STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

Report No. 2021-143
March 2021

PENSACOLA STATE COLLEGE

For the Fiscal Year Ended
June 30, 2020

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2019-20 fiscal year, Dr. Charles E. Meadows served as President of Pensacola State College and the following individuals served as Members of the Board of Trustees:

	County
Herbert Woll, Chair	Santa Rosa
Marjorie T. Moore, Vice Chair	Escambia
Carol H. Carlan	Escambia
Patrick R. Dawson	Santa Rosa
Kevin Robert Lacz	Santa Rosa
Harold Edward Moore	Escambia
Wendell E. Smith through 2-7-20 [a]	Santa Rosa

[a] Trustee position vacant from 2-8-20, through 6-30-20.

Note: Two Trustee positions were vacant for the entire fiscal year.

The team leader was Barbara J. Sturdivant, CPA, and the audit was supervised by Kenneth C. Danley, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at jaimehoelscher@aud.state.fl.us or by telephone at (850) 412-2868.

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PENSACOLA STATE COLLEGE

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of Pensacola State College (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to 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, 2020. 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

AUDITOR GENERAL
STATE OF FLORIDA

Sherrill F. Norman, CPA
Auditor General

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Tallahassee, Florida 32399-1450

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

INDEPENDENT AUDITOR'S REPORT

Report on the 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, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the reports of 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of Changes in the College's Total Other Postemployment Benefits Liability and Related Ratios**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of College Contributions – Florida Retirement System Pension Plan**, **Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of College Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2021, on our consideration of the Pensacola State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pensacola State College's internal control over financial reporting and compliance.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 5, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2020, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2020, and June 30, 2019, and its component units, the Pensacola State College Foundation, Inc. for the fiscal years ended December 31, 2019, and December 31, 2018, and the WSRE-TV Foundation, Inc. for the fiscal years ended June 30, 2020, and June 30, 2019.

FINANCIAL HIGHLIGHTS

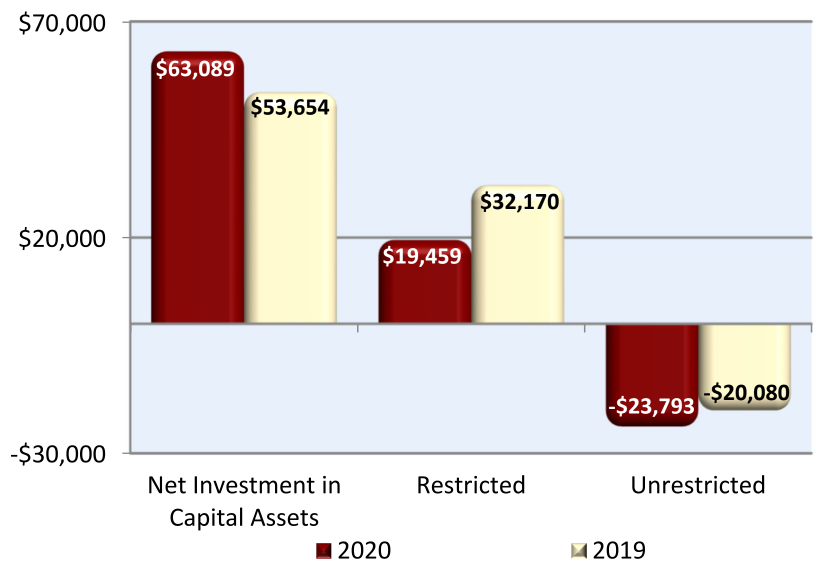
The College's assets and deferred outflows of resources totaled $103.7 million at June 30, 2020. This balance reflects a $5.7 million, or 5.2 percent, decrease as compared to the 2018-19 fiscal year. In addition to the assets and deferred outflows of resources decrease, liabilities and deferred inflows of resources increased by $1.3 million, or 3 percent, totaling $45 million at June 30, 2020. As a result, the College's net position decreased by $7 million, resulting in a year-end balance of $58.8 million.

The College's operating revenues totaled $13.8 million for the 2019-20 fiscal year, representing a 16.7 percent decrease compared to the 2018-19 fiscal year. Operating expenses totaled $91 million for the 2019-20 fiscal year, representing an increase of 7.8 percent as compared to the 2018-19 fiscal year.

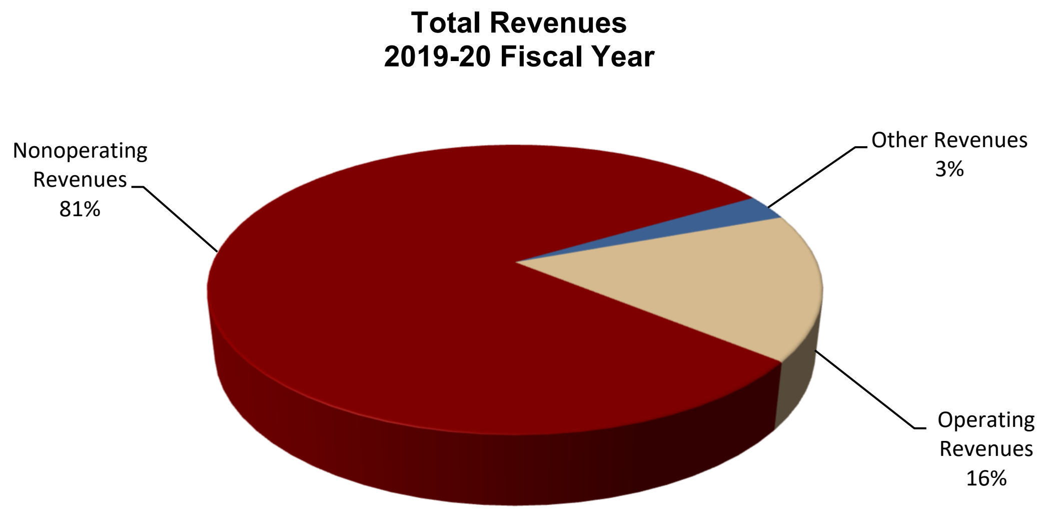
Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2020, and June 30, 2019, is shown in the following graph:

Net Position

(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2019-20 fiscal year:



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the College and its component units:

- Pensacola State College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- Pensacola State College Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida. This component unit provides funding and services to support and foster the pursuit of higher education at the College.
- WSRE-TV Foundation, Inc. (Component Unit) – Although legally separate, this component unit is important because the College is financially accountable for it, as the College reports its financial activities to the State of Florida. This component unit provides funding and services to support and foster the activities, operations, and capital needs of WSRE-TV, a public telecommunications station owned and operated by the College.

Based on the application of the criteria for determining component units, the Pensacola State College Foundation, Inc. and the WSRE-TV Foundation, Inc. are included within the College reporting entity as discretely presented component units.

Information regarding these component units, including summaries of the discretely presented component units' separately issued financial statements, is presented in the notes to financial statements.

<u>The Statement of Net Position</u>

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, which is one indicator of the College's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the College's financial condition.

