

# PENSACOLA STATE COLLEGE

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2011



## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2010-11 fiscal year are listed below:

	<u>County</u>
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Carol H. Carlan	Escambia
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Deidre L. Young (2)	Escambia

Dr. Charles E. Meadows, President

- Notes: (1) Board member served beyond the end of their term May 31, 2011.  
(2) Board member served beyond the end of their term May 31, 2010.

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 Debbie S. Jabaley, 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](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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PENSACOLA STATE COLLEGE  
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## EXECUTIVE SUMMARY

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### 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, 2011. 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. The results of our operational audit of the College are included in our report No. 2012-068.

### 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

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



PHONE: 850-488-5534  
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 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, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. 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, 2011, 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.

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, SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN, and NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**, 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.

Respectfully submitted,



David W. Martin, CPA  
March 12, 2012

## 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, 2011, 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. The MD&A contains financial activities of the College for the fiscal years ended June 30, 2010, and June 30, 2011, and its component units, the Pensacola State College Foundation, Inc., for the years ended December 31, 2009, and December 31, 2010, and the WSRE-TV Foundation, Inc., for the fiscal years ended June 30, 2010, and June 30, 2011.

### FINANCIAL HIGHLIGHTS

The College's assets totaled \$85.9 million at June 30, 2011. This balance reflects a \$4.3 million, or 5.3 percent, increase from the 2009-10 fiscal year, resulting from increases in nondepreciable capital assets and cash and cash equivalents. While assets grew, liabilities decreased by \$0.8 million, or 5.2 percent, totaling \$14.6 million at June 30, 2011, compared to \$15.4 million at June 30, 2010. As a result, the College's net assets increased by \$5.1 million, reaching a year-end balance of \$71.3 million.

The College's operating revenues totaled \$16.1 million for the 2010-11 fiscal year, representing a 6.6 percent increase over the 2009-10 fiscal year due mainly to an increase in student tuition and fees and additional auxiliary enterprises revenue. Operating expenses totaled \$80.5 million for the 2010-11 fiscal year, representing an increase of 2.4 percent over the 2009-10 fiscal year due mainly to increases in personnel services expenses, contractual expenses, and scholarships and waivers.

### 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. (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 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 and are presented 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)	
	6-30-11	6-30-10	2011	2010
<b>Assets</b>				
Current Assets	\$ 31,174	\$ 32,930	\$ 9,965	\$ 8,388
Capital Assets, Net	49,269	44,448	40	52
Other Noncurrent Assets	5,470	4,261	10,324	9,842
<b>Total Assets</b>	<b>85,913</b>	<b>81,639</b>	<b>20,329</b>	<b>18,282</b>
<b>Liabilities</b>				
Current Liabilities	6,912	7,311	517	581
Noncurrent Liabilities	7,660	8,059	83	75
<b>Total Liabilities</b>	<b>14,572</b>	<b>15,370</b>	<b>600</b>	<b>656</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	47,109	42,043	40	52
Restricted	14,879	18,131	17,361	15,103
Unrestricted	9,353	6,095	2,328	2,471
<b>Total Net Assets</b>	<b>\$ 71,341</b>	<b>\$ 66,269</b>	<b>\$ 19,729</b>	<b>\$ 17,626</b>
<b>Increase in Net Assets</b>	<b>\$ 5,072</b>	7.7%	<b>\$ 2,103</b>	11.9%

Note: (1) For the 2010 year, the amounts reported 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. For the 2011 year, the amounts reported are for the fiscal year ended June 30, 2011, for the WSRE-TV Foundation, Inc., and as of December 31, 2010, for the Pensacola State College Foundation, Inc.

Capital assets increased due to the purchase of land by the College adjacent to the Pensacola Campus as well as the construction in progress of the South Santa Rosa Center, a new center in Santa Rosa County. Unrestricted net assets

increased primarily due to the one-time American Recovery and Reinvention Act funding received by the College that was being held for expenditures that are nonrecurring.

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)	
	6-30-11	6-30-10	2011	2010
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 11,316	\$ 10,762	\$	\$
Federal Grants and Contracts	1,789	1,688		
State and Local Grants and Contracts	345	307		
Nongovernmental Grants and Contracts	483	398		
Sales and Services of Educational Departments	952	1,090		
Auxiliary Enterprises	573	406		
Other Operating Revenues	645	416	3,777	2,268
<b>Total Operating Revenues</b>	<b>16,103</b>	<b>15,067</b>	<b>3,777</b>	<b>2,268</b>
Less, Operating Expenses	80,489	78,569	3,444	3,155
<b>Operating Income (Loss)</b>	<b>(64,386)</b>	<b>(63,502)</b>	<b>333</b>	<b>(887)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Noncapital Appropriations	33,230	31,758		
Other Nonoperating Revenues	29,284	27,347	1,724	1,860
Nonoperating Expenses	(120)	(191)	(49)	
<b>Net Nonoperating Revenues</b>	<b>62,394</b>	<b>58,914</b>	<b>1,675</b>	<b>1,860</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
	(1,992)	(4,588)	2,008	973
State Capital Appropriations	4,191	2,565		
Capital Grants, Contracts, Gifts, and Fees	2,873	2,895		
Additions to Permanent Endowments			95	123
<b>Increase in Net Assets</b>	<b>5,072</b>	<b>872</b>	<b>2,103</b>	<b>1,096</b>
Net Assets, Beginning of Year	66,269	65,397	17,626	16,530
<b>Net Assets, End of Year</b>	<b>\$ 71,341</b>	<b>\$ 66,269</b>	<b>\$ 19,729</b>	<b>\$ 17,626</b>

