

STATE OF FLORIDA AUDITOR GENERAL

Financial Audit

ST. PETERSBURG COLLEGE

For the Fiscal Year Ended
June 30, 2015



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the 2014-15 fiscal year, Dr. William D. Law, Jr., served as President and the following individuals served as Members of the Board of Trustees:

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Vice Chair to 8-18-14
Jeffrey Dale Oliver, Vice Chair from 8-19-14
Deveron M. Gibbons, Chair to 8-18-14
Bridgette Bello
Lauralee Westine

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 team leader was Janet N. Case, CPA, and the audit was supervised by Karen J. Collington, CPA.

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

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SUMMARY

SUMMARY OF REPORT ON FINANCIAL STATEMENTS

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

SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

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

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

AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether 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, 2015. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2016-115.

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.



Sherrill F. Norman, CPA
Auditor General

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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, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

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

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

Opinions

In our opinion, based on our audit and the reports of 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, 2015, 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 Notes 2 and 3 to the financial statements, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*, which is a change in accounting principle that requires an employer participating in a cost-sharing multiple-employer defined benefit pension plan to report the employer's proportionate share of the net pension liability of the defined benefit pension plan. This affects the comparability of amounts reported in the 2014-15 fiscal year with the amounts reported for the 2013-14 fiscal year. Our opinion is not modified with respect to this matter.

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, Schedule of the College's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan, Schedule of College Contributions – Florida Retirement System Pension Plan, Schedule of the College's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan, Schedule of College Contributions – Health Insurance Subsidy Pension Plan, and Notes To Required Supplementary Information** as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We 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 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 the 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,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 14, 2016

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, 2015, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2015, and June 30, 2014, and its component units, St. Petersburg College Foundation, Inc., The Leepa-Rattner Museum of Art, Inc., and the Institute for Strategic Policy Solutions, Inc., for the fiscal years ended March 31, 2015, and March 31, 2014. Financial activity for the St. Petersburg College Alumni Association, Inc., is reported for the period April 1, 2014, through September 19, 2014.