The following summarizes the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College and its component units for the respective fiscal years ended:

Condensed Statement of Net Position at

(In Thousands)

	College		**Component Units** (1)	
	6-30-20	**6-30-19**	**2020**	**2019**
Assets				
Current Assets	$ 13,186	$ 24,244	$ 18,912	$ 14,416
Capital Assets, Net	63,089	53,690	181	148
Other Noncurrent Assets	16,813	20,134	14,315	13,168
Total Assets	93,088	98,068	33,408	27,732
Deferred Outflows of Resources	10,622	11,323	-	-
Liabilities				
Current Liabilities	6,228	7,687	243	190
Noncurrent Liabilities	35,220	31,502	131	114
Total Liabilities	41,448	39,189	374	304
Deferred Inflows of Resources	3,507	4,458	184	158
Net Position				
Net Investment in Capital Assets	63,089	53,654	182	148
Restricted	19,459	32,170	29,639	24,221
Unrestricted	(23,793)	(20,080)	3,029	2,901
Total Net Position	$ 58,755	$ 65,744	$ 32,850	$ 27,270

(1) For the 2020 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2020, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2019. For the 2019 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2019, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2018.

Assets decreased by $5 million, or 5.1 percent, primarily due to the decrease in funds due from other governmental agencies which includes the amount due from Public Education Capital Outlay for the Baars Building project.

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

The statement of revenues, expenses, and changes in net position presents the College's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the activity of the College and its component units for the respective fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years

(In Thousands)

	College		Component Units (1)	
	6-30-20	**6-30-19**	**2020**	**2019**
Operating Revenues	$ 13,771	$ 16,541	$ 3,470	$ 2,661
Less, Operating Expenses	90,992	84,399	3,534	3,182
Operating Loss	(77,221)	(67,858)	(64)	(521)
Net Nonoperating Revenues	67,831	63,847	5,179	(1,082)
Income (Loss) Before Other Revenues	(9,390)	(4,011)	5,115	(1,603)
Other Revenues	2,401	7,256	465	312
Net Increase (Decrease) In Net Position	(6,989)	3,245	5,580	(1,291)
Net Position, Beginning of Year	65,744	62,499	27,270	28,561
Net Position, End of Year	$ 58,755	$ 65,744	$ 32,850	$ 27,270

(1) For the 2020 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2020, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2019. For the 2019 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2019, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2018.

Operating Revenues

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

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

Operating Revenues
For the Fiscal Years

(In Thousands)

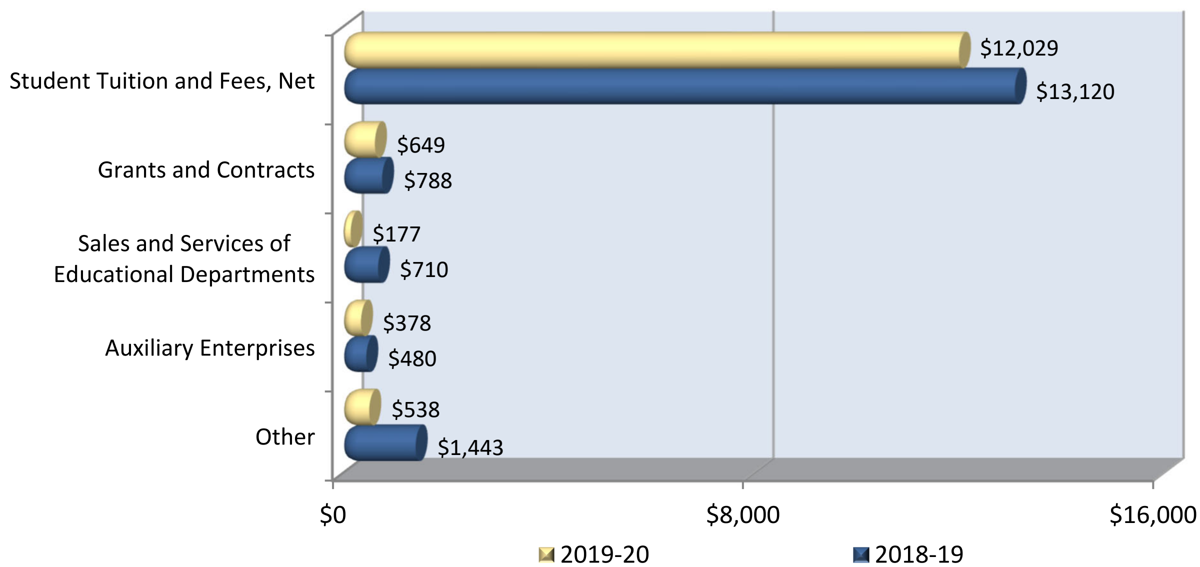
	College		Component Units (1)	
	6-30-20	**6-30-19**	**2020**	**2019**
Student Tuition and Fees, Net	$ 12,029	$ 13,120	$ -	$ -
Grants and Contracts	649	788	-	-
Sales and Services of Educational Departments	177	710	-	-
Auxiliary Enterprises	378	480	-	-
Other	538	1,443	3,470	2,661
Total Operating Revenues	$ 13,771	$ 16,541	$ 3,470	$ 2,661

(1) For the 2020 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2020, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2019. For the 2019 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2019, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2018.

The following chart presents the College's operating revenues for the 2019-20 and 2018-19 fiscal years:

Operating Revenues

(In Thousands)



Revenues decreased primarily due to decreased enrollment and the nonrecurring dissolution of the Florida College System Computer Consortium reimbursement in the 2018-19 fiscal year.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The College has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

The following summarizes operating expenses by natural classification for the College and its component units for the respective fiscal years:

Operating Expenses
For the Fiscal Years

(In Thousands)

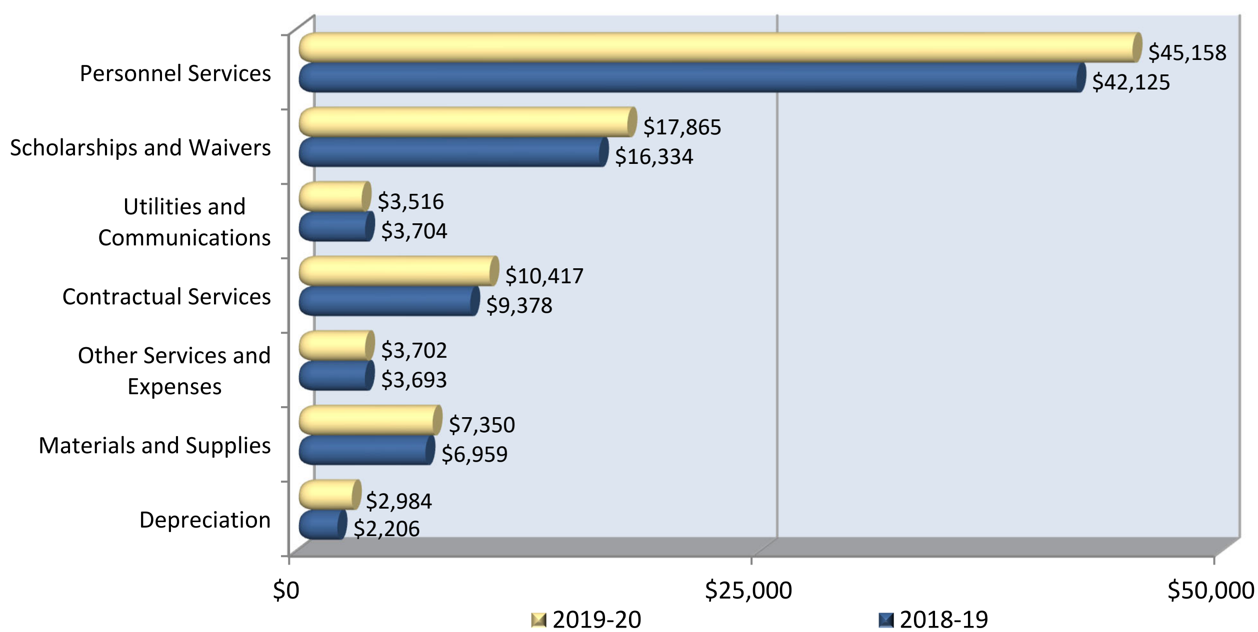
	College		**Component Units** (1)	
	2019-20	**2018-19**	**2020**	**2019**
Personnel Services	$ 45,158	$ 42,125	$ -	$ -
Scholarships and Waivers	17,865	16,334	508	704
Utilities and Communications	3,516	3,704	14	13
Contractual Services	10,417	9,378	797	757
Other Services and Expenses	3,702	3,693	1,861	1,397
Materials and Supplies	7,350	6,959	323	290
Depreciation	2,984	2,206	31	21
Total Operating Expenses	$ 90,992	$ 84,399	$ 3,534	$ 3,182