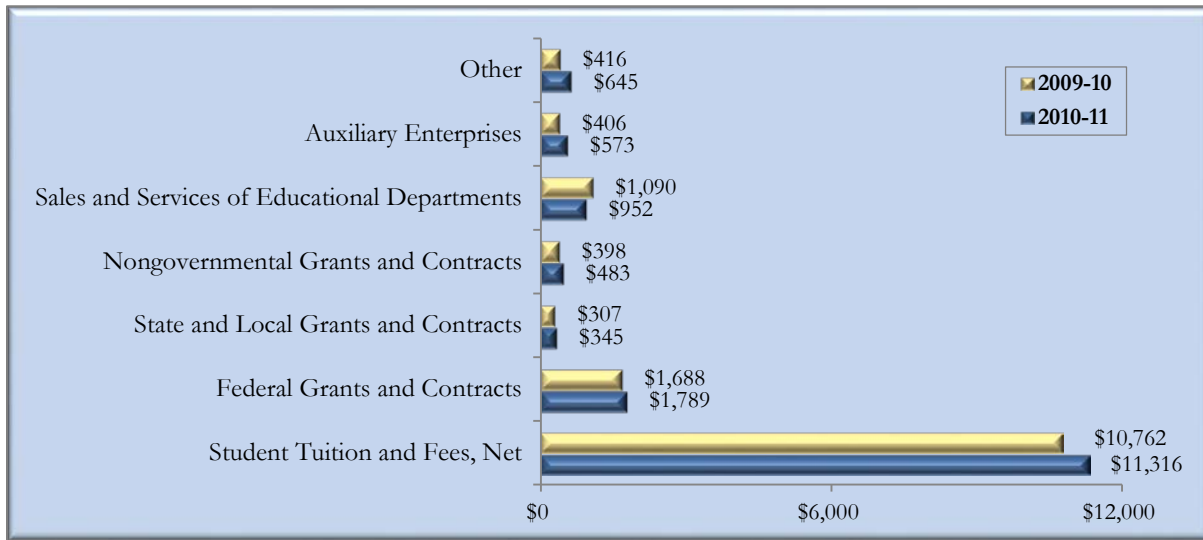
Note: (1) For the 2010 year, the amounts reported are for the fiscal year ended June 30, 2010, for the WSRE-TV Foundation, Inc., and for the six-month period ended December 31, 2009, for the Pensacola State College Foundation, Inc. For the 2011 year, the amounts reported are for the fiscal year ended June 30, 2011, for the WSRE-TV Foundation, Inc., and for the year ended December 31, 2010, 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 2010-11 and 2009-10 fiscal years:

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



College operating revenue changes were the result of the tuition increase approved by the College for the 2010-11 fiscal year and additional auxiliary revenues provided by the bookstore and the opening of the Subway franchise in the student center on the Pensacola Campus.

**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:

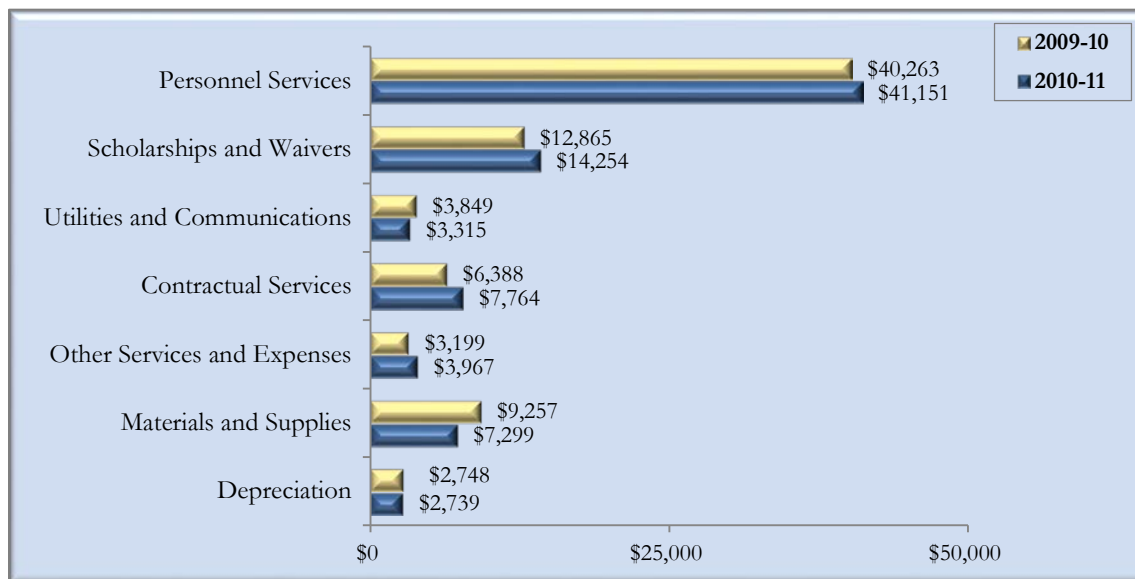
**Operating Expenses  
For the Periods Ended  
(In Thousands)**

