

ST. PETERSBURG COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2013



STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2012-13 fiscal year are listed below:

Deveron M. Gibbons, Chair
Robert J. Fine Jr., Vice Chair
Bridgette Bello from 5-30-13 (1)
Terrence E. Brett to 5-31-13 (2)
Timothy O. North to 10-9-12 (1)
Jeffrey Dale Oliver from 12-17-12 (3)

Dr. William D. Law, Jr., President

Notes: (1) Board member resigned on October 9, 2012, and position remained vacant through May 29, 2013.
(2) Position remained vacant through June 30, 2013.
(3) Position was vacant from April 21, 2012, through December 16, 2012.

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

The audit team leader was Jayne Haire, CPA, and the audit was supervised by Karen J. Collington, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

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

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the College's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether St. Petersburg 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, 2013. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent College records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.



DAVID W. MARTIN, CPA
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AUDITOR GENERAL STATE OF FLORIDA

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of St. Petersburg 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, 2013, 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, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of St. Petersburg College and of its aggregate discretely presented component units as of June 30, 2013, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Leepa-Rattner Museum of Art, Inc. (Museum), a discretely presented component unit, elected to change its accounting policy with respect to the Museum's art collections from a capitalization to a no capitalization policy.

As also discussed in Note 2 to the financial statements, beginning net position was restated to report a new direct-support organization that became a component unit of the College for the 2012-13 fiscal year.

These reporting changes, which resulted in a net adjustment to beginning net position of \$1,166,337, affect the comparability of amounts reported for the 2012-13 fiscal year with amounts reported for the 2011-12 fiscal year. Our opinion is not modified with respect to these matters.

*Other Matter**Required Supplementary Information*

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

Other Reporting Required by Government Auditing Standards

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

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 19, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2013, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2013, and June 30, 2012, and its component units for the fiscal years ended March 31, 2013, and March 31, 2012.

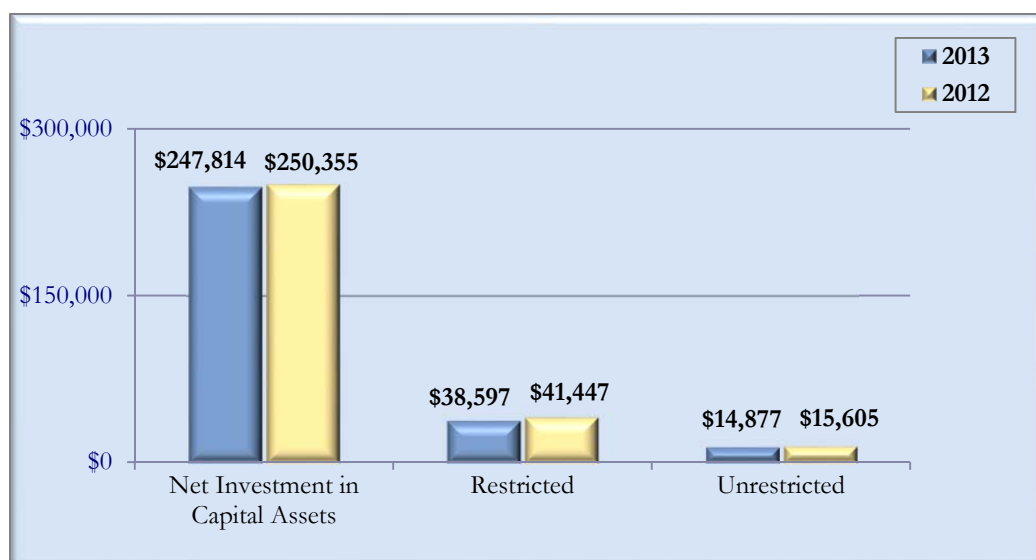
FINANCIAL HIGHLIGHTS

The College's assets totaled \$359.2 million at June 30, 2013. This balance reflects a \$5.2 million, or 1.4 percent, net decrease as compared to the 2011-12 fiscal year, resulting primarily from decreases in restricted cash and cash equivalents of \$11.9 million, nondepreciable capital assets of \$6 million, and accounts receivable of \$0.5 million. This was offset by an increase in depreciable capital assets of \$10.6 million, due from other governmental agencies of \$2.4 million, and prepaid expenses of \$0.2 million. Liabilities increased by \$0.9 million, or 1.7 percent, totaling \$57.9 million at June 30, 2013, compared to \$57 million at June 30, 2012. As a result, the College's net position decreased by \$6.1 million, resulting in a year-end balance of \$301.3 million.

The College's operating revenues totaled \$52.7 million for the 2012-13 fiscal year, representing a 1.1 percent decrease as compared to the 2011-12 fiscal year. Operating expenses totaled \$199.5 million for the 2012-13 fiscal year, representing a decrease of 2.3 percent as compared to the 2011-12 fiscal year.

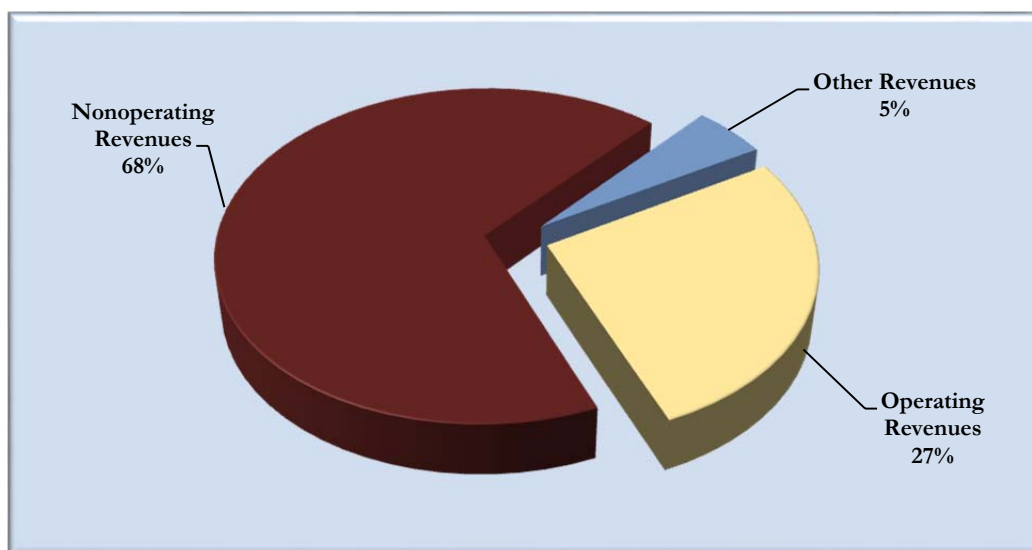
Net position represents the residual interest in the College's assets after deducting liabilities. The College's comparative total net position by category for the fiscal years ended June 30, 2013, and 2012, is shown in the following graph:

**Net Position: College
(In Thousands)**



The following chart provides a graphical presentation of College revenues by category for the 2012-13 fiscal year:

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the College's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These financial statements, and notes thereto, provide information on the College as a whole, present a long-term view of the College's finances, and include activities for the following entities:

- St. Petersburg 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.
- St. Petersburg College Foundation, Inc. (Foundation); St. Petersburg College Alumni Association, Inc.; The Leepa-Rattner Museum of Art, Inc. (Museum); and the Institute for Strategic Policy Solutions, Inc. (Institute) (Component Units) – Although legally separate, these component units are important because the College is financially accountable for them, as the College reports its financial activities to the State of Florida.