(1) For the 2020 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2020, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2019. For the 2019 year, the amounts reported are for the WSRE-TV Foundation, Inc. fiscal year ended June 30, 2019, and for the Pensacola State College Foundation, Inc. fiscal year ended December 31, 2018.

The following chart presents the College's operating expenses for the 2019-20 and 2018-19 fiscal years:

Operating Expenses

(In Thousands)



College operating expenses increased by $6.6 million due, in part, to a $3 million increase in personnel expenses, a $1 million increase in contractual services due, in part, to the new enterprise resource planning system contract with Workday, and a $1.5 million increase in scholarships and waivers awarded as a result of COVID-19.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, certain gifts and grants, and investment income are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2019-20 and 2018-19 fiscal years:

Nonoperating Revenues (Expenses)
For the Fiscal Years

(In Thousands)

	2019-20	2018-19
State Noncapital Appropriations	$ 37,001	$ 35,900
Federal and State Student Financial Aid	23,591	22,068
Gifts and Grants	7,132	5,712
Investment Income	103	141
Other Nonoperating Revenues	7	55
Loss on Disposal of Capital Assets	(2)	(26)
Interest on Capital Asset-Related Debt	(1)	(3)
Net Nonoperating Revenues	$ 67,831	$ 63,847

Net nonoperating revenues increased primarily due to a $1.5 million increase in Federal and State student financial aid and a $1.4 million increase in gifts and grants in the 2019-20 fiscal year.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues for the 2019-20 and 2018-19 fiscal years:

Other Revenues
For the Fiscal Years

(In Thousands)

	2019-20	2018-19
State Capital Appropriations	$ 453	$ 4,789
Capital Grants, Contracts, Gifts, and Fees	1,948	2,467
Total	$ 2,401	$ 7,256

Other revenues decreased by $4.9 million primarily due to nonrecurring Public Education Capital Outlay appropriations for replacing the Baars Building in the 2018-19 fiscal year.

The Statement of Cash Flows

The statement of cash flows provides information about the College's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the College's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes the College's cash flows for the 2019-20 and 2018-19 fiscal years:

Condensed Statement of Cash Flows
For the Fiscal Years

(In Thousands)

	2019-20	2018-19
Cash Provided (Used) by:		
Operating Activities	$ (72,383)	$ (64,316)
Noncapital Financing Activities	67,721	63,680
Capital and Related Financing Activities	(1,879)	1,141
Investing Activities	103	144
Net Increase (Decrease) in Cash and Cash Equivalents	(6,438)	649
Cash and Cash Equivalents, Beginning of Year	31,793	31,144
Cash and Cash Equivalents, End of Year	$ 25,355	$ 31,793

Major sources of funds came from State noncapital appropriations ($37 million), Federal and State student financial aid ($23.6 million), and net student tuition and fees ($12.1 million). Major uses of funds were for payments to employees and for employee benefits ($41.7 million), payments for scholarships ($17.9 million), and payments to suppliers ($24.4 million).

Capital Assets, Capital Expenses and Commitments, and Debt Administration

Capital Assets

At June 30, 2020, the College had $132.7 million in capital assets, less accumulated depreciation of $69.6 million, for net capital assets of $63.1 million. Depreciation charges for the current fiscal year totaled $3 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30

(In Thousands)

	2020	2019
Land	$ 12,795	$ 12,795
Artwork/Artifacts	146	135
Construction in Progress	14,095	5,523
Buildings	30,894	31,846
Other Structures and Improvements	541	574
Furniture, Machinery, and Equipment	4,618	2,817
Capital Assets, Net	$ 63,089	$ 53,690

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

Capital Expenses and Commitments

Major capital expenses through June 30, 2020, were incurred on the Baars Building replacement. The College's construction commitments at June 30, 2020, are as follows:

	Amount (In Thousands)
Total Committed	$ 16,424
Completed to Date	14,095
Balance Committed	$ 2,329

Additional information about the College's construction commitments is presented in the notes to financial statements.

Debt Administration

As of June 30, 2020, the College had no long-term debt outstanding as compared to $36,000 at the end of the prior fiscal year, representing a decrease of $36,000.

The State Board of Education issues capital outlay bonds on behalf of the College. During the 2019-20 fiscal year, there were no bond sales and the final debt repayment totaled $36,000. Additional information about the College's long-term debt is presented in the notes to financial statements.

Economic Factors That Will Affect the Future

The College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth linked to the COVID-19 Pandemic and increased demand for State resources, a decrease in State funding is anticipated in the 2020-21 fiscal year. The College was recently informed by the Florida College System Chancellor's office that the Governor has authorized a holdback of operating appropriations which equates to a 6 percent holdback of program funds, student success incentive performance funds, and lottery funds. The College's 2020-21 fiscal year budget was prepared with an adequate amount of reserves to cover this potential decrease in State funding. Other than State appropriations, the College receives the majority of its other operating funds from student tuition and fees. While the 2020-21 fiscal year budget was based upon a decrease of 7.3 percent in tuition as compared to the prior fiscal year, the COVID-19 Pandemic is expected to further affect those enrollment levels. Despite the expected revenue reductions from the State and potential enrollment level declines, the College has adequate reserves coupled with budgetary reduction plans to help cover pandemic-related economic issues. Additionally, the College was awarded $6 million in Federal Coronavirus Aid, Relief, and Economic Security Act funds which will continue to assist students in the form of emergency grant aid and also assist in enhancing online learning initiatives, cover certain technology needs, and address safety issues resulting from the pandemic so that all campuses can reopen safely for students and staff.

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.