	College		Component Units (1)	
	6-30-11	6-30-10	2011	2010
<b>Operating Expenses</b>				
Personnel Services	\$41,151	\$40,263	\$	\$
Scholarships and Waivers	14,254	12,865	862	345
Utilities and Communications	3,315	3,849	23	18
Contractual Services	7,764	6,388	363	436
Other Services and Expenses	3,967	3,199	1,940	2,115
Materials and Supplies	7,299	9,257	233	209
Depreciation	2,739	2,748	23	32
<b>Total Operating Expenses</b>	<b>\$80,489</b>	<b>\$78,569</b>	<b>\$ 3,444</b>	<b>\$ 3,155</b>

Note: (1) For the 2010 year, the amounts reported 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. For the 2011 year, the amounts reported are for the fiscal year ended June 30, 2011, for the WSRE-TV Foundation, Inc., and for the year ended December 31, 2010, for the Pensacola State College Foundation, Inc.

The following chart presents the College’s operating expenses for the 2010-11 and 2009-10 fiscal years:

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



College operating expense increases were primarily in scholarship and waivers, contractual services, and personnel services. The increase in scholarships and waivers was the result of an increase in the number and amount of Federal Pell grants awarded by the College. Contractual services increased primarily due to a \$1.2 million increase in other services. Personnel services increased primarily due to a 2 percent raise that was given by the Board to full-time employees.

**Nonoperating Revenues and Expenses**

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital 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 2010-11 and 2009-10 fiscal years:

**Nonoperating Revenues (Expenses): College  
(In Thousands)**

	<u>2010-11</u>	<u>2009-10</u>
State Noncapital Appropriations	\$33,230	\$31,758
Gifts and Grants	29,187	27,253
Investment Income	53	61
Other Nonoperating Revenues	44	33
Interest on Capital Asset-Related Debt	(120)	(131)
Other Nonoperating Expenses	<u>        </u>	<u>(60)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$62,394</u></b>	<b><u>\$58,914</u></b>

Gifts and grants increased primarily as a result of additional Federal Pell grant funds received by an increased number of students in the 2010-11 fiscal year. State noncapital appropriations increased for the 2010-11 fiscal year as a result of the State appropriating additional funds for the College through the College Program Fund and the Lottery Fund.

**Other Revenues, Expenses, Gains, or Losses**

This category is mainly 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 2010-11 and 2009-10 fiscal years:

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

	<u>2010-11</u>	<u>2009-10</u>
State Capital Appropriations	\$ 4,191	\$ 2,565
Capital Grants, Contracts, Gifts, and Fees	<u>2,873</u>	<u>2,895</u>
<b>Total</b>	<b><u>\$ 7,064</u></b>	<b><u>\$ 5,460</u></b>

State capital appropriations increased primarily due to an increase in the Public Education Capital Outlay appropriations to the College in the 2010-11 fiscal year for the construction of the South Santa Rosa Center.

**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 2010-11 and 2009-10 fiscal years is presented in the following table:

**Condensed Statement of Cash Flows: College  
(In Thousands)**

	2010-11	2009-10
Cash Provided (Used) by:		
Operating Activities	\$ (61,940)	\$ (62,323)
Noncapital Financing Activities	61,545	56,751
Capital and Related Financing Activities	3,183	3,544
Investing Activities	68	147
	<u>2,856</u>	<u>(1,881)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,856	(1,881)
Cash and Cash Equivalents, Beginning of Year	18,217	20,098
	<u>\$ 21,073</u>	<u>\$ 18,217</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 21,073</u>	<u>\$ 18,217</u>

Major sources of funds came from State noncapital appropriations (\$33.2 million), noncapital gifts and grants (\$28.3 million), State capital appropriations (\$7.8 million), and net student tuition and fees (\$11.2 million). Major uses of funds were for payments to employees (\$33.5 million), payments to suppliers (\$18.1 million) and scholarship payments (\$14.3 million).

Cash and cash equivalents increased by \$2.9 million for the 2010-11 fiscal year primarily due to the College receiving additional State noncapital appropriations and grants.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2011, the College had \$104.7 million in capital assets, less accumulated depreciation of \$55.4 million, for net capital assets of \$49.3 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>	2011	2010
Land	\$ 11,039	\$ 9,751
Buildings	63,251	63,251
Other Structures and Improvements	10,658	10,406
Furniture, Machinery, and Equipment	13,712	13,611
Artwork	106	105
Construction in Progress	5,945	568
<b>Total</b>	<u>104,711</u>	<u>97,692</u>
Less, Accumulated Depreciation:		
Buildings	34,670	33,315
Other Structures and Improvements	8,860	8,573
Furniture, Machinery, and Equipment	11,912	11,356
<b>Total Accumulated Depreciation</b>	<u>55,442</u>	<u>53,244</u>
<b>Capital Assets, Net</b>	<u>\$ 49,269</u>	<u>\$ 44,448</u>

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

**CAPITAL COMMITMENTS**

The College has \$5.7 million in major construction commitments at June 30, 2011. The commitments are for projects that include the new South Santa Rosa Center being constructed in Santa Rosa County. State capital appropriations together with local funds are expected to finance the construction, renovation, and purchase of land and facilities. Additional information about the College's capital commitments is presented in the notes to financial statements.