THE STATEMENT OF NET POSITION

One of the most important questions asked about the College's finances is, "Is St. Petersburg College, as a whole, better off or worse off as a result of the year's activities?" The statement of net position reflects the assets and liabilities of the College, using the accrual basis of accounting, and presents the financial position of the College at a specified time. Assets less liabilities equals net position, which is one indicator of the College's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the College's financial condition.

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

**Condensed Statement of Net Position at
(In Thousands)**

	College		Component Units	
	6-30-13	6-30-12	3-30-13	3-30-12
Assets				
Current Assets	\$ 45,460	\$ 42,750	\$ 25,848	\$ 21,635
Capital Assets, Net	279,311	274,745		1,177
Other Noncurrent Assets	34,458	46,896	27,903	27,554
Total Assets	359,229	364,391	53,751	50,366
Liabilities				
Current Liabilities	16,768	15,474	695	532
Noncurrent Liabilities	41,173	41,510		
Total Liabilities	57,941	56,984	695	532
Net Position				
Net Investment in Capital Assets	247,814	250,355		1,177
Restricted	38,597	41,447	51,403	47,261
Unrestricted	14,877	15,605	1,653	1,396
Total Net Position	\$ 301,288	\$ 307,407	\$ 53,056	\$ 49,834
Increase (Decrease) in Net Position	<u>\$ (6,119)</u> -2.0%		<u>\$ 3,222</u> 6.5%	

THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

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

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

	College		Component Units	
	06-30-13	06-30-12	3-31-13	3-31-12
Operating Revenues	\$ 52,736	\$ 53,312	\$ 2,725	\$ 2,203
Less, Operating Expenses	199,520	204,220	4,335	3,662
Operating Income	(146,784)	(150,908)	(1,610)	(1,459)
Net Nonoperating Revenues	131,347	133,765	5,583	2,625
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(15,437)	(17,143)	3,973	1,166
Other Revenues, Expenses, Gains, or Losses	9,318	7,137	416	241
Net Increase (Decrease) In Net Position	(6,119)	(10,006)	4,389	1,407
Net Position, Beginning of Year	307,407	317,413	49,834	48,427
Adjustments to Beginning Net Position (1)			(1,167)	
Net Position, Beginning of Year, as Restated	307,407	317,413	48,667	48,427
Net Position, End of Year	\$ 301,288	\$ 307,407	\$ 53,056	\$ 49,834

Note: (1) Adjustments to Beginning Net Position due to a change in the Museum's accounting policy with respect to the Museum's art collections from a capitalization to a no capitalization policy and the recognition of the Institute as a new direct-support organization.

Operating Revenues

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

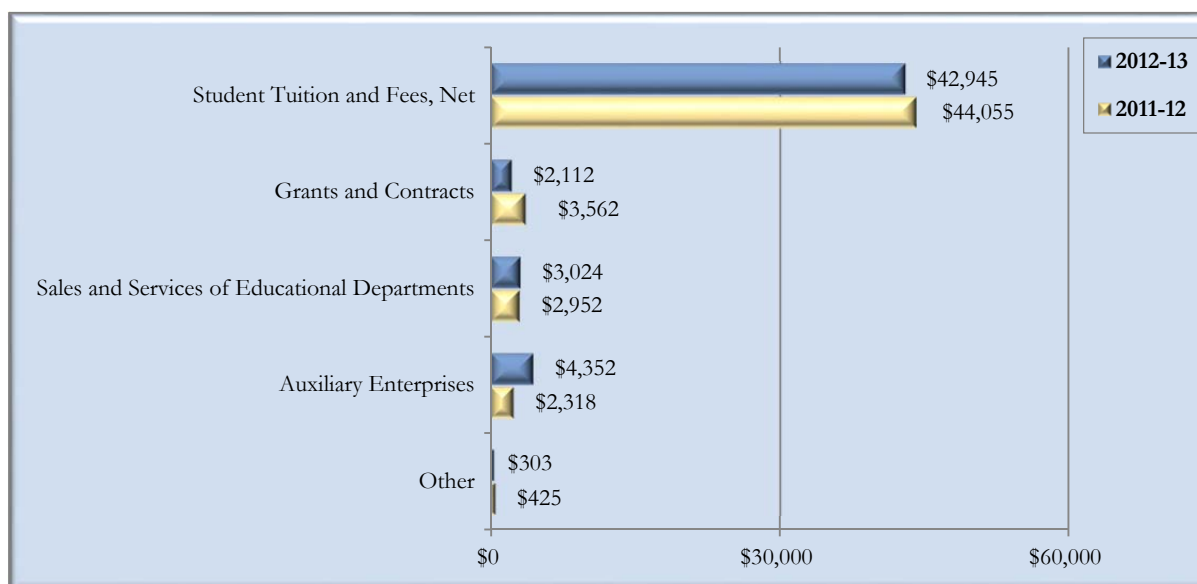
The following summarizes the operating revenues for the College and its component units by source that were used to fund operating activities for the respective fiscal years ended:

Operating Revenues For the Fiscal Years Ended (In Thousands)

	College		Component Units	
	6-30-13	6-30-12	3-31-13	3-31-12
Student Tuition and Fees, Net	\$ 42,945	\$ 44,055	\$	\$
Grants and Contracts	2,112	3,562		
Sales and Services of Educational Departments	3,024	2,952		
Auxiliary Enterprises	4,352	2,318		
Other	303	425	2,725	2,203
Total Operating Revenues	\$ 52,736	\$ 53,312	\$ 2,725	\$ 2,203

The following chart presents the College's operating revenues for the 2012-13 and 2011-12 fiscal years:

Operating Revenues: College (In Thousands)



College operating revenues decreased by \$0.6 million, or 1.1 percent. This can be attributed to decreases of \$1.1 million in net tuition and fees due to decreases in enrollment and \$1.5 million in grants and contracts due to decreases in grants and contracts offset by an increase of \$2 million in auxiliary enterprises due to higher commissions from the bookstore vendor.