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

June 30, 2020

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 4,859,815	$ 1,481,211
Restricted Cash and Cash Equivalents	5,398,325	-
Investments	-	17,127,700
Accounts Receivable, Net	383,847	195,192
Notes Receivable, Net	77,720	-
Due from Other Governmental Agencies	1,737,771	-
Due from Component Unit	3,983	-
Prepaid Expenses	724,523	82,956
Deposits	400	-
Other Assets	-	25,000
Total Current Assets	13,186,384	18,912,059
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	15,096,717	-
Investments	-	13,534,280
Prepaid Expenses	1,715,720	-
Depreciable Capital Assets, Net	36,053,988	181,431
Nondepreciable Capital Assets	27,035,427	-
Other Noncurrent Assets	-	780,675
Total Noncurrent Assets	79,901,852	14,496,386
TOTAL ASSETS	93,088,236	33,408,445
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits	293,826	-
Pensions	10,328,654	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	10,622,480	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	700,667	91,687
Salary and Payroll Taxes Payable	2,007,568	-
Retainage Payable	1,011,704	-
Unearned Revenue	1,696,756	151,846
Deposits Held for Others	221,392	-
Long-Term Liabilities - Current Portion:		
Compensated Absences Payable	445,319	-
Other Postemployment Benefits Payable	4,936	-
Net Pension Liability	139,303	-
Total Current Liabilities	6,227,645	243,533

	College	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Compensated Absences Payable	4,833,799	-
Other Postemployment Benefits Payable	1,157,149	-
Net Pension Liability	29,229,826	-
Other Long-Term Liabilities	-	130,953
Total Noncurrent Liabilities	35,220,774	130,953
TOTAL LIABILITIES	41,448,419	374,486
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits	52,029	-
Pensions	3,455,171	-
Irrevocable Split-Interest Agreements	-	184,088
TOTAL DEFERRED INFLOWS OF RESOURCES	3,507,200	184,088
NET POSITION		
Investment in Capital Assets	63,089,415	181,431
Restricted:		
Nonexpendable:		
Endowment	-	11,275,985
Expendable:		
Endowment	-	1,285,935
Grants and Loans	1,829,013	-
Scholarships	241,737	-
Capital Projects	17,388,677	-
Other	-	17,077,339
Unrestricted	(23,793,745)	3,029,181
TOTAL NET POSITION	$ 58,755,097	$ 32,849,871

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

PENSACOLA STATE COLLEGE
A Component Unit of the State of Florida
Statement of Revenues, Expenses, and Changes in Net Position

For the Fiscal Year Ended June 30, 2020

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $8,488,827	$ 12,028,581	$ -
Federal Grants and Contracts	648,667	-
Sales and Services of Educational Departments	177,432	-
Auxiliary Enterprises	377,802	-
Other Operating Revenues	538,640	3,469,670
Total Operating Revenues	13,771,122	3,469,670
EXPENSES		
Operating Expenses:		
Personnel Services	45,158,771	-
Scholarships and Waivers	17,864,852	508,231
Utilities and Communications	3,515,782	13,639
Contractual Services	10,416,921	796,389
Other Services and Expenses	3,701,898	1,860,714
Materials and Supplies	7,349,777	323,229
Depreciation	2,984,492	31,079
Total Operating Expenses	90,992,493	3,533,281
Operating Loss	(77,221,371)	(63,611)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	37,001,518	-
Federal and State Student Financial Aid	23,591,013	-
Gifts and Grants Received for Other Than Capital or Endowment Purposes	7,132,190	-
Net Gain on Investment	-	4,256,043
Investment Income	102,682	672,927
Other Nonoperating Revenues	6,974	250,000
Loss on Disposal of Capital Assets	(2,066)	-
Interest on Capital Asset-Related Debt	(720)	-
Net Nonoperating Revenues	67,831,591	5,178,970
Income (Loss) Before Other Revenues	(9,389,780)	5,115,359
State Capital Appropriations	452,800	-
Capital Grants, Contracts, Gifts, and Fees	1,947,986	-
Additions to Endowments	-	464,593
Total Other Revenues	2,400,786	464,593
Increase (Decrease) in Net Position	(6,988,994)	5,579,952
Net Position, Beginning of Year	65,744,091	27,269,919
Net Position, End of Year	$ 58,755,097	$ 32,849,871

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

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PENSACOLA STATE COLLEGE
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2020

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	$ 12,130,443
Grants and Contracts	1,882,461
Payments to Suppliers	(24,359,182)
Payments for Utilities and Communications	(3,515,782)
Payments to Employees	(31,757,675)
Payments for Employee Benefits	(9,924,796)
Payments for Scholarships	(17,864,852)
Loans Issued to Students	(1,119,464)
Collection on Loans to Students	1,153,857
Auxiliary Enterprises	354,443
Sales and Services of Educational Departments	177,432
Other Receipts	460,331
Net Cash Used by Operating Activities	(72,382,784)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	37,001,518
Federal and State Student Financial Aid	23,587,296
Federal Direct Loan Program Receipts	3,532,598
Federal Direct Loan Program Disbursements	(3,532,913)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	7,132,190
Net Cash Provided by Noncapital Financing Activities	67,720,689
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	9,513,952
Capital Grants and Gifts	1,947,986
Proceeds from Sale of Capital Assets	6,974
Purchases of Capital Assets	(13,311,392)
Principal Paid on Capital Debt	(36,000)
Interest Paid on Capital Debt	(720)
Net Cash Used by Capital and Related Financing Activities	(1,879,200)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	475
Investment Income	102,682
Net Cash Provided by Investing Activities	103,157
Net Decrease in Cash and Cash Equivalents	(6,438,138)
Cash and Cash Equivalents, Beginning of Year	31,792,995
Cash and Cash Equivalents, End of Year	$ 25,354,857

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (77,221,371)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	2,984,492
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Receivables, Net	1,179,057
Prepaid Expenses	(2,330,136)
Deposits	800
Accounts Payable	(1,439,550)
Salaries and Payroll Taxes	73,107
Unearned Revenue	1,049,279
Deposits Held for Others	(75,980)
Compensated Absences Payable	386,084
Other Postemployment Benefits Payable	320,381
Net Pension Liability	2,941,654
Deferred Outflows of Resources Related to Other Postemployment Benefits	(240,486)
Deferred Inflows of Resources Related to Other Postemployment Benefits	14,546
Deferred Outflows of Resources Related to Pensions	940,640
Deferred Inflows of Resources Related to Pensions	(965,301)
NET CASH USED BY OPERATING ACTIVITIES	$ (72,382,784)
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITIES	
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (2,066)
Donation of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 30,566

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The governing body of Pensacola State College, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of nine members appointed by the Governor and confirmed by the Senate. There were six active Board members at the College as of June 30, 2020. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by State law and State Board of Education (SBE) rules. However, the Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and SBE rules. The College serves Escambia and Santa Rosa Counties.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the Board of Trustees are such that exclusion would cause the College's financial statements to be misleading. Based on the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activities are reported in the State's 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:

- Pensacola State College Foundation, Inc.: This legally separate organization provides funding and services to support and foster the pursuit of higher education at the College and is governed by a separate board.
- WSRE-TV Foundation, Inc.: This legally separate organization provides funding and services to support and foster the activities, operations, and capital needs of WSRE-TV, a public telecommunications station operated by the College, and is governed by a separate board.

