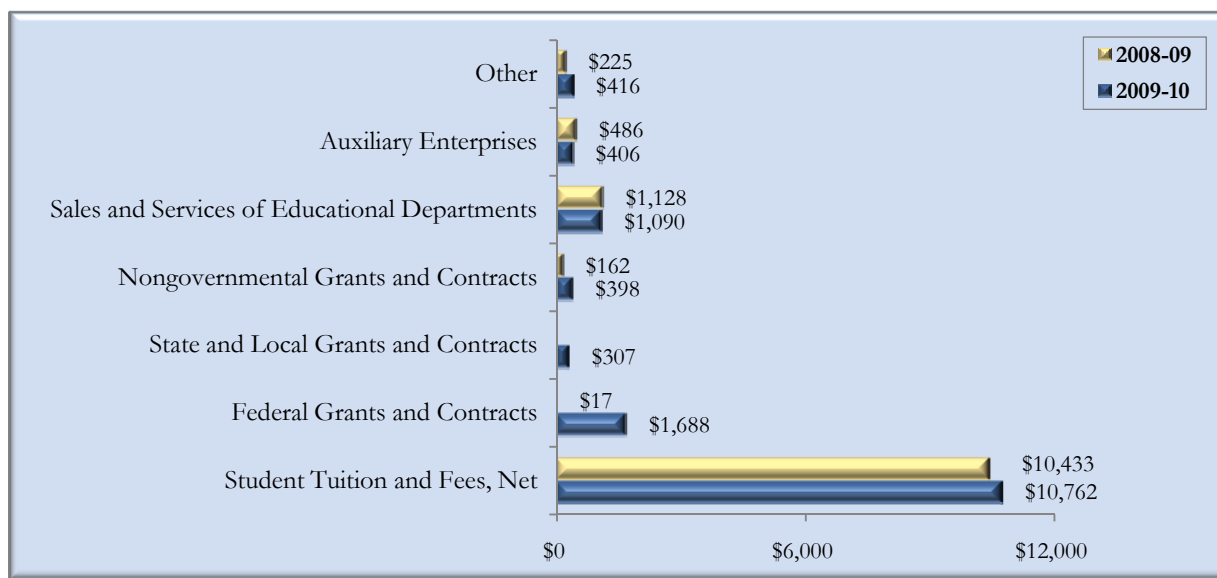
Note: (1) For the 2009 year, the amounts reported are for the fiscal year ended June 30, 2009. For the 2010 year, the amounts are for the fiscal year ended June 30, 2010, for the WSRE-TV Foundation, Inc., and for the six-month period ended December 31, 2009, for the Pensacola State College Foundation, 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 chart presents the College's operating revenues for the 2009-10 and 2008-09 fiscal years:

Operating Revenues: College
(In Thousands)



College operating revenues increased by \$2.6 million primarily due to an increase in Federal grant and contract revenues.

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 assets and has displayed the functional classification in the notes to financial statements.

Operating expenses for the College and its component units for the respective periods ended are presented in the following table:

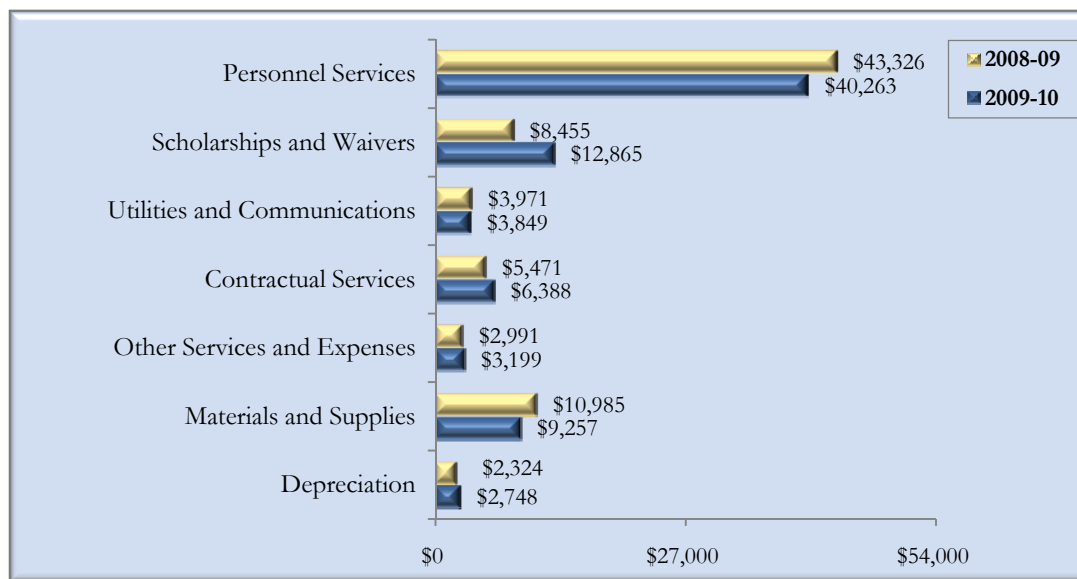
**Operating Expenses
(In Thousands)**

	College		Component Units (1)	
	6-30-10	6-30-09	2010	2009
Operating Expenses				
Personnel Services	\$ 40,263	\$ 43,326	\$	\$
Scholarships and Waivers	12,865	8,455	345	696
Utilities and Communications	3,849	3,971	18	19
Contractual Services	6,388	5,471	436	206
Other Services and Expenses	3,199	2,991	2,115	3,203
Materials and Supplies	9,257	10,985	209	193
Depreciation	2,748	2,324	32	55
Total Operating Expenses	\$ 78,569	\$ 77,523	\$ 3,155	\$ 4,372