Operating Expenses

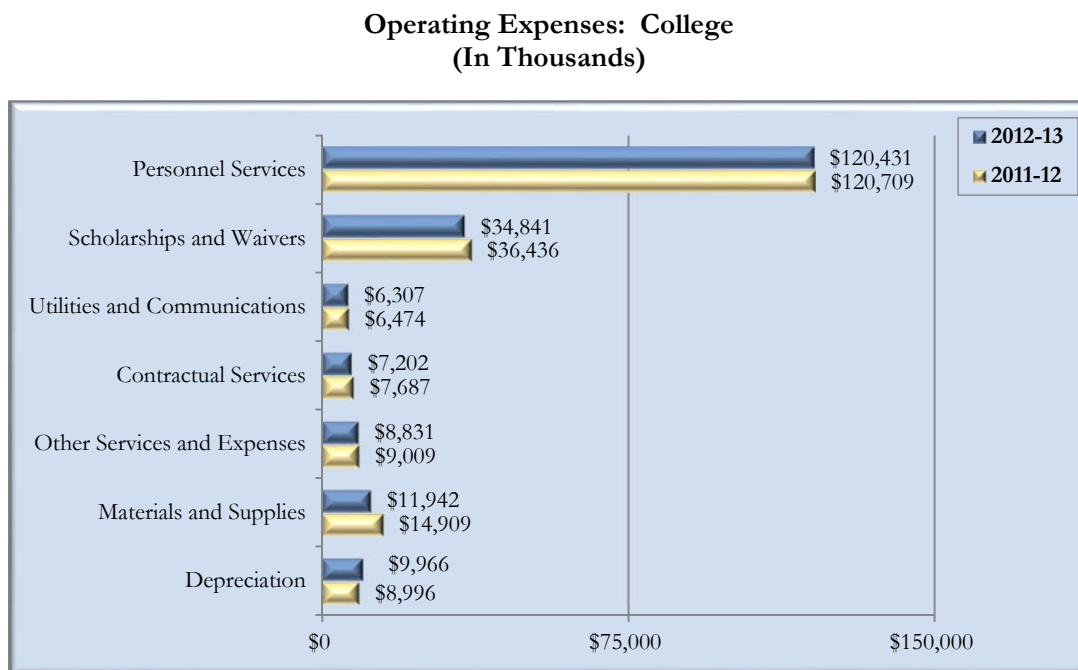
Expenses are categorized as operating or nonoperating. The majority of the College's expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting

operating expenses in the functional or natural classifications. The College has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

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

Operating Expenses For the Fiscal Years Ended (In Thousands)				
	College		Component Units	
	6-30-13	6-30-12	3-31-13	3-31-12
Personnel Services	\$ 120,431	\$ 120,709	\$	\$
Scholarships and Waivers	34,841	36,436	2,648	1,989
Utilities and Communications	6,307	6,474		
Contractual Services	7,202	7,687	19	40
Other Services and Expenses	8,831	9,009	1,636	1,594
Materials and Supplies	11,942	14,909	32	39
Depreciation	9,966	8,996		
Total Operating Expenses	\$ 199,520	\$ 204,220	\$ 4,335	\$ 3,662

The following chart presents the College's operating expenses for the 2012-13 and 2011-12 fiscal years:



College operating expenses decreased by \$4.7 million from the 2011-12 fiscal year primarily from materials and supplies of \$3 million due to decreases in State funding and scholarships and waivers of \$1.6 million due to a decrease in enrollment.

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 2012-13 and 2011-12 fiscal years:

Nonoperating Revenues (Expenses): College
(In Thousands)

	<u>2012-13</u>	<u>2011-12</u>
State Noncapital Appropriations	\$ 63,441	\$ 62,792
Federal and State Student Financial Aid	59,773	62,128
Gifts and Grants	10,503	8,686
Investment Income	222	1,492
Other Nonoperating Revenues (Expenses)	(8)	30
Loss on Disposal of Capital Assets	(1,241)	
Interest on Capital Asset-Related Debt	<u>(1,343)</u>	<u>(1,363)</u>
Net Nonoperating Revenues	<u>\$131,347</u>	<u>\$133,765</u>

When compared to the prior fiscal year, College net operating revenues decreased by 1.8 percent. The change in revenue was primarily due to a \$2.4 million decrease in Federal and State student financial aid due to a decrease in enrollment.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2012-13 and 2011-12 fiscal years:

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

	<u>2012-13</u>	<u>2011-12</u>
State Capital Appropriations	\$ 3,593	\$ 2,570
Capital Grants, Contracts, Gifts, and Fees	<u>5,725</u>	<u>4,567</u>
Total	<u>\$ 9,318</u>	<u>\$ 7,137</u>

Changes in other revenues, expenses, gains, or losses were the result of State capital appropriations increasing by \$1 million, due to an increase in Public Education Capital Outlay allocations and an increase in capital grants, contracts, gifts, and fees of \$1.2 million primarily due to an increase in student capital improvement fees in the 2012-13 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. Cash flows from operating activities show the net cash used by the operating activities of the College. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections. The statement of cash flows also helps users assess:

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

The following summarized the College's cash flows for the 2012-13 and 2011-12 fiscal years:

Condensed Statement of Cash Flows: College
(In Thousands)

	<u>2012-13</u>	<u>2011-12</u>
Cash Provided (Used) by:		
Operating Activities	\$(134,188)	\$(141,310)
Noncapital Financing Activities	133,126	133,368
Capital and Related Financing Activities	(10,737)	4,463
Investing Activities	<u>265</u>	<u>1,419</u>
Net Decrease in Cash and Cash Equivalents	(11,534)	(2,060)
Cash and Cash Equivalents, Beginning of Year	<u>60,415</u>	<u>62,475</u>
Cash and Cash Equivalents, End of Year	<u>\$ 48,881</u>	<u>\$ 60,415</u>

Major sources of funds came from Federal direct loan program receipts (\$99.9 million), State noncapital appropriations (\$63.4 million), Federal and State student financial aid (\$59.8 million), net student tuition and fees (\$43.4 million), noncapital gifts and grants (\$9.9 million), and capital gifts and grants (\$5.7 million). Major uses of funds were Federal direct loan program disbursements (\$99.9 million) payments to employees (\$95.7 million), payments for employee benefits (\$23 million), payments for scholarships (\$34.8 million), payments to suppliers (\$28.2 million), and payments for the acquisition of capital assets (\$13.6 million).