**DEBT ADMINISTRATION**

At fiscal year-end, the College had \$2.2 million in long-term debt outstanding versus \$2.4 million at the end of the prior fiscal year, a decrease of 8.3 percent. The State Board of Education issues capital outlay bonds on behalf of the College. During the 2010-11 fiscal year, there were no bond sales and debt repayments totaled \$359 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**

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, a decrease in State funding, or level funding at best, is anticipated in the 2011-12 fiscal year. In response to the uncertainty in State appropriations, the Board of Trustees increased the tuition rate 8 percent to take effect beginning with the Fall 2011 term and instituted a \$30 per person fee per semester for all adult education as directed by the State Legislature. 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, 2011**

	<u>College</u>	<u>Component Units</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 15,431,863.25	\$ 777,449.30
Restricted Cash and Cash Equivalents	1,096,515.80	2,754,255.05
Investments		832,361.68
Restricted Investments		4,980,700.08
Accounts Receivable, Net	877,720.21	381,552.41
Notes Receivable, Net	109,942.94	
Due from Other Governmental Agencies	13,079,933.85	
Due from Component Unit	278,427.72	
Prepaid Expenses	298,168.28	92,766.73
Other Assets	2,000.00	146,151.49
<b>Total Current Assets</b>	<u>31,174,572.05</u>	<u>9,965,236.74</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	4,545,175.67	
Restricted Investments	141,545.64	9,315,708.68
Loans and Notes Receivable, Net		440,248.70
Prepaid Expenses	719,628.51	
Other Noncurrent Assets	63,553.71	538,471.46
Real Estate Held for Resale		30,000.00
Depreciable Capital Assets, Net	32,179,392.37	39,809.94
Nondepreciable Capital Assets	17,089,384.36	
<b>Total Noncurrent Assets</b>	<u>54,738,680.26</u>	<u>10,364,238.78</u>
<b>TOTAL ASSETS</b>	<u>\$ 85,913,252.31</u>	<u>\$ 20,329,475.52</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 1,833,885.04	\$ 160,669.30
Salary and Payroll Taxes Payable	1,484,040.26	
Retainage Payable	407,566.18	
Deferred Revenue	2,417,393.20	356,285.31
Deposits Held for Others	132,745.62	
Long-Term Liabilities - Current Portion:		
Bonds Payable	260,000.00	
Compensated Absences Payable	376,288.35	
<b>Total Current Liabilities</b>	<u>6,911,918.65</u>	<u>516,954.61</u>
Noncurrent Liabilities:		
Bonds Payable	1,900,000.00	
Compensated Absences Payable	5,760,231.81	
Other Long-Term Liabilities		83,231.68
<b>Total Noncurrent Liabilities</b>	<u>7,660,231.81</u>	<u>83,231.68</u>
<b>TOTAL LIABILITIES</b>	<u>14,572,150.46</u>	<u>600,186.29</u>

**PENSACOLA STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**June 30, 2011**

	College	Component Units
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 47,108,776.73	\$ 39,809.94
Restricted:		
Nonexpendable:		
Endowment		8,320,511.21
Expendable:		
Grants and Loans	679,464.49	1,075,128.11
Capital Projects	14,153,627.32	
Debt Service	46,416.37	
Other		7,965,797.58
Unrestricted	9,352,816.94	2,328,042.39
<b>Total Net Assets</b>	71,341,101.85	19,729,289.23
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 85,913,252.31</b>	<b>\$ 20,329,475.52</b>

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, 2011**

	<b>College</b>	<b>Component Units</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$11,079,566.15	\$ 11,315,693.26	\$
Federal Grants and Contracts	1,788,854.03	
State and Local Grants and Contracts	344,922.00	
Nongovernmental Grants and Contracts	483,398.91	
Sales and Services of Educational Departments	951,998.88	
Auxiliary Enterprises	573,645.23	
Other Operating Revenues	644,809.36	3,776,878.09
<b>Total Operating Revenues</b>	<b>16,103,321.67</b>	<b>3,776,878.09</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	41,150,729.95	
Scholarships and Waivers	14,253,983.80	862,376.49
Utilities and Communications	3,314,819.45	22,850.83
Contractual Services	7,764,501.99	362,902.30
Other Services and Expenses	3,967,149.86	1,940,024.75
Materials and Supplies	7,299,185.05	232,634.08
Depreciation	2,739,489.39	23,325.42
<b>Total Operating Expenses</b>	<b>80,489,859.49</b>	<b>3,444,113.87</b>
<b>Operating Income (Loss)</b>	<b>(64,386,537.82)</b>	<b>332,764.22</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Noncapital Appropriations	33,229,880.49	
Gifts and Grants	29,187,563.69	
Investment Income	52,760.62	453,671.04
Net Gain on Investments		1,270,550.67
Other Nonoperating Revenues	43,756.86	
Interest on Capital Asset-Related Debt	(119,650.00)	
Other Nonoperating Expenses		(48,691.46)
<b>Net Nonoperating Revenues</b>	<b>62,394,311.66</b>	<b>1,675,530.25</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(1,992,226.16)</b>	<b>2,008,294.47</b>
State Capital Appropriations	4,190,893.21	
Capital Grants, Contracts, Gifts, and Fees	2,872,764.74	
Additions to Permanent Endowments		94,622.24
<b>Total Other Revenues</b>	<b>7,063,657.95</b>	<b>94,622.24</b>
<b>Increase in Net Assets</b>	<b>5,071,431.79</b>	<b>2,102,916.71</b>
Net Assets, Beginning of Year	66,269,670.06	17,626,372.52
<b>Net Assets, End of Year</b>	<b>\$ 71,341,101.85</b>	<b>\$ 19,729,289.23</b>