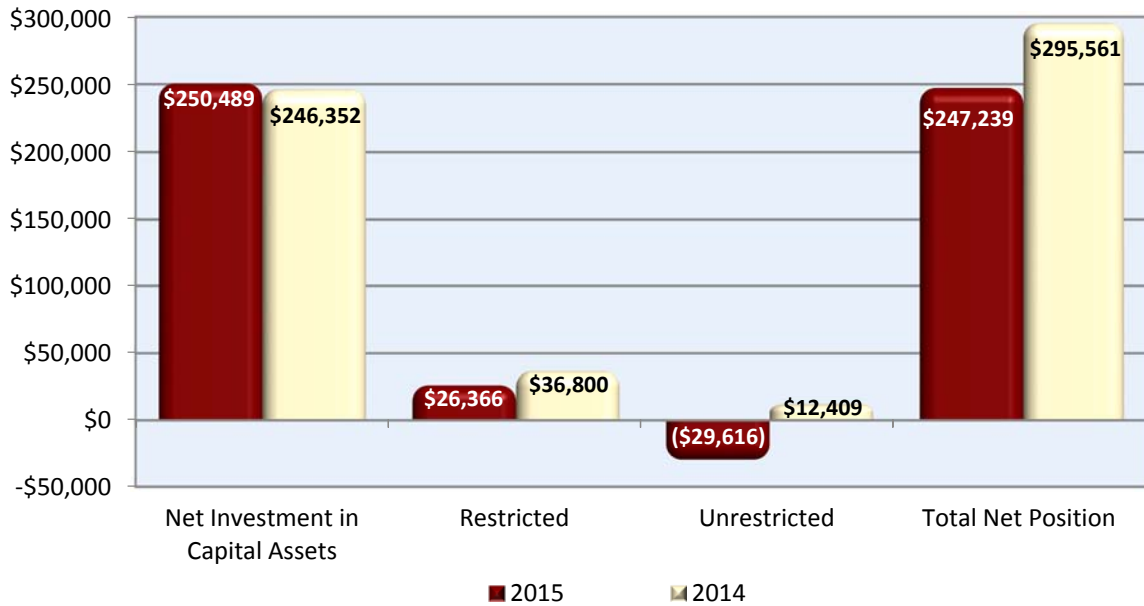
FINANCIAL HIGHLIGHTS

The College's assets totaled \$344.5 million at June 30, 2015. This balance reflects a \$9.6 million, or 2.7 percent, decrease from the 2013-14 fiscal year, resulting primarily from decreases in cash and cash equivalents of \$7.1 million and in investments of \$6.1 million. This was offset by an increase in capital assets of \$2.2 million and net amounts receivable (accounts receivable, net and due from other governmental agencies) of \$1.4 million. Deferred outflows of resources at June 30, 2015, totaled \$11 million. Liabilities increased by \$31 million, or 52.9 percent, totaling \$89.5 million at June 30, 2015, as compared to \$58.5 million at June 30, 2014. Deferred inflows of resources at June 30, 2015, totaled \$18.7 million. As a result, the College's net position decreased by \$48.3 million during the 2014-15 fiscal year, reaching a year-end balance of \$247.2 million. The increases in liabilities, deferred outflows and inflows of resources, and the decrease in net position were largely impacted by the adoption of Governmental Accounting Standards Board's (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. This accounting standard requires the College, as a participating employer in the Florida Retirement System (FRS), to recognize its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. Changes in liabilities are recognized through the Statement of Revenues, Expenses, and Changes in Net Position, or reported as deferred outflows or inflows of resources on the Statement of Net Position, depending on the nature of the change. The initial adoption also resulted in an adjustment to beginning net position of \$42.3 million.

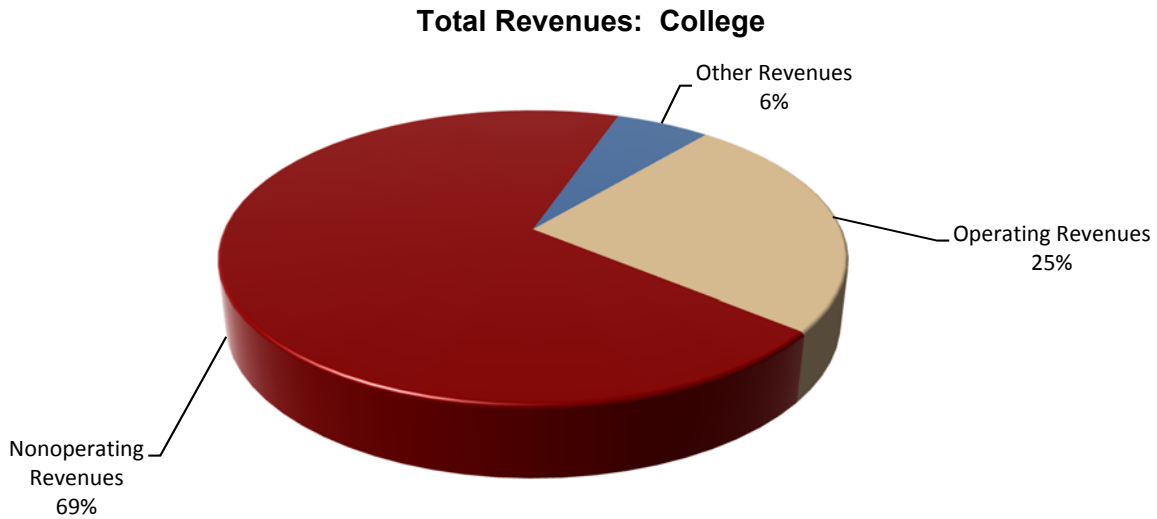
The College's operating revenues totaled \$52.1 million for the 2014-15 fiscal year, representing a 2 percent increase compared to the 2013-14 fiscal year. Operating expenses totaled \$215.5 million for the 2014-15 fiscal year, representing an increase of 3.6 percent as compared to the 2013-14 fiscal year.

Net position represents the residual interest in the College's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The College's comparative total net position by category for the fiscal years ended June 30, 2015, and June 30, 2014, 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 2014-15 fiscal year:



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. The 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); The Leepa-Rattner Museum of Art, Inc. (Museum); the Institute for Strategic Policy Solutions, Inc. (Institute); and the St. Petersburg College Alumni Association, Inc., (Association) (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. On August 7, 2014, the Association voted to dissolve its incorporation and the St. Petersburg College Board approved the resolution on August 19, 2014. A Memorandum of Understanding between the Association and the Foundation was approved and all Association activities and account balances were transferred to the Foundation. Transactions reported for the Association are for the period of April 1, 2014, through September 19, 2014.

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

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

Condensed Statement of Net Position at
(In Thousands)

	College		Component Units	
	6-30-15	6-30-14	03-31-15	03-31-14
Assets				
Current Assets	\$ 45,398	\$ 45,140	\$ 33,663	\$ 32,373
Capital Assets, Net	278,498	276,271		
Other Noncurrent Assets	20,633	32,693	28,471	27,922
Total Assets	344,529	354,104	62,134	60,295
Deferred Outflows of Resources	10,961	-	-	-
Liabilities				
Current Liabilities	18,199	17,566	49	333
Noncurrent Liabilities	71,328	40,977	-	-
Total Liabilities	89,527	58,543	49	333
Deferred Inflows of Resources	18,724	-	-	-
Net Position				
Net Investment in Capital Assets	250,489	246,352	-	-
Restricted	26,366	36,800	60,016	58,097
Unrestricted	(29,616)	12,409	2,069	1,865
Total Net Position	\$ 247,239	\$ 295,561	\$ 62,085	\$ 59,962
Increase (Decrease) in Net Position	<u>\$ (48,322)</u>	-16.3%	<u>\$ 2,123</u>	3.5%