Note: (1) For the 2009 year, the amounts reported are for the fiscal year ended June 30, 2009. For the 2010 year, the amounts are for the fiscal year ended June 30, 2010, for the WSRE-TV Foundation, Inc., and for the six-month period ended December 31, 2009, for the Pensacola State College Foundation, Inc.

The following chart presents the College's operating expenses for the 2009-10 and 2008-09 fiscal years:

**Operating Expenses: College
(In Thousands)**



Total College 2009-10 fiscal year operating expenses increased by \$1.1 million, or 1.3 percent, over the 2008-09 fiscal year. An increase in scholarship expenses of \$4.4 million was offset by reductions in personnel services of \$3.1 million and materials and supplies of \$1.7 million. The increase in scholarship expenses was the result of an increase in the number and amount of Federal Pell grants awarded by the College in the 2009-10 fiscal year. The decrease in personnel services and materials and supplies expenses was primarily the result of budget reduction measures taken by the College, including a retirement incentive plan offered to eligible employees at the end of the 2008-09 fiscal year.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State appropriations, 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 2009-10 and 2008-09 fiscal years:

Nonoperating Revenues (Expenses): College (In Thousands)

	<u>2009-10</u>	<u>2008-09</u>
State Appropriations	\$31,758	\$34,727
Gifts and Grants	27,253	19,563
Investment Income	61	137
Other Nonoperating Revenues	33	101
Interest on Capital Asset-Related Debt	(131)	(144)
Loss on Disposal of Capital Assets		(18)
Other Nonoperating Expenses	<u>(60)</u>	<u>(2,181)</u>
Net Nonoperating Revenues	<u>\$58,914</u>	<u>\$52,185</u>

Net nonoperating revenues increased by \$6.7 million, which was the result of the following factors:

- State appropriations decreased by \$3 million, or 8.5 percent, for the 2009-10 fiscal year. This decrease was the result of the State reducing appropriations to the State college system along with reductions in general funding allocations due to the downturn in economic conditions.
- Gifts and grants increased by \$7.7 million, or 39.3 percent, which was primarily the result of an increase of \$7.8 million in Federal Pell grants and the receipt of \$2.7 million in American Recovery and Reinvestment Act funds in the 2009-10 fiscal year.
- Other nonoperating expenses decreased by \$2.1 million, as the result of the recording of an expense and liability in the 2008-09 fiscal year for the repayment of a prior year \$2.2 million Facility Enhancement Challenge Grant Appropriation because the College no longer met the eligibility requirements for the appropriation. The appropriation was repaid in the 2009-10 fiscal year.

Other Revenues, Expenses, Gains, or Losses

This category is composed of capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2009-10 and 2008-09 fiscal years:

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

	<u>2009-10</u>	<u>2008-09</u>
Capital Appropriations	\$ 2,565	\$ 15,873
Capital Grants, Contracts, Gifts, and Fees	<u>2,895</u>	<u>1,790</u>
Total	<u>\$ 5,460</u>	<u>\$ 17,663</u>

Capital appropriations decreased by \$13.3 million, or 83.8 percent, due to a decrease in Public Education Capital Outlay appropriations to the College in the 2009-10 fiscal year.

THE STATEMENT OF CASH FLOWS

Another way to assess the financial health of an institution is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. 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.

A summary of the College's cash flows for the 2009-10 and 2008-09 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College (In Thousands)

	<u>2009-10</u>	<u>2008-09</u>
Cash Provided (Used) by:		
Operating Activities	\$ (62,323)	\$ (62,139)
Noncapital Financing Activities	56,751	53,993
Capital and Related Financing Activities	3,544	10,511
Investing Activities	<u>147</u>	<u>51</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,881)	2,416
Cash and Cash Equivalents, Beginning of Year	<u>20,098</u>	<u>17,682</u>
Cash and Cash Equivalents, End of Year	<u>\$ 18,217</u>	<u>\$ 20,098</u>

Major sources of funds came from State appropriations (\$29.6 million), net student tuition and fees (\$10.8 million), noncapital gifts and grants (\$27.2 million), and capital appropriations (\$5.1 million). Major uses of funds were for payments to employees (\$32.5 million), payments to suppliers (\$19 million), and scholarship payments (\$12.9 million).