The College's component units, as described above, are also direct-support organizations, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College, are financially accountable to the College. The component units are managed independently, outside the College's budgeting process, and their powers generally are vested in a governing board pursuant to various State statutes. The component units receive, hold, invest, and administer property, and make expenditures to or for the benefit of the College.

The College's component units are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The audited financial statements of each component unit are available to the public and can be obtained from the Vice President for Business Affairs, Pensacola State College, 1000 College Boulevard, Pensacola, Florida 32504. The financial data reported on the accompanying financial statements for the Pensacola State College Foundation, Inc. was derived from audited financial statements for the fiscal year ended December 31, 2019. 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, 2020. Additional condensed financial statements for the College's component units are included in a subsequent note.

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

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

Measurement Focus and Basis of Accounting. Basis of accounting refers to when revenues, expenses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The College's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The College follows GASB standards of accounting and financial reporting.

The College's component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follow GASB standards of accounting and financial reporting.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, gifts and grants, investment income, and other nonoperating revenues. Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

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

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

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and cash invested with the State Board of Administration (SBA) Florida Prime investment pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less, that are not held solely for income or profit, to be cash equivalents. Under this definition, the College considers amounts invested in the SBA Florida PRIME investment pool to be cash equivalents.

College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by 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, 2020, the College reported as cash equivalents $3,421,119 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 53 days as of June 30, 2020. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at amortized cost.

Section 218.409(8)(a), Florida Statutes, provides that "the principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the executive director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board [State Board of Administration] can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The trustees shall convene an emergency meeting as soon as practicable from the time the executive director has instituted such measures and review the necessity of those measures. If the trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the executive director until the trustees are able to meet to review the necessity for the moratorium. If the trustees agree with such measures, the trustees shall vote to continue the measures for up to an additional 15 days. The trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the trustees exceed 15 days." As of June 30, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Capital Assets. College capital assets consist of land, artwork/artifacts, construction in progress, buildings, other structures and improvements, and furniture, machinery, and equipment. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of $5,000 for tangible personal property, $25,000 for buildings and other structures and improvements, and $4,000,000 for intangible assets. 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 compensated absences payable, other postemployment benefits payable, and net pension liabilities that are not scheduled to be paid within the next fiscal year.

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

2. Deficit Net Position in Individual Funds

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

Fund	Net Position
Current Funds - Unrestricted	$ (24,019,592)
Auxiliary Funds	225,847
Total	$ (23,793,745)

3. Investments

College Investments. The Board of Trustees had not adopted a written investment policy. Therefore, pursuant to Section 218.415(17), Florida Statutes, the College is authorized to invest in the Florida PRIME investment pool, administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

At June 30, 2020, the College reported no investments.

Component Units' Investments. The component units categorize fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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

Investment Type	Average Maturity	Credit Quality	Pensacola State College Foundation, Inc. 12-31-19	WSRE-TV Foundation, Inc. 6-30-20	Total (1)
Federal Agency Obligations					
Government National Mortgage Association II Modified Pass Through Pool	(2)	(2)	$ 254	$ -	$ 254
Fixed Income					
Vanguard Short-Term Investment-Grade Fund	2.7 Years	(3)	952,730	-	952,730
Vanguard Inflation-Protected Securities Fund	8.3 Years	(3)	2,618,303	-	2,618,303
Vanguard Intermediate Bond Index	7.4 Years	(3)	-	29,084	29,084
Federated Ultrashort Bond Fund	1 Year	(3)	2,026,519	-	2,026,519
Federated Total Return Bond Fund	7.6 Years	(3)	2,942,271	-	2,942,271
Federated Hermes Total Return Bond Fund	6.4 Years	(3)	-	348,889	348,889
PIMCO Funds Low Duration Fund	2.7 Years	(3)	-	133,049	133,049
Dodge & Cox Income Fund	7.9 Years	(3)	2,676,852	-	2,676,852
Dodge & Cox Income Fund	9.2 Years	(3)	-	348,738	348,738
Equities					
Vanguard 500 Index Fund	(2)	(2)	9,302,595	670,535	9,973,130
Vanguard Small Cap Index Fund	(2)	(2)	2,636,001	-	2,636,001
Vanguard Developed Market Index Fund	(2)	(2)	1,735,664	92,501	1,828,165
Vanguard Mid Cap Index Fund	(2)	(2)	2,782,115	-	2,782,115
Invesco Oppenheimer Developing Markets Fund	(2)	(2)	-	44,921	44,921
Oppenheimer Developing Markets Fund	(2)	(2)	480,381	-	480,381
Alliance Bernstein Small Cap Growth	(2)	(2)	-	63,920	63,920
American EuroPacific Growth Fund	(2)	(2)	-	92,254	92,254
Fidelity Small Cap Value Fund	(2)	(2)	-	54,035	54,035
Touchstone Large Cap Focused Fund	(2)	(2)	-	118,758	118,758
Janus Henderson Enterprise Fund	(2)	(2)	-	62,688	62,688
JP Morgan Mid Cap Value Fund	(2)	(2)	-	57,567	57,567
Other					
Real Estate	(2)	(2)	250,000	-	250,000
Federated Hermes Government Obligations	(2)	(2)	-	141,356	141,356
Total Component Units' Investments			$ 28,403,685	$ 2,258,295	$ 30,661,980

(1) Federal Agency Obligations are reported at fair value using significant other observable inputs (Level 2 inputs). All other investments are reported at fair value using quoted market prices (Level 1 inputs).
(2) Investment risk disclosures are not required for these investments.
(3) These funds are not rated by a nationally recognized statistical rating organization.

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

The Pensacola State College Foundation, Inc.'s investment in the Vanguard Short-Term Investment-Grade Fund had an average effective duration of 2.4 years. The Vanguard Inflation-Protected Securities Fund had an average effective duration of 7.4 years. The Federated Total Return Bond Fund had an average effective duration of 5.7 years. The Federated Ultrashort Bond Fund had an average effective duration of 0.8 years. The Dodge & Cox Income Fund had an average effective duration of 4.3 years.

The WSRE-TV Foundation, Inc.'s investment in the Vanguard Intermediate Bond Index had an average effective duration of 6.5 years. The Federated Hermes Total Return Bond Fund had an average effective duration of 5.7 years. The PIMCO Funds Low Duration had an average effective duration of 2.5 years. The Dodge & Cox Income Fund had an average effective duration of 5 years.

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

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

The WSRE-TV Foundation, Inc. holds assets within two separate investment portfolios separated between operating funds and endowment funds. The Foundation's investment policy guidelines provide for allocations in which equity investments will not exceed 65 percent for the endowment portfolio and 20 percent for the operating account. There is a caveat included in the investment policy that allows for up to a 5 percent deviation from those percentages to allow for market adjustments. The endowment portfolio at June 30, 2020, meets the policy guidelines, with equities representing 63 percent, fixed income representing 31 percent, and cash equivalents representing 6 percent. The short-term investment portfolio meets these requirements at June 30, 2020, with 20 percent in equity investments, 74 percent in fixed income investments, and 6 percent in cash.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the investor will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

At December 31, 2019, the Pensacola State College Foundation, Inc.'s cash equivalents consisted of $255,072 held in the Federated Government Obligations money market mutual fund. The fund seeks to preserve the value of the investments at $1 per share; however, it is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

The WSRE-TV Foundation, Inc. does not have a policy for custodial credit risk, however, the Foundation has not experienced any losses and believes it is not exposed to significant risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the investor's investment in a single issuer.