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	
	6-30-15	6-30-14	3-31-15 (1)	3-31-14
Operating Revenues	\$ 52,121	\$ 51,122	\$ 3,565	\$ 3,138
Less, Operating Expenses	215,533	207,973	5,239	4,514
Operating Loss	(163,412)	(156,851)	(1,674)	(1,376)
Net Nonoperating Revenues	145,200	139,564	3,467	7,643
Income (Loss) Before Other Revenues	(18,212)	(17,287)	1,793	6,267
Other Revenues	12,198	11,560	330	639
Net Increase (Decrease) in Net Position	(6,014)	(5,727)	2,123	6,906
Net Position, Beginning of Year	295,561	301,288	59,962	53,056
Adjustments to Beginning Net Position (2)	(42,308)	-	-	-
Net Position, Beginning of Year, as Restated	253,253	301,288	59,962	53,056
Net Position, End of Year	\$ 247,239	\$ 295,561	\$ 62,085	\$ 59,962

- Notes: (1) Amounts are for the fiscal year ended March 31, 2015, for the St. Petersburg College Foundation, Inc., The Leepa-Rattner Museum of Art, Inc., and the Institute for Strategic Policy Solutions, Inc. The St. Petersburg College Alumni Association, Inc., was dissolved by the Board during the 2014-15 fiscal year, and operations were transferred to the St. Petersburg College Foundation, Inc.
- (2) The adjustment to beginning net position of the College was due to the implementation of GASB Statement No. 68, which is a change in accounting principle that requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liability of the defined benefit pension plans.

Operating Revenue

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.

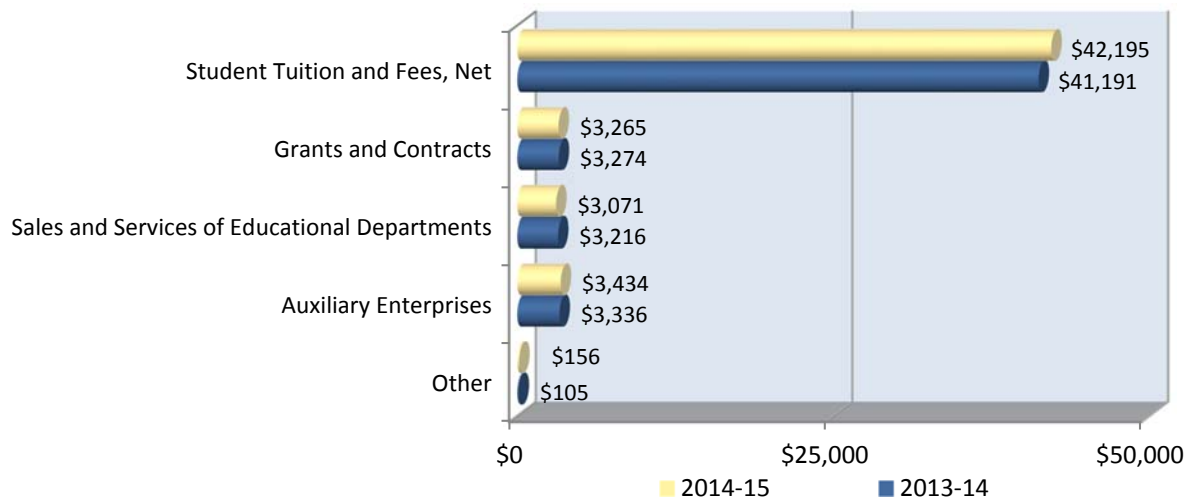
The following summarizes the operating revenues for the College and its component units by source that were used to fund operating activities for the respective fiscal years ended:

**Operating Revenues
For the Fiscal Years Ended
(In Thousands)**

	College		Component Units	
	6-30-15	6-30-14	3-31-15	3-31-14
Student Tuition and Fees, Net	\$ 42,195	\$ 41,191	\$ -	\$ -
Grants and Contracts	3,265	3,274	-	-
Sales and Services of Educational Departments	3,071	3,216	-	-
Auxiliary Enterprises	3,434	3,336	-	-
Other	156	105	3,565	3,138
Total Operating Revenues	\$ 52,121	\$ 51,122	\$ 3,565	\$ 3,138

The following chart presents the College's operating revenues for the 2014-15 and 2013-14 fiscal years:

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



College operating revenue increased by \$1 million, or 2 percent. This can be primarily attributed to an increase of \$1 million in net tuition and fees due to a \$1 per credit hour increase in the student learning access fee.