Cash and cash equivalents decreased \$1.9 million during the 2009-10 fiscal year, due primarily to the College repaying \$2.2 million to the Florida Department of Education for a Facility Enhancement Challenge Grant Appropriation because the College no longer met the eligibility requirements for the appropriation.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2010, the College had \$97.6 million in capital assets, less accumulated depreciation of \$53.2 million, for net capital assets of \$44.4 million. Depreciation charges for the current fiscal year totaled \$2.7 million. The following table summarizes the College's capital assets at June 30:

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

<u>Capital Assets</u>	<u>2010</u>	<u>2009</u>
Land	\$ 9,751	\$ 9,400
Buildings	63,251	61,450
Other Structures and Improvements	10,406	9,581
Furniture, Machinery, and Equipment	13,611	13,687
Artwork	105	101
Construction in Progress	568	1,785
Total	<u>97,692</u>	<u>96,004</u>
Less, Accumulated Depreciation:		
Buildings	33,315	31,960
Other Structures and Improvements	8,573	8,310
Furniture, Machinery, and Equipment	11,356	11,586
Total Accumulated Depreciation	<u>53,244</u>	<u>51,856</u>
Capital Assets, Net	<u>\$44,448</u>	<u>\$44,148</u>

There were no significant changes in capital assets. More information about the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had \$2.4 million in long-term debt outstanding versus \$2.7 million at the end of the prior fiscal year, a decrease of 10.1 percent. The State Board of Education issues capital outlay bonds on behalf of the College. During the 2009-10 fiscal year, the State Board of Education issued \$52.9 million of State Board of Education Capital Outlay Bonds, Series 2009A. Proceeds from the College's portion of the bonds, \$160,000, was used to refund \$180,000 of outstanding State Board of Education Capital Outlay Bonds, Series 1999A. Debt repayments during the 2009-10 fiscal year totaled \$430 thousand. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Pensacola State 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, if any, increase in State funding is anticipated in the coming year. In response to a decrease in State appropriations, the Board of Trustees increased the tuition rate 8 percent to take effect beginning with the Fall 2010 term. The College's current financial and capital plans indicate that the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

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 ASSETS June 30, 2010

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 13,308,713.93	\$ 925,188.02
Restricted Cash and Cash Equivalents	1,867,211.80	1,457,391.44
Investments		820,731.96
Restricted Investments		4,618,433.13
Accounts Receivable, Net	677,746.41	244,579.10
Notes Receivable, Net	129,675.59	
Due from Other Governmental Agencies	16,340,450.44	
Due from Component Units	308,203.12	
Prepaid Expenses	298,168.28	89,206.21
Other Assets	500.00	232,856.00
Total Current Assets	32,930,669.57	8,388,385.86
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	3,041,655.98	
Restricted Investments	155,158.24	9,095,687.00
Loans and Notes Receivable, Net		461,813.70
Prepaid Expenses	1,017,796.79	
Other Noncurrent Assets	46,140.00	254,851.06
Real Estate Held for Resale		30,000.00
Depreciable Capital Assets, Net	34,024,619.44	51,937.18
Nondepreciable Capital Assets	10,423,596.48	
Total Noncurrent Assets	48,708,966.93	9,894,288.94
TOTAL ASSETS	\$ 81,639,636.50	\$ 18,282,674.80
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 912,613.39	\$ 461,860.92
Salary and Payroll Taxes Payable	2,388,858.75	
Retainage Payable	300,207.70	
Due to Other Governmental Agencies	7,858.55	
Deferred Revenue	2,662,415.01	118,971.71
Deposits Held for Others	430,013.09	
Long-Term Liabilities - Current Portion:		
Bonds Payable	245,000.00	
Compensated Absences Payable	363,598.46	
Total Current Liabilities	7,310,564.95	580,832.63
Noncurrent Liabilities:		
Bonds Payable	2,160,000.00	
Compensated Absences Payable	5,899,401.49	
Other Long-Term Liabilities		75,469.65
Total Noncurrent Liabilities	8,059,401.49	75,469.65
TOTAL LIABILITIES	15,369,966.44	656,302.28

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2010

	<u>College</u>	<u>Component Units</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 42,043,215.92	\$ 51,937.18
Restricted:		
Nonexpendable:		
Endowment		8,209,552.15
Expendable:		
Grants and Loans	725,395.92	627,204.81
Scholarships	(376.00)	
Capital Projects	17,353,541.87	
Debt Service	52,527.86	
Other		6,266,192.15
Unrestricted	<u>6,095,364.49</u>	<u>2,471,486.23</u>
Total Net Assets	<u>66,269,670.06</u>	<u>17,626,372.52</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 81,639,636.50</u>	<u>\$ 18,282,674.80</u>