The College's overall cash and cash equivalents decreased in the 2012-13 fiscal year by \$11.5 million, or 19.1 percent from the 2011-12 fiscal year. Changes in cash and cash equivalents were the result of the following factors:

- The decrease of \$7.1 million in cash used by operating activities is partly a result of a decrease in cash outflows of \$3.7 million in payments to suppliers due to a College-wide cost savings initiative, a \$1.6 million decrease in scholarships and an increase in cash inflow from auxiliary enterprises of \$2.4 million.
- Decreases in noncapital financing cash inflows of \$0.2 million were primarily due to the decrease in Federal and State student financial aid offset by increases in gifts and grants received for other than capital or endowment purposes and State noncapital appropriations.
- Cash provided by capital and related financing activities decreased by \$15.2 million compared to the prior fiscal year mainly due to a decrease in State capital appropriations.
- Cash provided by investing activities decreased by \$1.2 million in the 2012-13 fiscal year primarily due to a decrease in investment earnings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2013, the College had \$389.9 million in capital assets, less accumulated depreciation of \$110.6 million, for net capital assets of \$279.3 million. Depreciation charges for the current fiscal year totaled \$10 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30:

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

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 25,603	\$	\$	\$ 25,603
Construction in Progress	6,978	861	6,885	954
Buildings	309,221	18,253	2,268	325,206
Other Structures and Improvements	11,681			11,681
Furniture, Machinery, and Equipment	23,594	1,051	2,243	22,402
Assets Under Capital Leases	1,482	2,545		4,027
Total	378,559	22,710	11,396	389,873
Less, Accumulated Depreciation:				
Buildings	71,247	8,013	992	78,268
Other Structures and Improvements	10,906	98		11,004
Furniture, Machinery, and Equipment	21,171	948	2,226	19,893
Assets Under Capital lease	490	907		1,397
Total Accumulated Depreciation	103,814	9,966	3,218	110,562
Capital Assets, Net	\$274,745	\$12,744	\$ 8,178	\$279,311

CAPITAL EXPENSES AND COMMITMENTS

The College did not have any major construction commitments at June 30, 2013. Other minor commitments totaled \$531,980 at June 30, 2013.

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

DEBT ADMINISTRATION

As of June 30, 2013, the College had \$31.5 million in long-term debt. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2013, and June 30, 2012:

Long-Term Debt, at June 30: College
(In Thousands)

	2013	2012
SBE Capital Outlay Bonds	\$ 3,325	\$ 3,675
Florida Department of Education Capital Improvement Revenue Bonds	24,465	25,630
Note Payable	1,077	1,598
Capital Leases Payable	2,630	993
Total	\$31,497	\$31,896

During the 2012-13 fiscal year, the District entered into capital leases for network server equipment totaling \$2.5 million. Long-term debt repayments during the 2012-13 fiscal year totaled \$2.9 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a slight increase in general State appropriations is anticipated in the 2013-14 fiscal year. The St. Petersburg College Board of Trustees (Board) voted not to raise the tuition fee rate for the 2013-14 fiscal year for the lower division students. The Board adopted a statutory-approved Learning Support Access Fee of \$2 per credit hour. The College also implemented the second year of the Capital Improvement fee increase of \$2 per credit hour. The access fee will specifically support, strengthen and expand student support priority initiatives, including improved orientation, early alert system, individual learning plans, enhanced career planning and job placement, and expanded out-of-class support in college learning centers. The Capital Improvement fee will be used primarily for repair and renovation projects for College facilities.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A and financial statements and notes thereto, or requests for additional financial information should be addressed to Theresa K. Furnas, CPA, Associate Vice-President for Financial and Business Services, St. Petersburg College, P.O. Box 13489, St. Petersburg, FL 33733.

BASIC FINANCIAL STATEMENTS

ST. PETERSBURG COLLEGE A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET POSITION June 30, 2013

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 17,352,019	\$ 2,619,167
Restricted Cash and Cash Equivalents	16,949,099	
Investments		23,216,854
Accounts Receivable, Net	1,832,758	1,232
Due from Other Governmental Agencies	7,549,651	
Due from Component Units	513,954	
Inventories	77,188	10,434
Prepaid Expenses	1,184,529	
Other Assets	636	
Total Current Assets	45,459,834	25,847,687
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	14,580,201	
Investments	7,983,501	
Restricted Investments	11,894,140	
Endowment Investments		26,641,634
Loans and Notes Receivable		1,188,625
Depreciable Capital Assets, Net	252,754,648	
Nondepreciable Capital Assets	26,556,564	
Other Assets		72,750
Total Noncurrent Assets	313,769,054	27,903,009
TOTAL ASSETS	359,228,888	53,750,696
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,928,836	504,128
Salary and Payroll Taxes Payable	989,782	
Retainage Payable	208,468	
Due to College		173,348
Unearned Revenue	415,248	17,531
Estimated Insurance Claims Payable	1,628,101	
Deposits Held for Others	7,880,723	
Long-Term Liabilities - Current Portion:		
Bonds Payable	1,585,000	
Note Payable	187,770	
Capital Leases Payable	907,617	
Compensated Absences Payable	1,036,674	
Total Current Liabilities	16,768,219	695,007
Noncurrent Liabilities:		
Bonds Payable	26,205,000	
Note Payable	889,618	
Capital Leases Payable	1,722,353	
Compensated Absences Payable	9,330,064	
Other Postemployment Benefits Payable	3,025,305	
Total Noncurrent Liabilities	41,172,340	
TOTAL LIABILITIES	57,940,559	695,007

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2013

	College	Component Units
NET POSITION		
Net Investment in Capital Assets	\$ 247,813,854	\$
Restricted:		
Nonexpendable:		
Endowment		26,641,634
Expendable:		
Grants and Loans	7,682,797	18,206,547
Scholarships	112,488	6,554,876
Capital Projects	30,458,265	
Debt Service	343,538	
Unrestricted	14,877,387	1,652,632
TOTAL NET POSITION	\$ 301,288,329	\$ 53,055,689

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

ST. PETERSBURG 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, 2013

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$31,060,582	\$ 42,944,736	\$
Federal Grants and Contracts	1,196,428	
State and Local Grants and Contracts	304,485	
Nongovernmental Grants and Contracts	611,648	
Sales and Services of Educational Departments	3,024,076	
Auxiliary Enterprises	4,352,253	
Other Operating Revenues	302,587	2,725,169
Total Operating Revenues	52,736,213	2,725,169
EXPENSES		
Operating Expenses:		
Personnel Services	120,430,819	
Scholarships and Waivers	34,840,673	2,647,517
Utilities and Communications	6,306,969	
Contractual Services	7,202,590	19,356
Other Services and Expenses	8,831,106	1,636,453
Materials and Supplies	11,942,424	32,339
Depreciation	9,965,511	
Total Operating Expenses	199,520,092	4,335,665
Operating Loss	(146,783,879)	(1,610,496)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	63,441,440	
Federal and State Student Financial Aid	59,772,512	
Gifts and Grants	10,503,103	10,000
Investment Income	222,398	5,443,895
Other Nonoperating Revenues		129,458
Loss on Disposal of Capital Assets	(1,240,732)	
Interest on Capital Asset-Related Debt	(1,343,233)	
Other Nonoperating Expenses	(7,896)	
Net Nonoperating Revenues	131,347,592	5,583,353
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(15,436,287)	3,972,857
State Capital Appropriations	3,593,185	
Capital Grants, Contracts, Gifts, and Fees	5,724,670	
Additions to Permanent Endowments		415,460
Total Other Revenues	9,317,855	415,460
Increase (Decrease) in Net Position	(6,118,432)	4,388,317
Net Position, Beginning of Year	307,406,761	49,833,709
Adjustment to Beginning Net Position		(1,166,337)
Net Position, Beginning of Year, as Restated	307,406,761	48,667,372
Net Position, End of Year	\$ 301,288,329	\$ 53,055,689