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**

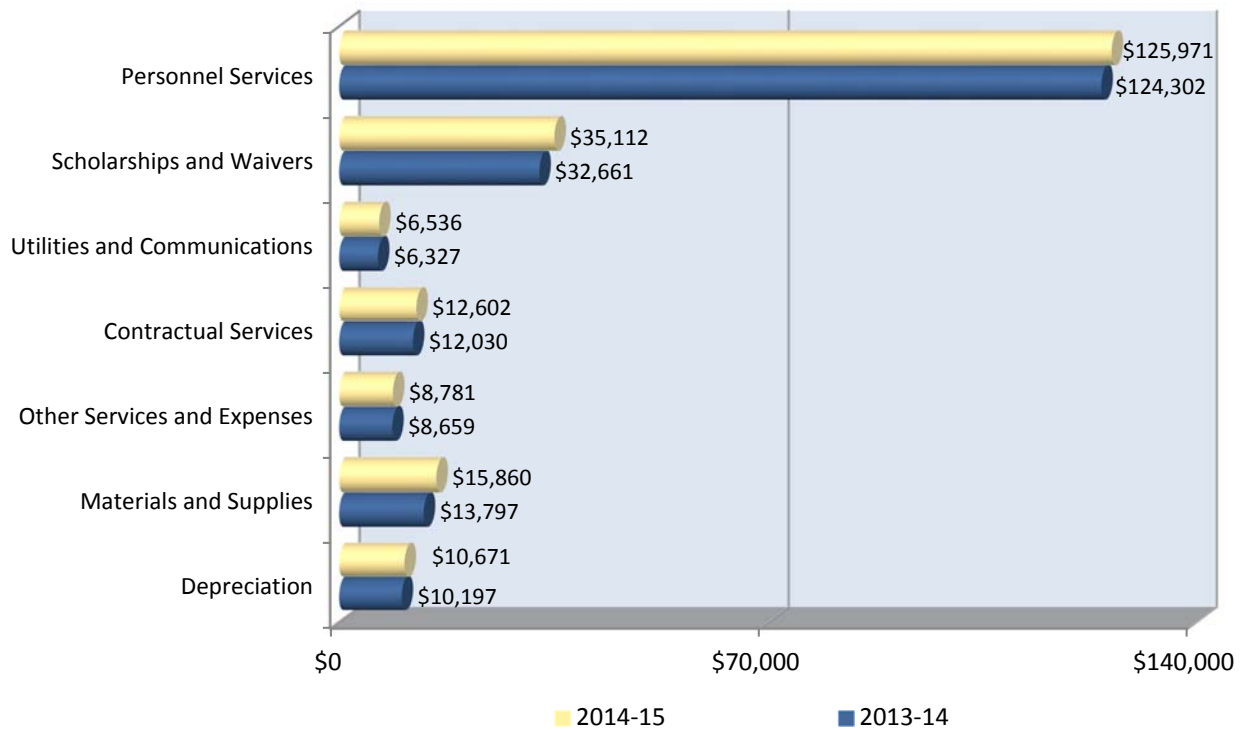
(In Thousands)

	College		Component Units	
	6-30-15	6-30-14	3-31-15	3-31-14
Personnel Services	\$ 125,971	\$ 124,302	\$ -	\$ -
Scholarships and Waivers	35,112	32,661	2,960	2,598
Utilities and Communications	6,536	6,327	-	-
Contractual Services	12,602	12,030	62	51
Other Services and Expenses	8,781	8,659	2,186	1,832
Materials and Supplies	15,860	13,797	31	33
Depreciation	10,671	10,197	-	-
Total Operating Expenses	\$ 215,533	\$ 207,973	\$ 5,239	\$ 4,514

The following chart presents the College's operating expenses for the 2014-15 and 2013-14 fiscal years:

Operating Expenses: College

(In Thousands)



College operating expenses increased by \$7.6 million from the 2013-14 fiscal year, primarily from increases in personnel services of \$1.7 million, scholarships and waivers of \$2.5 million, and materials and supplies of \$2.1 million. The increase in personnel services was primarily due to a one time incentive payment. The increase in scholarships and waivers is primarily due to an increase in Federal Pell Grant awards and the implementation of a tuition waiver for veterans and undocumented students mandated by Florida Statutes beginning in the 2014-15 fiscal year. The increase in materials and supplies was

primarily due to the purchase of new equipment upon completion of the Midtown construction project and other renovation projects updating furniture and equipment.

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 2014-15 and 2013-14 fiscal years:

Nonoperating Revenues (Expenses): College
(In Thousands)

	2014-15	2013-14
State Noncapital Appropriations	\$ 69,507	\$ 67,507
Federal and State Student Financial Aid	61,228	58,909
Gifts and Grants	15,342	13,692
Investment Income	310	746
Other Nonoperating Revenues	30	19
Gain on Disposal of Capital Assets	34	-
Interest on Capital Asset-Related Debt	(1,251)	(1,309)
Net Nonoperating Revenues	\$ 145,200	\$ 139,564

When compared to the prior fiscal year, College net nonoperating revenues increased by \$5.6 million, or 4 percent. The change in revenue was primarily due to an increase in State noncapital appropriations of \$2 million and Federal and State student financial aid of \$2.3 million due to an increase in the number of students receiving student financial aid. In addition, gifts and grants increased \$1.7 million, largely attributable to additions of Federal grants to bolster the workforce in Florida. Investment Income decreased by \$0.4 million.