The Pensacola State College Foundation, Inc.'s funds are invested to produce maximum total return consistent with prudent risk limits. The allocation of the portfolio over the various asset classes is the single most important determinant of investment risk and return. The Foundation's investment policy uses target ranges of 45 to 75 percent in equity securities and 25 to 55 percent in fixed income securities. Ranges within equity securities are as follows: 20 percent or less in international and emerging market equities and 5 to 25 percent in small capitalization equities. Ranges within fixed income securities are 5 percent or less in a diversified portfolio of non-investment grade bonds. No more than 5 percent of Foundation assets may be invested in any one issuer, except the U.S. Government. The investments at December 31, 2019, meet the investment policy guidelines with equity securities representing 60 percent, and fixed income securities representing 40 percent, of the asset allocation.

The WSRE-TV Foundation, Inc. did not have any investments at June 30, 2020, in which over 5 percent of the total investment portfolio is derived from one issuer, excluding U.S. Government and

U.S. Government agency-backed securities, investments in mutual funds, and other pooled investment funds.

4. Accounts Receivable

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. The accounts receivable are reported net of a $433,716 allowance for doubtful accounts.

5. Notes Receivable

Notes receivable represent student loans under the short-term loan program and are reported net of a $76,293 allowance for doubtful notes.

6. Due From Other Governmental Agencies

The amount due from other governmental agencies primarily consists of $1,101,305 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

7. Due From Component Unit

The $3,983 reported as due from component unit primarily consists of amounts owed to the College by the Pensacola State College Foundation, Inc., (Foundation) for scholarships and student aid. The College's financial statements are reported for the fiscal year ended June 30, 2020. The Foundation's financial statements are reported for the fiscal year ended December 31, 2019. Accordingly, amounts reported by the College as due from component unit on the statement of net position do not agree with amounts reported by the Foundation as due to the College.

8. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2020, is shown in the following table:

Description	Beginning Balance	Adjustment (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 12,794,717	$ -	$ -	$ -	$ 12,794,717
Artwork/Artifacts	134,500		11,527	-	146,027
Construction in Progress	5,523,158	-	14,094,683	(5,523,158)	14,094,683
Total Nondepreciable Capital Assets	$ 18,452,375	$ -	$ 14,106,210	$ (5,523,158)	$ 27,035,427
Depreciable Capital Assets:					
Buildings	$ 75,460,596	$ -	$ 289,787	$ -	$ 75,750,383
Other Structures and Improvements	11,546,708	-	104,660	(64,265)	11,587,103
Furniture, Machinery, and Equipment	19,074,901	-	3,405,019	(4,155,511)	18,324,409
Total Depreciable Capital Assets	106,082,205	-	3,799,466	(4,219,776)	105,661,895
Less, Accumulated Depreciation:					
Buildings	43,614,290	-	1,242,006	-	44,856,296
Other Structures and Improvements	10,972,311	-	137,932	(64,265)	11,045,978
Furniture, Machinery, and Equipment	16,257,523	(2,999)	1,604,554	(4,153,445)	13,705,633
Total Accumulated Depreciation	70,844,124	(2,999)	2,984,492	(4,217,710)	69,607,907
Total Depreciable Capital Assets, Net	$ 35,238,081	$ 2,999	$ 814,974	$ (2,066)	$ 36,053,988

(1) Accumulated depreciation previously reported for assets combined in the 2019-20 fiscal year.

9. Unearned Revenue

Unearned revenue includes contract revenue, restricted grants and contracts, and other unearned revenue. As of June 30, 2020, the College reported the following amounts as unearned revenue:

Description	Amount
Restricted Grants and Contracts	$ 1,691,188
Other Unearned Revenue	5,568
Total Unearned Revenue	$ 1,696,756

10. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2020, is shown in the following table:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 36,000	$ -	$ 36,000	$ -	$ -
Compensated Absences Payable	4,893,033	800,785	414,700	5,279,118	445,319
Other Postemployment Benefits Payable	841,704	396,837	76,456	1,162,085	4,936
Net Pension Liability	26,427,475	17,365,633	14,423,979	29,369,129	139,303
Total Long-Term Liabilities	$ 32,198,212	$ 18,563,255	$ 14,951,135	$ 35,810,332	$ 589,558

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, 2020, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $5,279,118. The current portion of the compensated absences liability, $445,319, is the amount expected to be paid in the coming fiscal year and represents a historical percentage of leave used applied to total accrued leave liability.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for other postemployment benefits administered by the Florida College System Risk Management Consortium (Consortium).

General Information about the OPEB Plan

Plan Description. The Other Postemployment Benefits Plan (OPEB Plan) is a single-employer defined benefit plan administered by the Consortium that provides OPEB for all employees who satisfy the College's retirement eligibility provisions. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the College are eligible to participate in the College's healthcare benefits including medical and prescription drug coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the OPEB Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary health coverage as soon as they are eligible. The OPEB Plan contribution requirements and benefit terms of the College and the OPEB Plan members are established and may be amended by action from the Board. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Employees Covered by Benefit Terms. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	52
Deferred Retirement Option Program Members	53
Active Employees	523
Total	628

Total OPEB Liability

The College's total OPEB liability of $1,162,085 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60 percent
Real Wage Growth	0.65 percent
Wage Inflation	3.25 percent
Salary increases	
Regular Employees	4.00 percent – 7.80 percent
Senior Management	4.70 percent – 7.10 percent
Discount Rate	
Prior Measurement Date	3.87 percent
Measurement Date	3.50 percent
Healthcare cost trend rates	
Pre-Medicare	7.00 percent for 2019, decreasing to an ultimate rate of 4.50 percent by 2026
Medicare	5.00 percent for 2019 decreasing to an ultimate rate of 4.50 percent by 2021

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for FRS experience and generational mortality improvements using Scale MP-2014.

The demographic actuarial assumptions for mortality, retirement, disability incidence, and withdrawal used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013, adopted by the FRS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2019, valuation were based on a review of recent plan experience done concurrently with the June 30, 2019, valuation.