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

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2010

	<u>College</u>	<u>Component Units</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$9,904,002.95	\$ 10,762,015.47	\$
Federal Grants and Contracts	1,687,619.60	
State and Local Grants and Contracts	307,255.65	
Nongovernmental Grants and Contracts	397,678.18	
Sales and Services of Educational Departments	1,089,567.14	
Auxiliary Enterprises	406,129.00	
Other Operating Revenues	416,211.06	2,268,587.30
Total Operating Revenues	<u>15,066,476.10</u>	<u>2,268,587.30</u>
EXPENSES		
Operating Expenses:		
Personnel Services	40,263,472.68	
Scholarships and Waivers	12,865,000.75	345,513.34
Utilities and Communications	3,849,065.88	17,894.17
Contractual Services	6,387,700.58	435,598.11
Other Services and Expenses	3,198,480.66	2,114,971.33
Materials and Supplies	9,257,345.40	209,360.65
Depreciation	2,747,742.99	31,846.96
Total Operating Expenses	<u>78,568,808.94</u>	<u>3,155,184.56</u>
Operating Loss	<u>(63,502,332.84)</u>	<u>(886,597.26)</u>
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	31,757,658.95	
Gifts and Grants	27,252,505.38	
Investment Income	61,064.42	263,102.24
Net Gain on Investments		1,593,962.61
Other Nonoperating Revenues	33,319.55	2,675.00
Interest on Capital Asset-Related Debt	(130,907.20)	
Other Nonoperating Expenses	(59,647.70)	
Net Nonoperating Revenues	<u>58,913,993.40</u>	<u>1,859,739.85</u>
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	<u>(4,588,339.44)</u>	<u>973,142.59</u>
Capital Appropriations	2,564,976.00	
Capital Grants, Contracts, Gifts, and Fees	2,895,745.49	
Additions to Permanent Endowments		122,952.89
Total Other Revenues	<u>5,460,721.49</u>	<u>122,952.89</u>
Increase in Net Assets	872,382.05	1,096,095.48
Net Assets, Beginning of Year	<u>65,397,288.01</u>	<u>16,530,277.04</u>
Net Assets, End of Year	<u>\$ 66,269,670.06</u>	<u>\$ 17,626,372.52</u>

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

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2010

	<u>College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 10,844,386.51
Grants and Contracts	2,465,283.94
Payments to Suppliers	(19,013,144.91)
Payments for Utilities and Communications	(3,849,065.88)
Payments to Employees	(32,516,048.23)
Payments for Employee Benefits	(8,340,922.59)
Payments for Scholarships	(12,865,000.75)
Net Loans Issued to Students	(6,032.75)
Auxiliary Enterprises	406,129.00
Sales and Service of Educational Departments	1,089,567.14
Other Payments	(538,084.42)
Net Cash Used by Operating Activities	<u>(62,322,932.94)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	29,569,023.55
Gifts and Grants Received for Other Than Capital or Endowment Purposes	27,182,289.98
Net Cash Provided by Noncapital Financing Activities	<u>56,751,313.53</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	5,054,681.72
Capital Grants, Contracts, Gifts, and Fees	2,554,832.19
Purchases of Capital Assets	(3,664,295.47)
Proceeds from Capital Debt Issuance	160,000.00
Principal Paid on Capital Debt	(430,000.00)
Interest Paid on Capital Debt	(130,907.20)
Net Cash Provided by Capital and Related Financing Activities	<u>3,544,311.24</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale of Investments	34,324.38
Investment Income	112,443.47
Net Cash Provided by Investing Activities	<u>146,767.85</u>
Net Decrease in Cash and Cash Equivalents	(1,880,540.32)
Cash and Cash Equivalents, Beginning of Year	<u>20,098,122.03</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 18,217,581.71</u></u>

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2010

	<u>College</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (63,502,332.84)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	2,747,742.99
Changes in Assets and Liabilities:	
Receivables, Net	(74,133.57)
Other Assets	(892,401.91)
Accounts Payable	(449,216.25)
Deferred Revenue	242,922.53
Deposits Held for Others	(61,893.57)
Compensated Absences Payable	(278,082.51)
Other Postemployment Benefits Payable	(55,537.81)
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (62,322,932.94)</u></u>

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

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of Pensacola State College¹, 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 *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 or incomplete. Based upon the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activity 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. (formerly Pensacola Junior College Foundation, Inc.): This organization provides funding and services to support and foster the pursuit of higher education at the College.
- The WSRE-TV Foundation, Inc.: This 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.

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 six-month period ended December 31, 2009. 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, 2010. The Pensacola State College Foundation, Inc., changed its fiscal year from July through June to January through December resulting in its financial statements being presented for a six-month period. This affects the comparability of amounts reported on the statement of revenues, expenses, and changes in

¹ The College's Board of Trustees approved the name change from Pensacola Junior College to Pensacola State College on June 15, 2010, pursuant to Section 1001.60(2)(b), Florida Statutes.

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

net assets for the aggregate discretely presented component units' column for the 2009-10 fiscal year with amounts reported for the 2008-09 fiscal year. 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 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 the Governmental Accounting Standards Board (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 Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
 - Notes to Financial Statements
- Other Required Supplementary Information

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and 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'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 for State and local governmental entities.

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

The College follows GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless the FASB pronouncements conflict with GASB pronouncements. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Accounting*, the College has the option to elect to apply all pronouncements of FASB issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

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 appropriations, Federal and State student financial aid, investment income (net of unrealized gains or losses on investments), and revenues for capital construction projects. Interest on capital asset-related debt is a nonoperating expense.