Other Revenues

This category is composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College’s other revenues for the 2014-15 and 2013-14 fiscal years:

Other Revenues: College
(In Thousands)

	2014-15	2013-14
State Capital Appropriations	\$ 4,434	\$ 4,638
Capital Grants, Contracts, Gifts, and Fees	7,764	6,922
Total	\$ 12,198	\$ 11,560

Changes in other revenues were the result of State capital appropriations decreasing by \$0.2 million offset by an increase in capital grants, contracts, gifts, and fees of \$0.8 million primarily due to an increase in student capital improvement fees in the 2014-15 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 summarizes the College's cash flows for the 2014-15 and 2013-14 fiscal years:

Condensed Statement of Cash Flows: College

(In Thousands)

	<u>2014-15</u>	<u>2013-14</u>
Cash Provided (Used) by:		
Operating Activities	\$ (153,931)	\$ (144,165)
Noncapital Financing Activities	145,989	139,685
Capital and Related Financing Activities	(5,525)	1,019
Investing Activities	<u>6,392</u>	<u>747</u>
Net Decrease in Cash and Cash Equivalents	(7,075)	(2,714)
Cash and Cash Equivalents, Beginning of Year	<u>46,167</u>	<u>48,881</u>
Cash and Cash Equivalents, End of Year	<u>\$ 39,092</u>	<u>\$ 46,167</u>

Major sources of cash inflows came from Federal Direct Student Loan program receipts (\$81.6 million), State noncapital appropriations (\$69.5 million), Federal and State student financial aid (\$61.2 million), net student tuition and fees (\$42.3 million), noncapital gifts and grants (\$15.2 million), proceeds from sales and maturities of investments (\$8.7 million), and capital gifts and grants (\$7.8 million). Major uses of cash were disbursements to students for Federal Direct Student Loans (\$81.6 million), payments to employees (\$100.6 million), payments to suppliers (\$37.2 million), payments for scholarships (\$35.1 million), payments for employee benefits (\$27 million), and purchase of capital assets (\$11.6 million).

The College's overall cash and cash equivalents decreased in the 2014-15 fiscal year by \$7.1 million, or 15.3 percent from the 2013-14 fiscal year. Changes in cash and cash equivalents were the result of the following factors:

- The increase of \$9.8 million in cash used by operating activities is partly a result of an increase in cash outflows of \$4.1 million in payments to suppliers for materials, supplies, and services and a \$4.1 million increase in payments to employees and employee benefits, primarily due to a one time incentive payment. In addition, there was a \$2.5 million increase in payments for scholarships offset by an increase in cash inflows of \$0.9 million from student tuition and fees.

- Increases in noncapital financing net cash inflows of \$6.3 million were primarily due to the \$2 million increase in State noncapital appropriations, a \$2 million increase in gifts and grants received for other than capital or endowment purposes, and a \$2.3 million increase in Federal and State student financial aid.
- Cash used by capital and related financing activities increased by \$6.5 million primarily due to a \$5.9 million increase in purchases of capital assets. In addition, there was a \$1.6 million decrease in State capital appropriations. There were cash inflows of \$0.8 million due to an increase in capital grants and gifts.
- Cash provided by investing activities increased by \$5.6 million in the 2014-15 fiscal year due to an increase in proceeds from sales and maturities of investments and a decrease in the purchase of new investments.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION
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Capital Assets

At June 30, 2015, the College had \$405.2 million in capital assets, less accumulated depreciation of \$126.7 million, for net capital assets of \$278.5 million. Depreciation charges for the current fiscal year totaled \$10.7 million. The following table summarizes the College's capital assets, net of accumulated depreciation, at June 30, 2015:

Capital Assets, Net at June 30: College

(In Thousands)

<u>Capital Assets</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land	\$ 25,603	\$ -	\$ -	\$ 25,603
Construction in Progress	4,872	731	4,287	1,316
Buildings	325,387	14,082	-	339,469
Other Structures and Improvements	12,414	65	-	12,479
Furniture, Machinery, and Equipment	19,972	1,258	1,401	19,829
Assets Under Capital Leases	5,410	1,049	-	6,459
Total	393,658	17,185	5,688	405,155
Less, Accumulated Depreciation:				
Buildings	86,237	8,308	-	94,545
Other Structures and Improvements	11,175	177	-	11,352
Furniture, Machinery, and Equipment	17,388	931	1,401	16,918
Assets Under Capital Leases	2,587	1,255	-	3,842
Total Accumulated Depreciation	117,387	10,671	1,401	126,657
Capital Assets, Net	\$276,271	\$ 6,514	\$ 4,287	\$278,498

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

Capital Expenses and Commitments

During the 2014-15 fiscal year, the College had \$12.9 million in expenses for construction of the Midtown Center and other small projects, capital leases, and various other equipment. The College has

\$4.9 million in construction commitments at June 30, 2015, primarily related to construction of the Bay Pines Center.