Changes in the Total OPEB Liability

	Amount
Balance at June 30, 2019	$ 841,704
Changes for the year:	
Service Cost	35,534
Interest	31,552
Differences Between Expected and Actual Experience	(23,116)
Changes in Assumptions or Other Inputs	329,751
Benefit Payments	(53,340)
Net Changes	320,381
Balance at June 30, 2020	$ 1,162,085

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 percent in 2018 to 3.50 percent in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
Total OPEB liability	$1,445,849	$1,162,085	$947,022

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following table presents the total OPEB liability of the College, as well as what the College's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	$922,376	$1,162,085	$1,484,566

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

For the fiscal year ended June 30, 2020, the College recognized OPEB expense of $99,377. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 20,252
Change of assumptions or other inputs	288,890	31,777
Transactions subsequent to the measurement date	4,936	-
Total	$ 293,826	$ 52,029

Of the total amount reported as deferred outflows of resources related to OPEB, $4,936 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30	Amount
2021	$ 32,291
2022	32,291
2023	32,291
2024	32,291
2025	32,291
Thereafter	75,406
Total	$ 236,861

Net Pension Liability. As a participating employer in the Florida Retirement System (FRS), the College recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2020, the College's proportionate share of the net pension liabilities totaled $29,369,129. Note 11. includes a complete discussion of defined benefit pension plans.

11. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

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

The College's FRS and HIS pension expense totaled $5,338,467 for the fiscal year ended June 30, 2020.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class* (SMSC) – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2019-20 fiscal year were:

	Percent of Gross Salary	
Class	Employee	Employer (1)
FRS, Regular	3.00	8.47
FRS, Senior Management Service	3.00	25.41
FRS, Special Risk	3.00	25.48
Deferred Retirement Option Program (applicable to members from all of the above classes)	0.00	14.60
FRS, Reemployed Retiree	(2)	(2)

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The College's contributions to the Plan totaled $2,011,501 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the College reported a liability of $21,158,942 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The College's proportionate share of the net pension liability was based on the College's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the College's proportionate share was 0.061439597 percent, which was a decrease of 0.000404958 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of $4,951,678. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,254,997	$ 13,131
Change of assumptions	5,434,527	-
Net difference between projected and actual earnings on FRS Plan investments	-	1,170,623
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	151,019	847,672
College FRS contributions subsequent to the measurement date	2,011,501	-
Total	$ 8,852,044	$ 2,031,426

The deferred outflows of resources totaling $2,011,501, resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	Amount
2021	$ 1,689,954
2022	342,148
2023	1,340,659
2024	1,090,002
2025	281,062
Thereafter	65,292
Total	$ 4,809,117

Actuarial Assumptions. The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.90 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018. This is a change from the prior year mortality assumption which was based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	**Target Allocation** (1)	**Annual Arithmetic Return**	**Compound Annual (Geometric) Return**	**Standard Deviation**
Cash	1%	3.3%	3.3%	1.2%
Fixed Income	18%	4.1%	4.1%	3.5%
Global Equity	54%	8.0%	6.8%	16.5%
Real Estate (Property)	10%	6.7%	6.1%	11.7%
Private Equity	11%	11.2%	8.4%	25.8%
Strategic Investments	6%	5.9%	5.7%	6.7%
Total	100%			
Assumed Inflation - Mean			2.6%	1.7%

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

Discount Rate. The discount rate used to measure the total pension liability was 6.90 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2019 valuation was updated from 7.00 percent to 6.90 percent.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.90 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.90 percent) or 1 percentage point higher (7.90 percent) than the current rate:

	1% Decrease (5.90%)	**Current Discount Rate (6.90%)**	**1% Increase (7.90%)**
College's proportionate share of the net pension liability	$36,576,749	$21,158,942	$8,282,452

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2020, the College reported a payable of $106,780 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2020.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2020, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled $420,928 for the fiscal year ended June 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2020, the College reported a net pension liability of $8,210,187 for its proportionate share of the net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within 1 year, net of the College's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, and update procedures were used to determine liabilities as of June 30, 2019. The College's proportionate share of the net pension liability was based on the College's 2018-19 fiscal year contributions relative to the total 2018-19 fiscal year contributions of all participating members. At June 30, 2019, the College's proportionate share was 0.073377317 percent, which was a decrease of 0.000314028 from its proportionate share measured as of June 30, 2018.

For the fiscal year ended June 30, 2020, the College recognized pension expense of $386,789. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Change of assumptions	$ 950,662	$ 671,034
Differences between expected and actual experience	99,722	10,053
Net difference between projected and actual earnings on HIS Plan investments	5,298	-
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	-	742,658
College contributions subsequent to the measurement date	420,928	-
Total	$ 1,476,610	$ 1,423,745

The deferred outflows of resources totaling $420,928, resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30	**Amount**
2021	$ (83,269)
2022	(85,718)
2023	(84,037)
2024	(134,989)
2025	(28,430)
Thereafter	48,380
Total	$ (368,063)

Actuarial Assumptions. The total pension liability at July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal bond rate	3.50 percent

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

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

Discount Rate. The discount rate used to measure the total pension liability was 3.50 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2019 valuation was updated from 3.87 percent to 3.50 percent.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 3.50 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50 percent) or 1 percentage point higher (4.50 percent) than the current rate:

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
College's proportionate share of the net pension liability	$9,372,350	$8,210,187	$7,242,238

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan. At June 30, 2020, the College reported a payable of $31,415 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2020.

12. Retirement Plans – Defined Contribution Pension Plans

FRS Investment Plan. The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State's Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2019-20 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2020, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

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

The College's Investment Plan pension expense totaled $650,935 for the fiscal year ended June 30, 2020.

State College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible college instructors and administrators. The Program is designed to aid colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes 5.15 percent of the participant's salary to the participant's account, 3.56 percent to cover the unfunded actuarial liability of the FRS pension plan, for a total of 8.71 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The College's contributions to the Program totaled $250,178 and employee contributions totaled $87,202 for the 2019-20 fiscal year.

13. Construction Commitments

The College's construction commitments at June 30, 2020, were as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Baars Building Replacement	$ 15,696,522	$ 13,593,144	$ 2,103,378
New Fitness Center	310,679	123,417	187,262
Workforce Education Facility	167,003	149,125	17,878
Truck Driving Facility	48,688	47,488	1,200
Warrington Campus Sign	201,000	181,509	19,491
Total	$ 16,423,892	$ 14,094,683	$ 2,329,209

14. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide college risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance from commercial companies provided coverage of up to $100 million to February 29, 2020, and up to $110 million from March 1, 2020, for property insurance. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, health, life, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past 3 fiscal years.

15. Litigation

The College is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the College's legal counsel and management, should not materially affect the College's financial position.

16. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, academic support, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

Functional Classification	**Amount**
Instruction	$ 23,201,931
Public Services	3,770,204
Academic Support	5,578,866
Student Services	8,110,737
Institutional Support	14,530,669
Operation and Maintenance of Plant	14,946,177
Scholarships and Waivers	17,864,852
Depreciation	2,984,492
Auxiliary Enterprises	4,565
Total Operating Expenses	$ 90,992,493

17. Discretely Presented Component Units

The College has two discretely presented component units as discussed in Note 1. These component units represent 100 percent of the transactions and account balances of the aggregate discretely presented component units columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

Condensed Statement of Net Position

	Direct-Support Organizations		
	Pensacola State College Foundation, Inc.	**WSRE-TV Foundation, Inc.**	**Total**
Assets:			
Current Assets	$ 17,842,588	$ 1,069,471	$ 18,912,059
Capital Assets, Net	-	181,431	181,431
Other Noncurrent Assets	12,015,642	2,299,313	14,314,955
Total Assets	29,858,230	3,550,215	33,408,445
Liabilities:			
Current Liabilities	78,422	165,111	243,533
Noncurrent Liabilities	130,953	-	130,953
Total Liabilities	209,375	165,111	374,486
Deferred Inflows of Resources:			
Split-Interest Agreements	184,088	-	184,088
Net Position:			
Investment in Capital Assets	-	181,431	181,431
Restricted Nonexpendable	11,275,985	-	11,275,985
Restricted Expendable	17,077,339	1,285,935	18,363,274
Unrestricted	1,111,443	1,917,738	3,029,181
Total Net Position	$ 29,464,767	$ 3,385,104	$ 32,849,871

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

	Direct-Support Organizations		
	Pensacola State College Foundation, Inc.	WSRE-TV Foundation, Inc.	Total
Operating Revenues	$ 2,500,386	$ 969,284	$ 3,469,670
Operating Expenses	(2,590,538)	(942,743)	(3,533,281)
Operating Income (Loss)	(90,152)	26,541	(63,611)
Net Nonoperating Revenues	5,073,064	105,906	5,178,970
Other Revenues	464,593	-	464,593
Increase in Net Position	5,447,505	132,447	5,579,952
Net Position, Beginning of Year	24,017,262	3,252,657	27,269,919
Net Position, End of Year	$ 29,464,767	$ 3,385,104	$ 32,849,871

18. Related Party Transactions

The College leases a portion of a College-owned building complex known as the College Centre, together with adjacent parking areas, to the Pensacola State College Foundation, Inc. (Foundation). The leased property is used by the Foundation as apartments for students on athletic scholarships and for coaches or counselors assigned by the College to supervise and counsel the student athletes. The lease requires the Foundation to make monthly payments of $3,714 to the College through July 31, 2020, the end of the lease term.

The College also leases College-owned land and buildings located on Metzger Drive, Pensacola, Escambia County, Florida to the Foundation. The leased property is used by the Foundation as residential apartments for the general public. The lease requires the Foundation make annual payments of $1 to the College through June 30, 2023, the end of the lease term. At the option of the Foundation, the lease is renewable for a 1-year term through June 30, 2024.

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

	2019	2018	2017
Total OPEB Liability			
Service Cost	$ 35,534	$ 35,850	$ 37,379
Interest	31,552	29,059	24,615
Difference Between Expected and Actual Experience	(23,116)	-	-
Changes of Assumptions or Other Inputs	329,751	(15,946)	(31,011)
Benefit Payments	(53,340)	(46,612)	(18,699)
Net Change in Total OPEB Liability	320,381	2,351	12,284
Total OPEB Liability - Beginning	841,704	839,353	827,069
Total OPEB Liability - Ending	$ 1,162,085	$ 841,704	$ 839,353
Covered-Employee Payroll	$ 24,769,059	$ 24,110,994	$ 24,110,994
Total OPEB Liability as a Percentage of Covered-Employee Payroll	**4.69%**	**3.49%**	**3.48%**

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

	2019 (1)	2018 (1)	2017 (1)	2016 (1)
College's proportion of the FRS net pension liability	0.061439597%	0.061844555%	0.060886262%	0.063136719%
College's proportionate share of the FRS net pension liability	$ 21,158,942	$ 18,627,900	$ 18,009,748	$ 15,942,071
College's covered payroll (2)	$ 27,793,874	$ 26,795,476	$ 26,297,216	$ 26,311,174
College's proportionate share of the FRS net pension liability as a percentage of its covered payroll	76.13%	69.52%	68.49%	60.59%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.61%	84.26%	83.89%	84.88%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, State college system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

Schedule of College Contributions – Florida Retirement System Pension Plan

	2020 (1)	2019 (1)	2018 (1)	2017 (1)
Contractually required FRS contribution	$ 2,011,501	$ 1,912,048	$ 1,769,533	$ 1,585,019
FRS contributions in relation to the contractually required contribution	(2,011,501)	(1,912,048)	(1,769,533)	(1,585,019)
FRS contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 28,263,829	$ 27,793,874	$ 26,795,476	$ 26,297,216
FRS contributions as a percentage of covered payroll	7.12%	6.88%	6.60%	6.03%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, State college system optional retirement plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

	2015 (1)	2014 (1)	2013 (1)
	0.071557043%	0.076178452%	0.072086431%
	$ 9,242,554	$ 4,648,006	$ 12,409,283
	$ 24,893,556	$ 26,059,165	$ 26,292,027
	37.13%	17.84%	47.20%
	92.00%	96.09%	88.54%

	2016 (1)	2015 (1)	2014 (1)
	$ 1,547,605	$ 1,744,621	$ 1,668,631
	(1,547,605)	(1,744,621)	(1,668,631)
	$ -	$ -	$ -
	$ 26,311,174	$ 24,893,556	$ 26,059,165
	5.88%	7.01%	6.40%

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

	2019 (1)	**2018** (1)	**2017** (1)	**2016** (1)
College's proportion of the HIS net pension liability	0.073377317%	0.073691345%	0.075470928%	0.078429231%
College's proportionate share of the HIS net pension liability	$ 8,210,187	$ 7,799,575	$ 8,069,700	$ 9,140,602
College's covered payroll (2)	$ 24,785,296	$ 24,270,611	$ 24,142,865	$ 26,311,174
College's proportionate share of the HIS net pension liability as a percentage of its covered payroll	33.13%	32.14%	33.42%	34.74%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	2.63%	2.15%	1.64%	0.97%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

Schedule of College Contributions – Health Insurance Subsidy Pension Plan

	2020 (1)	**2019** (1)	**2018** (1)	**2017** (1)
Contractually required HIS contribution	$ 420,928	$ 411,436	$ 400,867	$ 399,414
HIS contributions in relation to the contractually required HIS contribution	(420,928)	(411,436)	(400,867)	(399,414)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll (2)	$ 25,357,099	$ 24,785,296	$ 24,270,611	$ 24,142,865
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.65%	1.65%

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

2015 (1)	2014 (1)	2013 (1)
0.083866520%	0.089074080%	0.092115890%
$ 8,553,066	$ 8,328,644	$ 8,019,899
$ 24,893,556	$ 26,059,165	$ 26,292,027
34.36%	31.96%	30.50%
0.50%	0.99%	1.78%

2016 (1)	2015 (1)	2014 (1)
$ 402,224	$ 320,590	$ 305,138
(402,224)	(320,590)	(305,138)
$ -	$ -	$ -
$ 26,311,174	$ 24,893,556	$ 26,059,165
1.53%	1.29%	1.17%

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

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

Changes of Assumptions. Since the prior measurement date, the discount rate decreased from 3.87 percent to 3.50 percent due to a change in the Municipal Bond Index Rate.

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

Changes of Assumptions. The long-term expected rate of return decreased from 7.00 percent to 6.90 percent, and the active member mortality assumption was updated.

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

Changes of Assumptions. The municipal rate used to determine total pension liability decreased from 3.87 percent to 3.50 percent.

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Pensacola State College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 5, 2021, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Sherrill F. Norman

Sherrill F. Norman, CPA
Tallahassee, Florida
March 5, 2021