The statement of net assets 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 assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences 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 with the State Board of Administration (SBA) Florida PRIME Investment Pool, formerly known as the Local Government Surplus Funds Trust Fund 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

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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, 2010, the College and the WSRE-TV Foundation, Inc., reported as cash equivalents at fair value \$2,985,812.60 and \$135,065.74 respectively, of moneys held in the Florida PRIME Investment Pool administered by the SBA pursuant to Section 218.405, Florida Statutes. 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, 2010, 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 46 days as of June 30, 2010. 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 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 principal amounts of bonds payable and compensated absences payable that are not scheduled to be paid within the next fiscal year.

2. INVESTMENTS

The College's Board of Trustees had not adopted a written investment policy. As such, pursuant to Section 218.415(17), Florida Statutes, the College is authorized to invest in the Florida PRIME Investment Pool; 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

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

nationally recognized rating agency. State Board of Education Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments. 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, 2010, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B Surplus Funds Trust Fund	\$102,630.38
State Board of Administration Debt Service Accounts	<u>52,527.86</u>
Total College Investments	<u>\$ 155,158.24</u>

State Board of Administration Fund B Surplus Funds Trust Fund

On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund to establish the Fund B Surplus Funds Trust Fund (Fund B). Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, 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. One hundred percent of such distributions from Fund B are available as liquid balance within the Florida PRIME Investment Pool.

At June 30, 2010, the College and WSRE-TV Foundation, Inc., reported investments at fair value of \$102,630.38 and \$6,538.00, respectively, for amounts held in Fund B. Investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.67353149 at June 30, 2010. The weighted-average life (WAL) of Fund B at June 30, 2010, was 8.05 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, 2010. WAL measures the sensitivity of Fund B to interest rate changes. The College's and WSRE-TV Foundation, Inc.'s investments in Fund B are unrated.

State Board of Administration Debt Service Accounts

The College reported investments at fair value totaling \$52,527.86 at June 30, 2010, in the State Board of Administration 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 State Board of Administration 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.

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Component Units' Investments

Investments reported for the component units are reported at fair value as follows:

Investment Type	Average Maturity	Credit Quality	Fair Value		
			Pensacola State College Foundation, Inc. 12-31-09 (1)	WSRE-TV Foundation, Inc. 6-30-10	Total
Investment in Debt Obligations and Mutual Funds:					
Governmental National Mortgage Association II Modified Pass Thru Pool #2644	September 2028	(2)	\$ 1,606.55	\$	\$ 1,606.55
PIMCO All Asset Fund	10.8 Years	A	982,815.15		982,815.15
PIMCO Funds Low Duration	2.9 Years	AA-		84,161.00	84,161.00
PIMCO Total Return	6.6 Years	AA-		170,822.00	170,822.00
Vanguard Fixed Income Securities - Inflation Protected Securities	9.1 Years	AAA	1,419,559.02		1,419,559.02
Federated Total Return Bond Fund	6.2 Years	A		309,665.00	309,665.00
Total Investment in Debt Obligations and Mutual Funds			2,403,980.72	564,648.00	2,968,628.72
Other Investments:					
Certificates of Deposit	(2)	(2)		7,989.00	7,989.00
Daily Valued Stock Index Fund	(2)	(2)	4,819,861.53		4,819,861.53
SMAM Government/Credit Index Fund	(2)	(2)	3,506,300.34		3,506,300.34
International Stock Index Fund	(2)	(2)	1,559,288.49		1,559,288.49
Small CAP Stock Index Fund	(2)	(2)	1,166,606.70		1,166,606.70
Vanguard Index Fund	(2)	(2)	91,494.31		91,494.31
Money Market, CB&T	(2)	(2)		80,648.00	80,648.00
ICM Small Company Portfolio	(2)	(2)		11,520.00	11,520.00
American Europacific Growth Fund A	(2)	(2)		23,075.00	23,075.00
Harbor International Fund	(2)	(2)		23,345.00	23,345.00
Lazard Emerging Markets	(2)	(2)		15,689.00	15,689.00
Leuthold Asset Allocation Fund	(2)	(2)		23,456.00	23,456.00
Munder Midcap Core Growth Fund	(2)	(2)		17,275.00	17,275.00
Sentinel Common Stock Fund Class I	(2)	(2)		184,067.00	184,067.00
Sentinel Small Company Fund	(2)	(2)		12,153.00	12,153.00
Sentinel Mid Cap Value Fund	(2)	(2)		16,917.00	16,917.00
SBA Fund B Surplus Funds Trust Fund	(3)	(3)		6,538.00	6,538.00
Total Component Units Investments			\$ 13,547,532.09	\$ 987,320.00	\$ 14,534,852.09

Notes: (1) The Pensacola State College Foundation, Inc., changed its fiscal year from July through June to January through December. Investments are reported as of December 31, 2009.

(2) Disclosure of maturity or credit quality is not required for these investments.

(3) See disclosures for this investment on page 20.

The Pensacola State College Foundation, Inc.'s, investment policy provides that investments should produce maximum total return consistent with prudent risk limits. To achieve this policy, the Foundation uses targets of 45 to 75 percent in equities, 25 to 55 percent in bonds, 5 to 25 percent in small capitalization equities, no more than 20 percent in international equities, and no more than 5 percent in a diversified portfolio on noninvestment grade bonds. The Foundation's investment policy does not place specific limits on maturities or credit quality.