	Amount (In Thousands)
Total Committed	\$ 6,253
Completed to Date	<u>(1,316)</u>
Balance Committed	<u>\$ 4,937</u>

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

Debt Administration

As of June 30, 2015, the College had \$28 million in long-term debt outstanding. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30, 2015, and June 30, 2014:

Long-Term Debt, at June 30: College		
(In Thousands)		
	2015	2014
SBE Capital Outlay Bonds	\$ 2,685	\$ 2,950
Florida Department of Education Capital Improvement Revenue Bonds	22,005	23,255
Notes Payable	702	889
Capital Leases Payable	<u>2,617</u>	<u>2,824</u>
Total	<u>\$ 28,009</u>	<u>\$ 29,918</u>

During the 2014-15 fiscal year, the College entered into capital leases for network server equipment totaling \$1 million. Long-term debt repayments during the 2014-15 fiscal year totaled \$3 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 modest increase in general State appropriations is anticipated in the 2015-16 fiscal year. The St. Petersburg College Board of Trustees (Board) voted not to raise the tuition rate for the 2015-16 fiscal year for Associate and Baccalaureate degree programs. The Board approved the increase of the Capital Improvement fee of \$2 per credit hour. The Capital Improvement fee is used primarily for repair and renovation projects for College facilities.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to 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, 2015

	<u>College</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 18,131,837	\$ 1,385,642
Restricted Cash and Cash Equivalents	14,119,410	-
Investments	-	32,212,747
Accounts Receivable, Net	2,007,504	1,985
Due from Other Governmental Agencies	10,785,021	-
Due from Component Units/College	44,408	53,160
Inventories	152,257	9,757
Prepaid Expenses	156,080	-
Other Assets	1,182	-
Total Current Assets	45,397,699	33,663,291
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	6,841,223	-
Investments	6,345,999	250,707
Restricted Investments	7,445,527	27,090,093
Loans and Notes Receivable, Net	-	1,075,187
Depreciable Capital Assets, Net	251,579,774	-
Nondepreciable Capital Assets	26,918,353	-
Other Assets	-	54,250
Total Noncurrent Assets	299,130,876	28,470,237
TOTAL ASSETS	344,528,575	62,133,528
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	10,961,300	-
LIABILITIES		
Current Liabilities:		
Accounts Payable	2,393,626	5,409
Salary and Payroll Taxes Payable	1,106,641	-
Retainage Payable	497,705	-
Unearned Revenue	961,494	43,403
Estimated Insurance Claims Payable	1,458,824	-
Deposits Held for Others	6,779,949	-
Long-Term Liabilities - Current Portion:		
Bonds Payable	1,585,000	-
Note Payable	187,770	-
Capital Leases Payable	1,184,464	-
Compensated Absences Payable	1,152,485	-
Net Pension Liability	890,595	-
Total Current Liabilities	18,198,553	48,812

St. Petersburg College
A Component Unit of the State of Florida
Statement of Net Position (Continued)

June 30, 2015

	College	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	23,105,000	-
Note Payable	514,078	-
Capital Leases Payable	1,433,225	-
Compensated Absences Payable	10,372,362	-
Other Postemployment Benefits Payable	4,491,568	-
Net Pension Liability	31,411,915	-
Total Noncurrent Liabilities	71,328,148	-
TOTAL LIABILITIES	89,526,701	48,812
DEFERRED INFLOWS OF RESOURCES		
Deferred Amounts Related to Pensions	18,724,306	-
NET POSITION		
Net Investment in Capital Assets	250,488,590	-
Restricted:		
Nonexpendable:		
Endowment	-	27,430,633
Expendable:		
Grants and Loans	6,970,168	22,736,849
Scholarships	143,888	9,848,119
Capital Projects	18,915,456	-
Debt Service	337,198	-
Unrestricted	(29,616,432)	2,069,115
Total Net Position	\$ 247,238,868	\$ 62,084,716