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

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2013

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 43,380,569
Grants and Contracts	2,686,502
Payments to Suppliers	(28,236,910)
Payments for Utilities and Communications	(6,306,969)
Payments to Employees	(95,742,172)
Payments for Employee Benefits	(22,954,056)
Payments for Scholarships	(34,840,673)
Auxiliary Enterprises	4,499,096
Sales and Services of Educational Departments	3,024,076
Other Receipts	302,587
Net Cash Used by Operating Activities	(134,187,950)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	63,441,440
Federal and State Student Financial Aid	59,772,512
Federal Direct Loan Program Receipts	99,941,051
Federal Direct Loan Program Disbursements	(99,941,051)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	9,919,678
Other Nonoperating Disbursements	(7,896)
Net Cash Provided by Noncapital Financing Activities	133,125,734
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	1,383,080
Capital Grants and Gifts	5,724,670
Proceeds from Sale of Capital Assets	53,362
Purchases of Capital Assets	(13,610,681)
Principal Paid on Capital Debt and Leases	(2,943,719)
Interest Paid on Capital Debt and Leases	(1,343,233)
Net Cash Used by Capital and Related Financing Activities	(10,736,521)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	7,451,223
Purchase of Investments	(7,406,860)
Investment Income	220,530
Net Cash Provided by Investing Activities	264,893
Net Decrease in Cash and Cash Equivalents	(11,533,844)
Cash and Cash Equivalents, Beginning of Year	60,415,163
Cash and Cash Equivalents, End of Year	\$ 48,881,319

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2013

	<u>College</u>
RECONCILIATION OF OPERATING LOSS	
TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (146,783,879)
Adjustments to Reconcile Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	9,965,511
Changes in Assets and Liabilities:	
Accounts Receivable, Net	524,072
Due from Other Governmental Agencies	573,941
Inventories	85,667
Prepaid Expenses	(171,643)
Other Assets	1,112
Accounts Payable	435,209
Salary and Payroll Taxes Payable	(91,373)
Unearned Revenue	58,606
Deposits Held for Others	446,342
Compensated Absences Payable	143,180
Other Postemployment Benefits Payable	625,305
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (134,187,950)</u></u>

**SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND
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.	\$ (1,240,732)
The College entered into several new capital leases, which were recognized on the statement of net position, but are not cash transactions for the statement of cash flows.	\$ 2,544,897

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

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The governing body of St. Petersburg College, a component unit of the State of Florida, is the District Board of Trustees. The Board constitutes a corporation and is composed of five members appointed by the Governor and confirmed by the Senate. The District Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by law and State Board of Education rules. However, the District Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State laws and State Board of Education rules. Geographic boundaries of the District correspond with those of Pinellas County.

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

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following component units are included within the College's reporting entity:

- The St. Petersburg College Foundation, Inc. (Foundation), is a community advocate for St. Petersburg College and encourages charitable donations to provide financial support for the College. As a public charity, the Foundation accepts donations to enhance the College's many and varied teaching, and public service programs, as well as to support capital projects and other related College improvements.
- The St. Petersburg College Alumni Association, Inc., assists the College in worthwhile endeavors such as fund raising and establishing scholarships.
- The Leepa-Rattner Museum of Art, Inc., benefits the College through the promotion of educational excellence by collecting, preserving, and displaying works of art that reflect or support the aesthetic concerns of Abraham Rattner, Esther Gentle, Allen Leepa, and other artists.
- The Institute for Strategic Policy Solutions, Inc., benefits the College through the promotion of educational and civic engagement through its operations and activities by providing students, faculty, and the community at large, a forum and center for learning and scholarly public discourse.

The College's component units are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The audited financial statements of these organizations are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the audited financial statements of the organizations for the fiscal year ended March 31 2013. Additional condensed financial statements for the College's component units are included in a subsequent note.

The College's component units, as described above, are also direct-support organizations, as defined in Section 1004.70, Florida Statutes, and although legally separate from the College and governed by separate boards, are financially accountable to the College. The component units are managed independently, outside the College's

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

budgeting process, and their powers generally are vested in a governing board pursuant to various State statutes. The component units receive, hold, invest, and administer property, and make expenditures to or for the benefit of the College.

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

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

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets, and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The College's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The College 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. The St. Petersburg College Foundation Inc., The Leepa-Rattner Museum of Art, Inc., and the Institute for Strategic Policy Solutions, Inc., follow GASB standards of accounting and financial reporting and the St. Petersburg College Alumni Association, Inc., follows FASB standards of accounting and financial reporting for not-for-profit organizations.

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

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

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

The statement of net 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 differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College calculated its scholarship allowances by identifying financial aid applied versus cash payments applied to the student accounts receivable.

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 placed with the State Treasury Special Purpose Investment Account (SPIA) and the State Board of Administration (SBA) Florida PRIME investment pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in SPIA and 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, 2013, the College reported as cash equivalents at fair value \$34,160,693 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's and had an effective duration of 2.65 years and a fair value factor of 0.9975 at June 30, 2013. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2013, the College reported as cash equivalents \$8,322,571 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2013, 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

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

AAA by Standard & Poor's and had a weighted-average days to maturity (WAM) of 40 days as of June 30, 2013. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

Capital Assets. College capital assets consist of land; construction in progress; buildings; other structures and improvements; furniture, machinery, and equipment; and assets under capital leases. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 10 to 40 years, depending on construction
- Other Structures and Improvements – 10 years
- Furniture, Machinery, and Equipment:
 - Computer Equipment – 3 years
 - Vehicles, Office Machines, and Educational Equipment – 5 years
 - Furniture – 7 years
- Assets Under Capital Leases – 4 to 5 years

Noncurrent Liabilities. Noncurrent liabilities include bonds payable, note payable, capital leases payable, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year.

2. COMPONENT UNIT REPORTING CHANGES

For the fiscal year ended March 31, 2013, The Leepa-Rattner Museum of Art, Inc. (Museum), changed its accounting policy with respect to the Museum's art collections from a capitalization to a no capitalization policy. Management believes that discontinuing the capitalization of the collection is preferable over continuing to capitalize the collection. The presentation of the collection as not capitalized is the most widely practiced method of presentation for organizations similar to the Museum. The value of the Museum's collections has been excluded from the Statement of Net Position and artwork gifts are excluded from revenue in the Statement of Revenues, Expenses, and Changes in Net Position. The change in accounting principle resulted in a decrease of \$1,176,887 in the net position previously reported for the fiscal year ended March 31, 2012.

The Institute for Strategic Policy Solutions, Inc. (Institute), became a direct-support organization in the 2012-13 fiscal year and the financial statements include an adjustment to beginning net position of \$10,550 for the Institute's beginning net position as of April 1, 2012.

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

These reporting changes, which resulted in a net adjustment (decrease) to beginning net position of \$1,166,337, affect the comparability of amounts reported for the 2012-13 fiscal year with amounts reported for the 2011-12 fiscal year.

3. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the SBA; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education (SBE) Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments.

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

The College's investments at June 30, 2013, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Fund B Surplus Funds Trust Fund	\$ 208,280
State Board of Administration Debt Service Accounts	779,566
Certificates of Deposit	<u>18,889,795</u>
Total College Investments	<u>\$ 19,877,641</u>

State Board of Administration Fund B Surplus Funds Trust Fund

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

At June 30, 2013, the College reported investments at fair value of \$208,280 in Fund B. The College's investments in Fund B are accounted for as a fluctuating net position value pool, with a fair value factor of 1.11845939 at June 30, 2013. The weighted-average life (WAL) of Fund B at June 30, 2013, was 3.98 years. A

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2013. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

State Board of Administration Debt Service Accounts

The College reported investments totaling \$779,566 at June 30, 2013, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Certificates of Deposit

During the 2012-13 fiscal year, the College had a financial institution purchase investment in individual certificates of deposits (CDs) with 83 banks in the College's name totaling \$18,889,795. Each of the CDs was insured by the Federal Deposit Insurance Corporation. The CDs carry original maturity dates of 24 months to 40 months with annual percentage interest rates between 0.35 and 1.55 percent.

Component Unit Investments

Investments held by the College's component unit, St. Petersburg College Foundation, Inc. (Foundation), at March 31, 2013, are reported at fair value as follows:

<u>Investment Type</u>	<u>St. Petersburg College Foundation, Inc.</u>
U. S. Government Obligations	\$ 1,445,653
Federal Agency Obligations	2,937,808
Bonds and Notes	6,134,889
Stocks and Other Equity Securities	32,214,128
Mutual Funds	7,089,710
Exchange Traded Fund	36,300
Total Component Unit Investments	\$ 49,858,488

The Foundation has a written investment policy to provide the basis for the management of a prudent investment program appropriate to the particular fund type.

Interest Rate and Credit Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligation. The Foundation's investment policy limits investments in fixed income securities to maturities of no longer than 30 years. The Foundation has \$10,518,350 in obligations of United States Government obligations, Federal agency obligations, and bonds and notes that include embedded options consisting of the option at the discretion of the issuer to call their obligation. These securities have various call dates and mature between June 2015 and May 2043.

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

The Foundation's investment policy provides that debt issues of investment grade "BBB" or better is preferred. However, investment managers may purchase lesser quality debt investments as long as the purchases represent no more than 25 percent of that particular fixed income portfolio's assets.

The following are maturities and credit quality ratings for the Foundation investments in debt securities, and mutual funds at March 31, 2013:

Investment Type	Fair Value	Less than 1 Year	1 - 5 Years	6 - 10 Years	More Than 10 Years	Credit Quality Range (1)
U.S. Government Obligations	\$ 1,445,653	\$ 115,692	\$ 584,887	\$ 587,019	\$ 158,055	(2)
Federal Agency Obligations	2,937,808		233,822	191,733	2,512,253	AA+
Bonds and Notes	6,134,889	314,075	1,608,136	2,056,805	2,155,873	AAA-CCC
Fixed Income Mutual Funds (3)	346,648		346,648			AAA-NR(4)
Fixed Income Mutual Funds (3)	2,722,963		2,722,963			AAA-B1
Fixed Income Mutual Funds	29,256			29,256		AAA-Below B
Fixed Income Mutual Funds	2,257,559			2,257,559		AAA-B
Fixed Income Mutual Funds	895,125				895,125	BBB-BB+
Equity Mutual Funds	838,159	838,159				Not Rated
Equity Securities	32,214,128	32,214,128				Not Rated
Exchange Traded Fund	36,300	36,300				Not Rated
Total Component Unit Investments	\$ 49,858,488	\$ 33,518,354	\$ 5,496,456	\$ 5,122,372	\$ 5,721,306	

Notes: (1) Rated by Standard's & Poor's.

(2) Disclosure of credit risk is not required for this investment type.

(3) These fixed income mutual funds have a weighted average maturity of less than 5 years.

(4) Components of these funds have credit ratings that range from AAA to NR (Not Rated).

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation's investment policy does not address custodial risk. Foundation investments in debt securities are uninsured, not registered in the name of the Foundation, and held by financial institutions and, as such, are exposed to custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Foundation's investment in a single issuer. The Foundation's policy provides that investments in fixed income securities of a single issue must not exceed 5 percent of total investment assets with each money manager at market value. United States Government and Federal agency obligations are not subject to this limitation. For equities, no single major industry may represent more than 20 percent of the market value of the total amount each investment firm has to invest at the time of purchase, and in no case shall an individual security be purchased that exceeds 5 percent of the portfolio total without approval from the investment committee. The policy also provides that the target asset allocation for the investment portfolio is 60 percent in equities and 40 percent in fixed income funds.

4. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferments, various student services provided by the College, uncollected commissions or rent for vendors under food, vending, and bookstore operations, accrued

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

interest, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$1,662,056 allowance for doubtful accounts.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$4,115,070 of Public Education Capital Outlay allocations due from the State for construction of College facilities and \$1,520,576 of grant and contract reimbursements due from third parties.

6. DUE FROM AND TO COMPONENT UNITS/COLLEGE

The \$513,954 reported as due from component units consists of amounts owed to the College by the Foundation and the Museum for programs, scholarships, construction, and wireless services for College facilities. The College's financial statements are reported for the fiscal year ended June 30, 2013. The College's component units' financial statements are reported for the fiscal year ended March 31, 2013. Accordingly, amounts reported by the College as due from and to component units on the statement of net position do not agree with amounts reported by the component unit as due from and to the College.

7. INVENTORIES

Inventories consist of items for resale by the central printing center, the firing range, and gasoline, and are valued using the last invoice cost, which approximates the first-in, first-out, method of inventory valuation. Consumable laboratory supplies, teaching materials, and office supplies on hand in College departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2013, is shown below:

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 25,602,742	\$	\$	\$ 25,602,742
Construction in Progress	6,977,646	861,543	6,885,367	953,822
Total Nondepreciable Capital Assets	\$ 32,580,388	\$ 861,543	\$ 6,885,367	\$ 26,556,564
Depreciable Capital Assets:				
Buildings	\$ 309,221,912	\$ 18,252,860	\$ 2,268,388	\$ 325,206,384
Other Structures and Improvements	11,680,809			11,680,809
Furniture, Machinery, and Equipment	23,594,269	1,051,405	2,243,876	22,401,798
Assets Under Capital Leases	1,482,396	2,544,897		4,027,293
Total Depreciable Capital Assets	345,979,386	21,849,162	4,512,264	363,316,284
Less, Accumulated Depreciation:				
Buildings	71,247,716	8,012,523	992,276	78,267,963
Other Structures and Improvements	10,905,794	97,834		11,003,628
Furniture, Machinery, and Equipment	21,171,079	947,537	2,225,894	19,892,722
Assets Under Capital Leases	489,706	907,617		1,397,323
Total Accumulated Depreciation	103,814,295	9,965,511	3,218,170	110,561,636
Total Depreciable Capital Assets, Net	\$ 242,165,091	\$ 11,883,651	\$ 1,294,094	\$ 252,754,648