The WSRE-TV Foundation, Inc., investment policy provides that cash and cash equivalents not exceed 25 percent of investable assets; equities not exceed 50 percent, and fixed income not exceed 75 percent.

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

The Pensacola State College Foundation, Inc., has no formal investment policy that limits investment maturities. As of December 31, 2009, the PIMCO All Asset Fund had an average duration of 6.7 years and

**PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

an average maturity of 10.8 years, and the Vanguard Fixed Income Securities – Inflation Protected Securities had an average duration of 4.2 years and an average maturity of 9.1 years.

The WSRE TV Foundation, Inc., has no formal investment policy that limits investment maturities. As of June 30, 2010, the Federated Total Return Bond Fund had an average duration of 4.3 years and an average maturity of 6.2 years, the PIMCO Total Return Fund had an average duration of 4.8 years and an average maturity of 6.6 years, and the PIMCO Low Duration Fund had an average duration of 2.2 years and an average maturity of 2.9 years.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments and financial aid overawards. These receivables are reported net of a \$351,207.43 allowance for uncollectible accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the College's short-term loan program and are reported net of a \$94,867.69 allowance for uncollectible notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$14,636,870.11 of Public Education Capital Outlay allocations due from the State for construction, renovation, and maintenance of College facilities.

6. DUE FROM AND TO COMPONENT UNITS/COLLEGE

The amount reported as due from component units consists of amounts owed to the College by the Pensacola State College Foundation, Inc., for scholarships and student aid. The College's financial statements are reported for the fiscal year ended June 30, 2010. The Pensacola State College Foundation, Inc.'s, financial statements are reported for the six-month period ended December 31, 2009. Accordingly, while the College reported an amount as due from component units on the statement of net assets, no amount is reported by the component units as due to the College.

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, is shown below:

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 9,399,601.81	\$ 350,935.52	\$	\$ 9,750,537.33
Artwork	101,100.00	3,500.00		104,600.00
Construction in Progress	1,785,027.60	568,459.15	1,785,027.60	568,459.15
Total Nondepreciable Capital Assets	\$ 11,285,729.41	\$ 922,894.67	\$ 1,785,027.60	\$ 10,423,596.48
Depreciable Capital Assets:				
Buildings	\$ 61,450,080.66	\$ 1,801,075.01	\$	\$ 63,251,155.67
Other Structures and Improvements	9,580,955.67	825,395.20		10,406,350.87
Furniture, Machinery, and Equipment	13,687,791.02	1,385,345.85	1,461,909.54	13,611,227.33
Total Depreciable Capital Assets	84,718,827.35	4,011,816.06	1,461,909.54	87,268,733.87
Less, Accumulated Depreciation:				
Buildings	31,960,043.38	1,355,009.98		33,315,053.36
Other Structures and Improvements	8,310,115.78	262,574.28		8,572,690.06
Furniture, Machinery, and Equipment	11,586,074.12	1,130,158.73	1,359,861.84	11,356,371.01
Total Accumulated Depreciation	51,856,233.28	2,747,742.99	1,359,861.84	53,244,114.43
Total Depreciable Capital Assets, Net	\$ 32,862,594.07	\$ 1,264,073.07	\$ 102,047.70	\$ 34,024,619.44

8. DEFERRED REVENUE

Deferred 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, 2010, the College reported the following amounts as deferred revenue:

Description	Amount
Restricted Grants and Contracts	\$ 2,237,139.27
Student Tuition and Fees	375,775.74
Other Deferred Revenues	49,500.00
Total Deferred Revenue	\$ 2,662,415.01

9. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2010, include bonds payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2010, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 2,675,000.00	\$ 160,000.00	\$ 430,000.00	\$ 2,405,000.00	\$ 245,000.00
Compensated Absences Payable	6,541,082.46	1,503,291.99	1,781,374.50	6,262,999.95	363,598.46
Other Postemployment Benefits Payable	55,537.81	28,097.19	83,635.00		
Total Long-Term Liabilities	\$ 9,271,620.27	\$ 1,691,389.18	\$ 2,295,009.50	\$ 8,667,999.95	\$ 608,598.46

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Bonds Payable. The State Board of Education 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 State Board of Education and the State Board of Administration 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, 2010:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds:			
Series 2005B	\$ 2,275,000	5	2018
Series 2009A	130,000	3 - 5	2019
Total	\$ 2,405,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2011	\$ 245,000	\$ 119,650	\$ 364,650
2012	260,000	107,700	367,700
2013	275,000	94,850	369,850
2014	285,000	81,250	366,250
2015	305,000	67,000	372,000
2016-2019	1,035,000	107,000	1,142,000
Total	\$ 2,405,000	\$ 577,450	\$ 2,982,450

On August 15, 2009, the State Board of Education issued \$52,915,000 of State Board of Education Capital Outlay Bonds, Series 2009A. The College's portion of the bonds, \$160,000, was used to refund \$180,000 of outstanding State Board of Education Capital Outlay Bonds, Series 1999A. The proceeds of the bond issue were deposited in a trust fund with the State Board of Administration (SBA) to provide for all future debt service payments on the bonds. The assets with the SBA and the liability for the refunded bonds are not included on the College's statement of net assets. As a result of the refunding, the College had a debt service savings of \$14,602.59 and obtained an economic gain of \$12,806.67.