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, 2011**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 11,170,864.61
Grants and Contracts	2,582,928.07
Payments to Suppliers	(18,114,678.21)
Payments for Utilities and Communications	(3,314,819.45)
Payments to Employees	(33,516,555.70)
Payments for Employee Benefits	(8,665,626.33)
Payments for Scholarships	(14,253,983.80)
Loans Issued to Students	(447,842.07)
Collection on Loans to Students	467,574.72
Auxiliary Enterprises	573,645.23
Sales and Service of Educational Departments	951,998.88
Other Receipts	626,796.46
	<b>(61,939,697.59)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Noncapital Appropriations	33,229,880.49
Direct Loan Program Receipts	1,661,077.89
Direct Loan Program Disbursements	(1,661,077.89)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	28,315,144.69
	<b>61,545,025.18</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State Capital Appropriations	7,821,716.57
Capital Grants and Gifts	3,134,633.24
Proceeds from Sale of Capital Assets	43,756.86
Purchases of Capital Assets	(7,452,691.72)
Principal Paid on Capital Debt	(245,000.00)
Interest Paid on Capital Debt	(119,650.00)
	<b>3,182,764.95</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments	(11,727.79)
Investment Income	79,608.26
	<b>67,880.47</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>2,855,973.01</b>
Cash and Cash Equivalents, Beginning of Year	18,217,581.71
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 21,073,554.72</b>

**PENSACOLA STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**For the Fiscal Year Ended June 30, 2011**

	<u>College</u>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (64,386,537.82)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	2,739,489.39
Changes in Assets and Liabilities:	
Receivables, Net	(35,454.75)
Other Assets	279,254.57
Accounts Payable	16,453.16
Deferred Revenue	(129,154.88)
Deposits Held for Others	(297,267.47)
Compensated Absences Payable	(126,479.79)
	<u>\$ (61,939,697.59)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	
 <b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND</b>	
<b>CAPITAL FINANCING ACTIVITIES</b>	
Unrealized losses on investments were recognized as a reduction to investment income on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ 25,340.39

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, 2011**

**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 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 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 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 year ended December 31, 2010. 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, 2011. 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.

**PENSACOLA STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**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 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.

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 Fund 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.

**PENSACOLA STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

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. 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, 2011, the College and the WSRE-TV Foundation, Inc., reported as cash equivalents \$3,026,354.92 and \$137,617, respectively, in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2011, 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 31 days as of June 30, 2011. 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

**PENSACOLA STATE COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2011**

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 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. Therefore, pursuant to Section 218.415(17), Florida Statutes, the College is authorized to invest in the Florida PRIME investment pool, administered by the State Board of Administration; 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, 2011, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 95,129.27
State Board of Administration Debt Service Accounts	<u>46,416.37</u>
<b>Total College Investments</b>	<b><u>\$ 141,545.64</u></b>

**PENSACOLA STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

**External Investment Pools**

**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, 2011, the College and WSRE-TV Foundation, Inc., reported investments at fair value of \$95,129.27 and \$6,438.00, respectively, in Fund B. Investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.78965331 at June 30, 2011. The weighted-average life (WAL) of Fund B at June 30, 2011, was 7.16 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, 2011. 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 at fair value totaling \$46,416.37 at June 30, 2011, 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, 2011**