9. UNEARNED REVENUE

Unearned revenue includes grants and contracts revenue, auxiliary enterprises revenue, and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2013, the College reported the following amounts as unearned revenue:

Description	Amount
Grants and Contracts	\$ 299,236
Auxiliary Enterprises	30,359
Student Tuition and Fees	85,653
Total Unearned Revenue	\$ 415,248

10. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2013, include bonds payable, note payable, capital leases payable, compensated absences payable, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2013, is shown below:

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Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 29,305,000	\$	\$ 1,515,000	\$ 27,790,000	\$ 1,585,000
Note Payable	1,598,491		521,103	1,077,388	187,770
Capital Leases Payable	992,689	2,544,897	907,616	2,629,970	907,617
Compensated Absences Payable	10,223,558	1,255,390	1,112,210	10,366,738	1,036,674
Other Postemployment Benefits Payable	2,400,000	1,249,305	624,000	3,025,305	
Estimated Arbitrage Rebate Payable	56,430		56,430		
Total Long-Term Liabilities	\$ 44,576,168	\$ 5,049,592	\$ 4,736,359	\$ 44,889,401	\$ 3,717,061

Bonds Payable. Various bonds were issued to finance capital outlay projects of the College. The following is a description of the bonded debt issues:

- SBE Capital Outlay Bonds. The SBE issues capital outlay bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The SBE and the SBA administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.
- Capital Improvement Revenue Bonds, Series 2006A and 2010A. These bonds are authorized by Article VII, Section 11(d) of the Florida Constitution; Sections 215.57 through 215.83 and Section 1009.23, Florida Statutes; and other applicable provisions of law. Principal and interest on these bonds are secured by and payable solely from a first lien pledge of the capital improvement fees collected pursuant to Section 1009.23(11), Florida Statutes, by the Series 2006A participating colleges on a parity with any additional bonds issued subsequent to the issuance of the Series 2006A bonds. The Series 2006A bonds constitute the first series of bonds to be issued pursuant to a Master Authorizing Resolution. The Governing Board authorized the sale of 2010A Bonds by the Third Supplemental Resolution adopted on May 11, 2010, which also amended the Master Authorizing Resolution. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all colleges participating in any series of bonds then outstanding. The Series 2006A and 2010A bonds will share the lien of such additional bonds on the Series 2006A and 2010A pledged revenues and on the revenues pledged by the colleges participating in such additional bonds. The Series 2006A and 2010A bonds were issued for new construction and renovation and remodeling of educational facilities.

The College had the following bonds payable outstanding at June 30, 2013:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2009A	\$ 1,570,000	5.00	2019
Series 2010A	1,615,000	3.50 - 5.00	2030
Series 2011A, Refunding	140,000	5.00	2014
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2006A	16,080,000	3.50 - 5.00	2027
Series 2010A	8,385,000	3.00 - 4.375	2030
Total	\$ 27,790,000		

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Annual requirements to amortize all bonded debt outstanding as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2014	\$ 1,585,000	\$ 1,217,011	\$ 2,802,011
2015	1,515,000	1,153,513	2,668,513
2016	1,585,000	1,094,013	2,679,013
2017	1,660,000	1,031,563	2,691,563
2018	1,750,000	952,513	2,702,513
2019-2023	8,830,000	3,522,113	12,352,113
2024-2028	9,225,000	1,362,756	10,587,756
2029-2030	1,640,000	105,775	1,745,775
Total	\$ 27,790,000	\$ 10,439,257	\$ 38,229,257

Note Payable. On March 16, 2011, the College borrowed \$2,166,667, at a stated interest rate of zero percent, to finance the remaining cost of a building acquisition with property. The note matures on April 1, 2019, and principal payments are made quarterly. Annual requirements to amortize the outstanding note as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Principal
2014	\$ 187,770
2015	187,770
2016	187,770
2017	187,770
2018	187,770
2019	138,538
Total	\$ 1,077,388

Capital Leases Payable. Network server equipment in the amount of \$3,863,574 and MIRA computer lab equipment in the amount of \$163,719 are being acquired under capital lease agreements. The stated interest rates ranged from 3.031 percent to 6.545 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2013, are as follows:

Fiscal Year Ending June 30	Amount
2014	\$ 976,823
2015	814,970
2016	737,039
2017	292,951
Total Minimum Payments	2,821,783
Less, Amount Representing Interest	191,813
Present Value of Minimum Payments	\$ 2,629,970

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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, 2013, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$10,366,738. The current portion of the compensated absences liability, \$1,036,674, is the amount expected to be paid in the coming fiscal year. The current portion of the compensated absences was determined by calculating 10 percent of the compensated absences liability as of June 30, 2013.

Other Postemployment Benefits Payable. The College follows GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for other postemployment benefits administered by the College.

Plan Description. The Other Postemployment Benefits Plan (Plan) is a single-employer, defined-benefit plan administered by the College. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the College are eligible to participate in the College's self-insured dental, health, and hospitalization plan for medical and prescription drug coverage. The College subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. The College does not offer any explicit subsidies for retiree coverage. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. The College does not issue a stand-alone report and the Plan is not included in the annual report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2012-13 fiscal year, 94 retirees received other postemployment benefits. The College provided required contributions of \$624,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$684,456, which represents 0.9 percent of covered payroll.

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

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The following table shows the College's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the College's net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 765,000
Amortization of Unfunded Actuarial Accrued Liability	404,000
Interest on Normal Cost and Amortization	52,000
Annual Required Contribution	1,221,000
Interest on Net OPEB Obligation	108,305
Adjustment to Annual Required Contribution	(80,000)
Annual OPEB Cost (Expense)	1,249,305
Contribution Toward the OPEB Cost	(624,000)
Increase in Net OPEB Obligation	625,305
Net OPEB Obligation, Beginning of Year	2,400,000
Net OPEB Obligation, End of Year	\$ 3,025,305

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2013, and for the two preceding fiscal years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010-11	\$ 981,811	42.27%	\$ 1,664,861
2011-12	1,232,139	40.34%	2,400,000
2012-13	1,249,305	49.95%	3,025,305

Funded Status and Funding Progress. As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was \$10,586,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$10,586,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$74,450,549 for the 2012-13 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.2 percent.

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

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

The College's OPEB actuarial valuation as of July 1, 2011, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2013, and the College's 2012-13 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.5 percent per year and an annual healthcare cost trend rate of 9.5 percent for the 2012-13 fiscal year, reduced by 0.5 percent per year, to an ultimate rate of 5 percent after 9 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll amortized over 30 years on an open basis. The remaining amortization period at June 30, 2013, was 24 years.