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 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, 2010, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$6,262,999.95. The current portion of the compensated absences liability was

PENSACOLA STATE COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

determined by calculating percentages using the actual payout for sick and annual leave for the last nine fiscal years divided by the previous fiscal year's total compensated absences liability. The percentages were then averaged, and the resulting percentage was applied to the June 30, 2010, compensated absences liability to determine the current portion.

Other Postemployment Benefits Payable. The College follows Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain other postemployment benefits provided by the Florida College System Risk Management Consortium (Consortium) and life insurance benefits through purchased commercial insurance.

Plan Description. The College contributes to an agent, multiple-employer, defined-benefit plan administered by the Consortium for postemployment healthcare benefits and has a single-employer defined-benefit plan for life insurance 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 premium rates paid by retirees by allowing them to participate in the plans 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 plans 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 plans and they are 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 the 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 plans are financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 114 retirees received postemployment healthcare benefits, and 118 retirees received postemployment life insurance benefits. The College provided required contributions of \$129,775 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claim expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$658,665.

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 Governmental Accounting Standards Board 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 year, the amount actually contributed to the plans, and changes in the College's net OPEB obligation:

PENSACOLA STATE COLLEGE
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JUNE 30, 2010

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 17,480.00
Amortization of Unfunded Actuarial Accrued Liability	<u>37,027.00</u>
Annual Required Contribution	54,507.00
Interest on Net OPEB Obligation	878.00
Adjustment to Annual Required Contribution	<u>(27,287.81)</u>
Annual OPEB Cost (Expense)	28,097.19
Contribution Toward the OPEB Cost	<u>(129,775.00)</u>
Decrease in Net OPEB Obligation	(101,677.81)
Net OPEB Obligation, Beginning of Year	<u>55,537.81</u>
Net OPEB Contributions (Asset), End of Year	<u><u>\$ (46,140.00)</u></u>

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation (asset) as of June 30, 2010, and for the transition and preceding years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
Beginning Balance, July 1, 2007	\$		\$
2007-08	66,746.00	43.3%	37,857.00
2008-09	66,619.81	73.5%	55,537.81
2009-10	28,097.19	461.9%	(46,140.00)

Funded Status and Funding Progress. As of July 1, 2009, the most recent valuation date, the actuarial accrued liability for benefits was \$1,078,469 and the actuarial value of assets was \$46,140, resulting in an unfunded actuarial accrued liability of \$1,032,329 and a funded ratio of 4.3 percent. The covered payroll (annual payroll of active participating employees) was \$26,620,835 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.9 percent.

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

**PENSACOLA STATE COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

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, 2009, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the College's 2009-10 fiscal year ARC. This method was selected because it is the same method used in the private sector for determination of retiree medical liabilities. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3 percent rate of return on invested assets, which is the College's expectation of investment returns. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 8 percent initially for the 2009-10 fiscal year, reduced by 0.2 percent per year for two years, then 0.1 to 0.2 percent per year thereafter, to an ultimate rate of 4.5 percent after 16 years. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll amortized over 30 years. The remaining amortization period at June 30, 2010, was 27 years.

10. 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 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. 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), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military 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 and 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.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2009-10 fiscal year were as follows:

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Teachers' Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class or plan in which reemployed.

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, 2008, June 30, 2009, and June 30, 2010, totaled \$2,581,970.42, \$2,518,911.28, and \$2,373,620.53, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer 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 PEORP vest at one year of service. There were 67 College participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$217,295.59.

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. 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 Department of Management Services, Division of Retirement.

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

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JUNE 30, 2010

designed to aid colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for six 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, 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account.

There were 34 College participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled \$173,885.07.

11. CONSTRUCTION COMMITMENTS

The College's construction commitments at June 30, 2010, are as follows:

Project Description	Total Contract	Completed to Date	Balance Committed
Trane Project Phase IV:			
Contractor	\$ 1,330,639.51	\$ 1,296,449.18	\$ 34,190.33
Building 5 Student Center Renovation:			
Consultant	26,875.62	26,230.62	645.00
Contractor	255,076.09	245,076.09	10,000.00
Building 12 Renovation:			
Consultant	33,275.00	8,245.00	25,030.00
South Santa Rosa Center:			
Consultants	821,992.00	565,679.15	256,312.85
Warrington Campus Guardrail Replacement:			
Consultant	15,277.00	10,277.00	5,000.00
Contractor	167,998.00		167,998.00
Warrington Campus Exterior Improvements and Master Plan:			
Consultant	191,682.00		191,682.00
Total	\$ 2,842,815.22	\$ 2,151,957.04	\$ 690,858.18

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

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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 is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$175 million through February 28, 2010, and up to \$150 million effective March 1, 2010. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health and hospitalization, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Life insurance coverage is provided through purchased commercial insurance.

13. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the College Program Fund administered by the Florida Department of Education under the provisions of Section 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college's apportionment considering the following components: base budget, which includes the State appropriation to the College Program Fund in the current year plus the related student tuition and fees assigned in the current General Appropriations Act; the cost-to-continue allocation, which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which are determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates are deducted from the sum of these components to determine the net annual State apportionment to each college.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay money, to the College on an annual basis. The College is authorized to receive and expend these resources only upon applying for and receiving an encumbrance authorization from the Florida Department of Education.

The following is a summary of State revenue sources and amounts:

<u>Source</u>	<u>Amount</u>
College Program Fund	\$ 27,788,960.00
Education Enhancement Trust Fund (Lottery)	3,920,481.00
Bright Futures Scholarship Program	2,244,022.12
Gross Receipts Tax (Public Education Capital Outlay)	2,125,524.00
Florida Student Assistance Grants	1,718,920.00
Restricted Contracts and Grants	459,588.45
Motor Vehicle License Tax (Capital Outlay and Debt Service)	439,452.00
Other State Sources	139,555.95
Total	<u>\$ 38,836,503.52</u>

PENSACOLA STATE COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

14. 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 assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 24,937,029.59
Public Services	3,161,954.20
Academic Support	4,152,562.50
Student Services	7,013,342.52
Institutional Support	10,057,870.12
Operation and Maintenance of Plant	13,633,306.27
Scholarships and Fellowships	12,865,000.75
Depreciation	2,747,742.99
Total Operating Expenses	\$ 78,568,808.94

15. COMPONENT UNITS

The College has two 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:

PENSACOLA STATE COLLEGE
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JUNE 30, 2010

	Direct-Support Organizations		Total
	Pensacola State College Foundation, Inc.	WSRE-TV Foundation, Inc.	
Condensed Statement of Net Assets			
Assets:			
Current Assets	\$ 7,114,810.87	\$ 1,273,574.99	\$ 8,388,385.86
Capital Assets, Net		51,937.18	51,937.18
Other Noncurrent Assets	8,824,037.05	1,018,314.71	9,842,351.76
Total Assets	15,938,847.92	2,343,826.88	18,282,674.80
Liabilities:			
Current Liabilities	354,891.92	225,940.71	580,832.63
Noncurrent Liabilities	75,469.65		75,469.65
Total Liabilities	430,361.57	225,940.71	656,302.28
Net Assets:			
Invested in Capital Assets		51,937.18	51,937.18
Restricted	14,475,744.30	627,204.81	15,102,949.11
Unrestricted	1,032,742.05	1,438,744.18	2,471,486.23
Total Net Assets	\$ 15,508,486.35	\$ 2,117,886.17	\$ 17,626,372.52
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			
Operating Revenues	\$ 602,973.94	\$ 1,665,613.36	\$ 2,268,587.30
Operating Expenses	1,741,847.09	1,413,337.47	3,155,184.56
Operating Income (Loss)	(1,138,873.15)	252,275.89	(886,597.26)
Net Nonoperating Revenues	1,774,139.61	85,600.24	1,859,739.85
Other Revenues	122,952.89		122,952.89
Increase in Net Assets	758,219.35	337,876.13	1,096,095.48
Net Assets, Beginning of Year	14,750,267.00	1,780,010.04	16,530,277.04
Net Assets, End of Year	\$ 15,508,486.35	\$ 2,117,886.17	\$ 17,626,372.52

16. 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 \$36,000 to the College. At the option of the Foundation, the lease is renewable for one-year terms through the 2015-16 fiscal year.

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

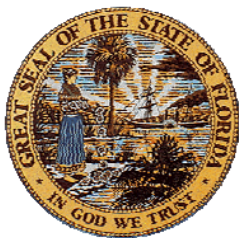
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 744,307	\$ 744,307	0%	\$29,274,729	2.5%
7/1/2009	\$ 46,140	\$ 1,078,469	\$ 1,032,329	4.3%	\$26,620,835	3.9%

**PENSACOLA STATE COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010**

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLANS

The July 1, 2009, actuarial liability of \$1,078,469 was significantly higher than the July 1, 2007, liability of \$744,307. This approximate \$334,000 increase was due to expected growth of liabilities over time and demographic changes totaling \$325,000. The liability further increased by \$250,000 resulting from changes in claims costs and the updated trend assumption. These increases were offset by a decrease in the actuarial accrued liability of \$241,000 as a result of updated participation data, withdrawal, and mortality assumptions.

The College has not 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. However, based on the July 1, 2009, actuarial valuation the College's contributions toward the annual OPEB costs for the 2009-10 fiscal year exceeded the annual OPEB costs plus the net OPEB obligation at June 30, 2009, by \$46,140. The excess contribution is reported as other noncurrent assets on the College's June 30, 2010, statement of net assets.



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

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

We have audited the financial statements of Pensacola State College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2010, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to 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. Other auditors 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, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
December 1, 2010