**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. 12-31-10	WSRE-TV Foundation, Inc. 6-30-11	Total
<b>Debt Obligations and Mutual Funds:</b>					
Governmental National Mortgage Association II Modified Pass Thru Pool #2644	September 2028	(1)	\$ 1,416.36	\$	\$ 1,416.36
PIMCO All Asset Fund	11.1 Years	A	802,168.43		802,168.43
PIMCO Low Duration Fund	2.7 Years	A+	796,387.56	74,820.00	871,207.56
PIMCO Total Return	6.1 Years	A+		149,863.00	149,863.00
Vanguard Fixed Income Securities - Inflation Protected Securities	9.3 Years	AAA	1,409,958.44		1,409,958.44
Vanguard Short-Term Investment Grade Fund	3.1 Years	BBB	797,742.40		797,742.40
Federated Total Return Bond Fund	7.5 Years	A+		273,226.00	273,226.00
<b>Total Investment in Debt Obligations and Mutual Funds</b>			<b>3,807,673.19</b>	<b>497,909.00</b>	<b>4,305,582.19</b>
<b>Equities, Equity Mutual Funds, and Other Investments</b>					
Certificates of Deposit	(1)	(1)		2,999.82	2,999.82
EMC Corporation Stock	(1)	(1)	2,321.00		2,321.00
Daily Valued Stock Index Fund	(1)	(1)	4,670,171.71		4,670,171.71
SMAM Government/Credit Index Fund	(1)	(1)	2,580,592.14		2,580,592.14
International Stock Index Fund	(1)	(1)	1,445,913.54		1,445,913.54
Small CAP Stock Index Fund	(1)	(1)	1,405,790.83		1,405,790.83
Vanguard Index Fund	(1)	(1)	105,139.77		105,139.77
Federated Government Obligations	(1)	(1)		60,106.00	60,106.00
ICM Small Company Portfolio	(1)	(1)		21,689.00	21,689.00
American Europacific Growth Fund A	(1)	(1)		38,408.00	38,408.00
Harbor International Fund	(1)	(1)		38,731.00	38,731.00
Leuthold Asset Allocation Fund	(1)	(1)		27,016.00	27,016.00
Munder Midcap Core Growth Fund	(1)	(1)		32,843.00	32,843.00
Sentinel Common Stock Fund Class I	(1)	(1)		302,319.44	302,319.44
Sentinel Small Company Fund	(1)	(1)		21,860.00	21,860.00
Sentinel Mid Cap Value Fund	(1)	(1)		32,823.00	32,823.00
Vanguard Emerging Markets Stock Index Fund	(1)	(1)		28,026.00	28,026.00
SBA Fund B Surplus Funds Trust Fund	(2)	(2)		6,438.00	6,438.00
<b>Total Component Units' Investments</b>			<b>\$ 14,017,602.18</b>	<b>\$ 1,111,168.26</b>	<b>\$ 15,128,770.44</b>

Notes: (1) Investment disclosures are not required for these investments.

(2) SBA FUND B disclosures are detailed on page 20.

*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 PIMCO All Asset Fund had an average effective duration of 6.3 years and an average effective maturity of 11.1 years with a standard deviation of

**PENSACOLA STATE COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2011**

annual returns of 13.46 percent. The PIMCO Low Duration Fund had an average effective duration of 2.3 years and an average effective maturity of 2.9 years with a standard deviation of annual returns of 4.77 percent. Vanguard Fixed Income Securities Inflation Protected Securities had a weighted average price of 125.48 percent of par, an average effective duration of 4.9 years, and an average effective maturity of 9.3 years. Vanguard Short-Term Investment-Grade Securities had a weighted average price of 105.1 percent of par, an average effective duration of 2.4 years, and an average effective maturity of 3.1 years. The Government National Mortgage Association II Modified Pass Thru Pool #2644 has a maturity date of September 20, 2028.

The WSRE TV Foundation, Inc.'s investment in the Federated Total Return Bond Fund at June 30, 2011, held an average rating of A+ and had 99 percent of its holdings rated B or better. The average duration was 5.1 years and the average maturity was 7.5 years with a weighted average price of 107.02 percent of par. At June 30, 2011, the PIMCO Low Duration Fund held an average rating of A+ and had 96 percent of its holdings rated B or better. The effective average duration was 1.87 years, the effective average maturity was 2.73 years and the weighted average price was 102.74 percent of par. At June 30, 2011, the PIMCO Total Return Fund held an average rating of A+ and had 96 percent of its holdings rated B or better. The effective average duration was 4.37 years, the effective average maturity was 6.07 years, and the weighted average price was 102.74 percent of par.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Pensacola State College Foundation, Inc.'s investment policy permits investment in equities listed on a national exchange and bonds issued in United States dollars. Uses of leverage in an account (margin or 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 funds. Mutual funds consisted of PIMCO All Asset Fund and PIMCO Low Duration Fund which held an average rating of A and Vanguard Fixed Income Securities Inflation Protected Securities and Vanguard Short-Term Investment-Grade Fund which held an average rating of AAA and BBB respectively.

The WSRE-TV Foundation, Inc.'s investment policy provides that cash and cash equivalents not exceed 25 percent of investable assets, equities not exceed 60 percent, and fixed income not exceed 75 percent. The investment portfolio at June 30, 2011 meets the policy guidelines.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of the component unit'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. 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

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portfolio on noninvestment grade bonds. The investments at December 31, 2010, meet the investment policy guidelines.

The WSRE TV Foundation, Inc., did not have any investments at June 30, 2011, in which over 5 percent of the total investment portfolio derived from one issuer, excluding U.S. Government and U.S. Government agency-backed securities.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferments and grant reimbursements due from third parties. These receivables are reported net of a \$531,364.28 allowance for uncollectible accounts.

**4. NOTES RECEIVABLE**

Notes receivable represent student loans made under the College's short-term loan programs and are reported net of a \$123,419.81 allowance for uncollectible notes.