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, 2015

	<u>College</u>	<u>Component Units</u>
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$33,551,931	\$ 42,194,636	\$ -
Federal Grants and Contracts	517,317	-
State and Local Grants and Contracts	1,746,981	-
Nongovernmental Grants and Contracts	1,000,593	-
Sales and Services of Educational Departments	3,070,554	-
Auxiliary Enterprises	3,434,449	-
Other Operating Revenues	156,717	3,564,495
Total Operating Revenues	52,121,247	3,564,495
EXPENSES		
Operating Expenses:		
Personnel Services	125,970,610	-
Scholarships and Waivers	35,111,496	2,959,944
Utilities and Communications	6,536,432	-
Contractual Services	12,602,025	61,954
Other Services and Expenses	8,781,183	2,185,745
Materials and Supplies	15,859,999	31,271
Depreciation	10,671,039	-
Total Operating Expenses	215,532,784	5,238,914
Operating Loss	(163,411,537)	(1,674,419)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	69,507,154	-
Federal and State Student Financial Aid	61,228,292	-
Gifts and Grants	15,341,510	77,143
Investment Income	310,277	3,389,373
Other Nonoperating Revenues	29,603	-
Gain on Disposal of Capital Assets	34,001	-
Interest on Capital Asset-Related Debt	(1,250,670)	-
Net Nonoperating Revenues	145,200,167	3,466,516
Income (Loss) Before Other Revenues	(18,211,370)	1,792,097
State Capital Appropriations	4,433,484	-
Capital Grants, Contracts, Gifts, and Fees	7,764,186	-
Additions to Endowments	-	330,180
Total Other Revenues	12,197,670	330,180
Increase (Decrease) in Net Position	(6,013,700)	2,122,277
Net Position, Beginning of Year	295,561,213	59,962,439
Adjustments to Beginning Net Position	(42,308,645)	-
Net Position, Beginning of Year, as Restated	253,252,568	59,962,439
Net Position, End of Year	\$ 247,238,868	\$ 62,084,716

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

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St. Petersburg College
A Component Unit of the State of Florida
Statement of Cash Flows

For the Fiscal Year Ended June 30, 2015

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Student Tuition and Fees, Net	\$ 42,294,346
Grants and Contracts	3,516,717
Payments to Suppliers	(37,192,561)
Payments for Utilities and Communications	(6,536,432)
Payments to Employees	(100,569,533)
Payments for Employee Benefits	(27,009,598)
Payments for Scholarships	(35,111,496)
Auxiliary Enterprises	3,450,557
Sales and Service of Educational Departments	3,070,554
Other Receipts	156,717
	(153,930,729)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	69,507,154
Federal and State Student Financial Aid	61,228,292
Federal Direct Loan Program Receipts	81,643,705
Federal Direct Loan Program Disbursements	(81,643,705)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	15,224,107
Other Nonoperating Receipts	29,603
	145,989,156
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	2,496,779
Capital Grants and Gifts	7,764,186
Purchases of Capital Assets	(11,577,425)
Principal Paid on Capital Debt and Leases	(2,958,170)
Interest Paid on Capital Debt and Leases	(1,250,670)
	(5,525,300)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	8,709,384
Purchases of Investments	(2,642,207)
Investment Income	324,965
	6,392,142
Net Decrease in Cash and Cash Equivalents	(7,074,731)
Cash and Cash Equivalents, Beginning of Year	46,167,201
	\$ 39,092,470

St. Petersburg College
A Component Unit of the State of Florida
Statement of Cash Flows (Continued)
For the Fiscal Year Ended June 30, 2015

	<u>College</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (163,411,537)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	10,671,039
Changes in Assets, Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources:	
Accounts Receivable, Net	375,713
Due from Other Governmental Agencies	251,826
Inventories	13,972
Prepaid Expenses	(47,330)
Other Assets	(546)
Accounts Payable	338,056
Salary and Payroll Taxes Payable	151,097
Unearned Revenue	(259,896)
Deposits Held for Others	(872,459)
Compensated Absences Payable	389,897
Other Postemployment Benefits Payable	712,568
Net Pension Liability	(14,678,531)
Deferred Outflows of Resources Related to Pensions	(6,288,904)
Deferred Inflows of Resources Related to Pensions	18,724,306
	<u>\$ (153,930,729)</u>
NET CASH USED BY OPERATING ACTIVITIES	
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL FINANCING ACTIVITIES	
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.	\$ 1,049,364

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

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity. The governing body of St. Petersburg College, a component unit of the State of Florida, is the College Board of Trustees. The Board of Trustees constitutes a corporation and is composed of five members appointed by the Governor and confirmed by the Senate. The Board of Trustees is under the general direction and control of the Florida Department of Education, Division of Florida Colleges, and is governed by law and State Board of Education rules. However, the Board of Trustees is directly responsible for the day-to-day operations and control of the College within the framework of applicable State law and State Board of Education rules. Geographic boundaries of the College 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 Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the Board of Trustees are such that exclusion would cause the College's financial statements to be misleading. Based on the application of these criteria, the College is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

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

- The St. Petersburg College Foundation, Inc. (Foundation): This legally separate organization 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 and is governed by a separate board.
- The Leepa-Rattner Museum of Art, Inc. (Museum): This legally separate organization 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 and is governed by a separate board.
- The Institute for Strategic Policy Solutions, Inc. (Institute): This legally separate organization 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 and is governed by a separate board.
- The St. Petersburg College Alumni Association, Inc. (Association): This legally separate organization assists the College in worthwhile endeavors such as fund raising and establishing scholarships. On August 7, 2014, the Association voted to dissolve its incorporation and the St. Petersburg College Board approved the resolution on August 19, 2014. The Association was dissolved on September 19, 2014. A Memorandum of Understanding between the Association and Foundation was approved and all Association activities and account balances were transferred to the Foundation.