11. RETIREMENT PROGRAMS

Florida Retirement System. Essentially all regular employees of the College are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. 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. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

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As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service for employer contributions and vest fully and immediately for employee contributions.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2012-13 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	5.18
Florida Retirement System, Senior Management Service	3.00	6.30
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	5.44
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.03 percent for administrative costs of the Investment Plan.

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

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions including employee contributions for the fiscal years ended June 30, 2011, June 30, 2012, and June 30, 2013, totaled \$5,278,412, \$3,843,888, and \$3,940,983, respectively, which were equal to the required contributions for each fiscal year.

There were 367 College participants in the Investment Plan during the 2012-13 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled \$1,289,744, which was equal to the required contribution for the 2012-13 fiscal year.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

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

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes, on behalf of the participant, 5.64 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 182 College participants during the 2012-13 fiscal year. The College's contributions to the Program totaled \$708,205 and employee contributions totaled \$420,669 for the 2012-13 fiscal year.

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

The Annuity Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. College employees in eligible positions make an irrevocable election to participate in the Annuity Program in lieu of the Senior Management Service Class of FRS, and purchase retirement and death benefits through contracts with participating provider companies. The College contributes 6.59 percent and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by salary reduction, an additional amount not to exceed the percentage contributed by the College. These contributions are invested in the companies selected by the employee to create a fund for the purchase of annuities at retirement.

There were 3 College participants during the 2012-13 fiscal year. The College's contributions to the Annuity Program totaled \$23,384 and employee contributions totaled \$11,188 for the 2012-13 fiscal year.

12. CONSTRUCTION COMMITMENTS

The College had no major construction commitments at June 30, 2013; however, there were several small individual projects in progress. The total amount of construction commitments for those projects was \$531,980, as follows:

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Project Description	Total Commitment	Completed to Date	Balance Committed
Small Projects (1)	\$ 1,485,802	\$ 953,822	\$ 531,980

Note: (1) Individual projects with current balance committed of less than \$1 million at June 30, 2013.

13. OPERATING LEASE COMMITMENTS

The College leased computer equipment and copiers under operating leases, with various expiration dates through 2018. These leased assets and the related commitments are not reported on the College's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2014	\$ 1,287,364
2015	706,852
2016	220,363
2017	6,853
2018	401
Total Minimum Payments Required	\$ 2,221,833

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 is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$90 million to February 28, 2013, and up to \$125 million from March 1, 2013. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

Self-Insured Program. The Board has established an individual self-insured program to provide group health and dental insurance for its employees, retirees, former employees, and their dependents. The College's liability was limited by excess reinsurance to \$350,000 per insured person for the 2012-13 fiscal year. The plan is provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributes a portion of employee premiums as a fringe benefit. The remaining portion

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JUNE 30, 2013

of the employee premium and dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The liability includes an amount for claims that have been incurred, but not reported. Because the actual claims liability depends on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. The College reevaluates the claims liability periodically and the claims liability totaled \$1,628,101 as of June 30, 2013.

The following schedule represents the changes in claims liability for the past two fiscal years for the College's self-insured program:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Fiscal Year</u>
2011-12	\$ 1,265,260	\$14,530,560	\$(14,778,855)	\$ 1,016,965
2012-13	1,016,965	15,270,467	(14,659,331)	1,628,101

15. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 71,322,698
Public Services	1,961
Academic Support	27,772,006
Student Services	20,541,288
Institutional Support	16,260,209
Operation and Maintenance of Plant	18,547,040
Scholarships and Waivers	34,840,673
Depreciation	9,965,511
Auxiliary Enterprises	268,706
Total Operating Expenses	<u>\$ 199,520,092</u>

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JUNE 30, 2013

16. DISCRETELY PRESENTED COMPONENT UNITS

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

Condensed Statement of Net Position

	Direct-Support Organizations				Total
	St. Petersburg College Foundation, Inc.	St. Petersburg College Alumni Association, Inc.	The Leepa-Rattner Museum of Art, Inc.	Institute for Strategic Policy Solutions, Inc.	
Assets:					
Current Assets	\$ 25,011,990	\$ 143,980	\$ 505,669	\$ 186,048	\$ 25,847,687
Other Noncurrent Assets	27,880,726		22,283		27,903,009
Total Assets	52,892,716	143,980	527,952	186,048	53,750,696
Liabilities:					
Current Liabilities	500,000		21,455	173,552	695,007
Net Position:					
Restricted Nonexpendable	26,641,634				26,641,634
Restricted Expendable	24,681,798		79,625		24,761,423
Unrestricted	1,069,284	143,980	426,872	12,496	1,652,632
Total Net Position	\$ 52,392,716	\$ 143,980	\$ 506,497	\$ 12,496	\$ 53,055,689

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

	Direct-Support Organizations				Total
	St. Petersburg College Foundation, Inc.	St. Petersburg College Alumni Association, Inc.	The Leepa-Rattner Museum of Art, Inc.	Institute for Strategic Policy Solutions, Inc.	
Operating Revenue	\$ 1,754,974	\$	\$ 697,226	\$ 272,969	\$ 2,725,169
Operating Expenses	(3,231,591)	(58,006)	(775,045)	(271,023)	(4,335,665)
Operating Income (Loss)	(1,476,617)	(58,006)	(77,819)	1,946	(1,610,496)
Net Nonoperating Revenues	5,440,415	77,644	65,294		5,583,353
Other Revenues, Expenses, Gains and Losses	415,460				415,460
Increase (Decrease) in Net Position	4,379,258	19,638	(12,525)	1,946	4,388,317
Net Position, Beginning of Year	48,013,458	124,342	1,695,909		49,833,709
Adjustment to Beginning Net Position (1)			(1,176,887)	10,550	(1,166,337)
Net Position, Beginning of Year, as Restated	48,013,458	124,342	519,022	10,550	48,667,372
Net Position, End of Year	\$ 52,392,716	\$ 143,980	\$ 506,497	\$ 12,496	\$ 53,055,689

Note: (1) Adjustments to Beginning Net Position due to a change in the Museum's accounting policy with respect to the Museum's art collections from a capitalization to a no capitalization policy and the recognition of the Institute as a new direct-support organization. See note 2 to the financial statements.

**ST. PETERSBURG COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 4,521,000	\$ 4,521,000	0%	\$ 65,439,956	6.9%
7/1/2009		9,624,000	9,624,000	0%	65,729,628	14.6%
7/1/2011		10,586,000	10,586,000	0%	73,173,278	14.5%

Note: (1) The College's OPEB actuarial valuation used the projected unit credit actuarial method to estimate the unfunded actuarial liabilities.

**ST. PETERSBURG COLLEGE
OTHER REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

The July 1, 2011, unfunded actuarial accrued liability of \$10,586,000 was 10 percent higher than the July 1, 2009, liability of \$9,624,000 as a result of demographic changes, updated participation and medical trend assumptions, updated claims costs as compared to contribution rates, and revised mortality assumptions.



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

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

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of St. Petersburg 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, 2013, 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 19, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of the **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
March 19, 2014