**5. DUE FROM OTHER GOVERNMENTAL AGENCIES**

This amount primarily consists of \$10,998,188.20 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

**6. DUE FROM COMPONENT UNIT**

The amount reported as due from component unit 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, 2011. The Pensacola State College Foundation Inc.'s financial statements are reported for the year ended December 31, 2010. Accordingly, while the College reported an amount as due from component unit on the statement of net assets, no amount is reported by the component unit as due to the College.

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**7. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2011, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 9,750,537.33	\$ 1,288,463.26	\$	\$ 11,039,000.59
Artwork	104,600.00	1,000.00		105,600.00
Construction in Progress	568,459.15	5,944,783.77	568,459.15	5,944,783.77
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 10,423,596.48</b>	<b>\$ 7,234,247.03</b>	<b>\$ 568,459.15</b>	<b>\$ 17,089,384.36</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 63,251,155.67	\$	\$	\$ 63,251,155.67
Other Structures and Improvements	10,406,350.87	251,925.80		10,658,276.67
Furniture, Machinery, and Equipment	13,611,227.33	665,475.20	564,563.37	13,712,139.16
<b>Total Depreciable Capital Assets</b>	<b>87,268,733.87</b>	<b>917,401.00</b>	<b>564,563.37</b>	<b>87,621,571.50</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	33,315,053.36	1,355,010.00		34,670,063.36
Other Structures and Improvements	8,572,690.06	287,128.41		8,859,818.47
Furniture, Machinery, and Equipment	11,356,371.01	1,097,350.98	541,424.69	11,912,297.30
<b>Total Accumulated Depreciation</b>	<b>53,244,114.43</b>	<b>2,739,489.39</b>	<b>541,424.69</b>	<b>55,442,179.13</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 34,024,619.44</b>	<b>\$ (1,822,088.39)</b>	<b>\$ 23,138.68</b>	<b>\$ 32,179,392.37</b>

**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, 2011, the College reported the following amounts as deferred revenue:

Description	Amount
Restricted Grants and Contracts	\$ 1,804,245.70
Student Tuition and Fees	572,647.50
Other Deferred Revenues	40,500.00
<b>Total Deferred Revenue</b>	<b>\$ 2,417,393.20</b>

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**9. LONG-TERM LIABILITIES**

Long-term liabilities of the College at June 30, 2011, include bonds payable and compensated absences payable. Long-term liabilities activity for the fiscal year ended June 30, 2011, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 2,405,000.00	\$	\$ 245,000.00	\$ 2,160,000.00	\$ 260,000.00
Compensated Absences Payable	6,262,999.95	964,084.62	1,090,564.41	6,136,520.16	376,288.35
<b>Total Long-Term Liabilities</b>	<b>\$ 8,667,999.95</b>	<b>\$ 964,084.62</b>	<b>\$ 1,335,564.41</b>	<b>\$ 8,296,520.16</b>	<b>\$ 636,288.35</b>

**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, 2011:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education Capital Outlay Bonds:			
Series 2005B	\$ 2,045,000	5	2018
Series 2009A	115,000	3 - 5	2019
<b>Total</b>	<b>\$ 2,160,000</b>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2011, are as follows:

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
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	320,000	51,750	371,750
2017-2019	715,000	55,250	770,250
<b>Total</b>	<b>\$ 2,160,000</b>	<b>\$ 457,800</b>	<b>\$ 2,617,800</b>

**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, 2011, the estimated liability

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for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$6,136,520.16. Of this amount, \$376,288.35 is considered a current liability. The current portion of the compensated absences liability was determined by calculating percentages using the actual payout for sick and annual leave for the last ten fiscal years divided by the previous fiscal year's total compensated absences balance. The percentages were then averaged, and the resulting percentage was applied to the June 30, 2011, compensated absences liability to determine the current portion.

**10. OTHER POSTEMPLOYMENT BENEFITS**

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 Florida College Risk Management Consortium (Consortium).

*Plan Description.* The College contributes to an agent, multiple-employer, defined benefit plan administered by the Consortium. 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 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 2010-11 fiscal year, 101 retirees received postemployment healthcare benefits, and 189 retirees received postemployment life insurance benefits. The College provided required contributions of \$45,790.70 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$679,799.45.

*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 year, the amount actually contributed to the Plan, and changes in the College's net OPEB obligation:

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Description	Amount
Normal Cost (Service Cost for One Year)	\$ 17,480.00
Amortization of Unfunded Actuarial Accrued Liability	37,027.00
<b>Annual Required Contribution</b>	54,507.00
Interest on Net OPEB Obligation	(1,384.22)
Adjustment to Annual Required Contribution	1,538.02
<b>Annual OPEB Cost (Expense)</b>	54,660.80
Contribution Toward the OPEB Cost	(45,790.70)
<b>Increase in Net OPEB Obligation</b>	8,870.10
Net OPEB Contributions (Asset), Beginning of Year	(46,140.00)
<b>Net OPEB Contributions (Asset), End of Year (1)</b>	\$ (37,269.90)

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

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (asset) as of June 30, 2011, and for the two preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008-09	\$ 66,619.81	73.5%	\$ 55,537.81
2009-10	28,097.19	461.9%	(46,140.00)
2010-11	54,660.80	83.8%	(37,269.90)

*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 \$27,098,041.33 for the 2010-11 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.8 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.

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*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, 2009, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2011, and the College's 2010-11 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. The actuarial assumptions also included a payroll growth rate of 3 percent per year, and an annual healthcare cost trend rate of 7.8 percent for the 2010-11 fiscal year, reduced by decrements, 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, 2011, was 26 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 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, 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 2010-11 fiscal year were as follows:

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Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	10.77
Florida Retirement System, Senior Management Service	0.00	14.57
Florida Retirement System, Special Risk	0.00	23.25
Teachers' Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.25
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 0.03 percent for administrative costs of the Public Employee Optional Retirement Program.
- (B) Contribution rates are dependent upon retirement class 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, 2009, June 30, 2010, and June 30, 2011, totaled \$2,518,911.28, \$2,373,620.53, and \$2,687,341.12, 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 63 College participants during the 2010-11 fiscal year. Required contributions made to the PEORP totaled \$238,626.92.

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, 2011**

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 30 College participants during the 2010-11 fiscal year. Required employer contributions made to the Program totaled \$153,513.48.

**12. CONSTRUCTION COMMITMENTS**

The College’s major construction commitments at June 30, 2011, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Building 12 Renovation	\$ 710,606.36	\$ 182,454.65	\$ 528,151.71
Building 3200 Renovation	921,551.90	332,111.13	589,440.77
South Santa Rosa Center	8,842,386.94	4,400,449.63	4,441,937.31
Warrington Campus Exterior Improvements and Master Plan	191,682.00	100,179.15	91,502.85
<b>Total</b>	<b>\$ 10,666,227.20</b>	<b>\$ 5,015,194.56</b>	<b>\$ 5,651,032.64</b>

**13. 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 is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$150 million. 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 coverage in any of the past three fiscal years.

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**14. 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	\$ 29,019,344.00
Education Enhancement Trust Fund (Lottery)	4,178,973.00
Gross Receipts Tax (Public Education Capital Outlay)	3,751,441.00
Bright Futures Scholarship Program	1,934,946.00
Florida Student Assistance Grants	1,717,906.00
Restricted Contracts and Grants	679,768.90
Motor Vehicle License Tax (Capital Outlay and Debt Service)	439,452.21
Other State Sources	139,525.02
<b>Total</b>	<b>\$ 41,861,356.13</b>

**15. 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:

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<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 26,572,779.47
Public Services	3,372,589.33
Academic Support	4,917,221.45
Student Services	7,787,470.10
Institutional Support	10,772,385.62
Operation and Maintenance of Plant	10,073,940.33
Scholarships and Fellowships	14,253,983.80
Depreciation	<u>2,739,489.39</u>
<b>Total Operating Expenses</b>	<b><u>\$ 80,489,859.49</u></b>

**16. 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:

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	Direct-Support Organizations		Total
	Pensacola State College Foundation, Inc.	WSRE-TV Foundation, Inc.	
<b>Condensed Statement of Net Assets</b>			
Assets:			
Current Assets	\$ 8,580,963.61	\$ 1,384,273.13	\$ 9,965,236.74
Capital Assets, Net		39,809.94	39,809.94
Other Noncurrent Assets	8,927,386.54	1,397,042.30	10,324,428.84
<b>Total Assets</b>	<b>17,508,350.15</b>	<b>2,821,125.37</b>	<b>20,329,475.52</b>
Liabilities:			
Current Liabilities	156,202.95	360,751.66	516,954.61
Noncurrent Liabilities	83,231.68		83,231.68
<b>Total Liabilities</b>	<b>239,434.63</b>	<b>360,751.66</b>	<b>600,186.29</b>
Net Assets:			
Invested in Capital Assets		39,809.94	39,809.94
Restricted	16,286,308.79	1,075,128.11	17,361,436.90
Unrestricted	982,606.73	1,345,435.66	2,328,042.39
<b>Total Net Assets</b>	<b>\$ 17,268,915.52</b>	<b>\$ 2,460,373.71</b>	<b>\$ 19,729,289.23</b>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>			
Operating Revenues	\$ 2,291,324.02	\$ 1,485,554.07	\$ 3,776,878.09
Operating Expenses	(2,181,868.81)	(1,262,245.06)	(3,444,113.87)
<b>Operating Income</b>	<b>109,455.21</b>	<b>223,309.01</b>	<b>332,764.22</b>
Net Nonoperating Revenues	1,556,351.72	119,178.53	1,675,530.25
Other Revenues	94,622.24		94,622.24
<b>Increase in Net Assets</b>	<b>1,760,429.17</b>	<b>342,487.54</b>	<b>2,102,916.71</b>
Net Assets, Beginning of Year	15,508,486.35	2,117,886.17	17,626,372.52
<b>Net Assets, End of Year</b>	<b>\$ 17,268,915.52</b>	<b>\$ 2,460,373.71</b>	<b>\$ 19,729,289.23</b>

## 17. 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 2015-2016 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]
7/1/2007	\$	\$ 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%

Note: (1) The actuarial cost method used by the College to estimate the actuarial accrued liability is the projected unit credit method.

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**PENSACOLA STATE COLLEGE  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**

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.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534  
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*

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, 2011, 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*.

We noted certain matters that we reported to College management in our operational audit report No. 2012-068.

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  
March 12, 2012