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

The direct-support organizations are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The audited financial statements of the Foundation, Museum, and Institute 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, 2015, except for the Association whose activity is presented from April 1, 2014, through September 19, 2014. Additional condensed financial statements for the College's component units are included in a subsequent note.

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

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

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

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

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, 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 difference between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. 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 pools. For reporting cash flows, the College considers all highly liquid investments with original maturities of 3 months or less to be cash equivalents. Under this definition, the College considers amounts invested in the State Treasury SPIA and SBA Florida PRIME investment pools 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, 2015, the College reported as cash equivalents at fair value \$23,980,802 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, had an effective duration of 2.67 years, and had a fair value factor of 1.0013 at June 30, 2015. 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, 2015, the College reported as cash equivalents \$3,527,188 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAM by Standard & Poor's and had a weighted-average days to maturity (WAM) of 34 days as of June 30, 2015. 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, other postemployment benefits payable, and net pension liability that are not scheduled to be paid within the next fiscal year.

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

2. Reporting Change

The College implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple-employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities of the defined benefit pension plans. The College participates in the FRS defined benefit pension plan and the HIS defined benefit plan administered by the Florida Department of Management Services, Division of Retirement. The effects of implementing this Statement are discussed in a subsequent note.

3. Adjustment to Beginning Net Position

The beginning net position of the College was decreased by \$42,308,645 due to the adoption of a new GASB Pronouncement, Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 requires the College to recognize its proportionate share of the net pension liabilities and related pension amounts of the cost-sharing multiple-employer FRS and HIS defined benefit plans.

4. Deficit Net Position in Individual Funds

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

<u>Fund</u>	<u>Net Position</u>
Current Funds - Unrestricted	\$ (36,156,418)
Auxiliary Funds	6,539,986
Total	<u>\$ (29,616,432)</u>

5. 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 State Board of Administration (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, 2015, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Debt Service Accounts	\$ 759,765
Certificates of Deposit	<u>13,031,761</u>
Total College Investments	<u>\$ 13,791,526</u>

State Board of Administration Debt Service Accounts

The College reported investments totaling \$759,765 at June 30, 2015, 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 6 months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk and 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

At June 30, 2015, the College had investments in individual certificates of deposits (CDs) with 57 banks in the College's name totaling \$13,031,761. Two 2 CDs at one bank totaling \$460,000 (\$230,000 each with maturity dates of July 20, 2015, and April 30, 2018), exceeded the amount insured by the Federal Deposit Insurance Corporation by \$210,000. The CDs carry original maturity dates of 24 months to 43 months with annual percentage interest rates between 0.35 and 1.50 percent.

Component Unit Investments

Investments held by the College's component units, St. Petersburg College Foundation, Inc. (Foundation), and The Leepa-Rattner Museum of Art, Inc. (Museum) at March 31, 2015, are reported at fair value as follows:

<u>Investment Type</u>	<u>St. Petersburg College Foundation, Inc.</u>	<u>The Leepa-Rattner Museum of Art, Inc.</u>	<u>Total</u>
United States Government Obligations	\$ 1,077,789	\$ -	\$ 1,077,789
Federal Agency Obligations	2,020,758	-	2,020,758
Bonds and Notes	6,474,905	-	6,474,905
Stocks and Other Equity Securities	40,796,638	-	40,796,638
Mutual Funds	7,295,848	-	7,295,848
Real Estate Investment Trusts	611,122	-	611,122
Certificates of Deposit	-	250,707	250,707
Alternative Investments	1,025,780	-	1,025,780
Total Component Unit Investments	<u>\$ 59,302,840</u>	<u>\$ 250,707</u>	<u>\$ 59,553,547</u>

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 \$9,573,452 of United States Government obligations, Federal agencies 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 July 2016 and November 2044.

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 and Museum investments at March 31, 2015:

Investment Type	Investment Maturities (In Years)					Credit Quality Rating (1)
	Fair Value	Less Than 1	1-5	6-10	More Than 10	
United States						
Government Obligations	\$ 1,077,789	\$ 107,224	\$ 409,545	\$ 474,066	\$ 86,954	(2)
Federal Agency Obligations	2,020,758	-	356,543	476,383	1,187,832	AA+
Bonds and Notes	6,474,905	26,469	2,882,783	2,364,465	1,201,188	AAA-D
Fixed Income Mutual Funds	25,112	25,112	-	-	-	Not Rated
Fixed Income Mutual Funds (3)	370,993	33,195	206,611	131,187	-	AAA - B
Fixed Income Mutual Funds (4)	46,608	-	46,608	-	-	Not Rated
Fixed Income Mutual Funds (4)	153,584	-	153,584	-	-	BBB-D
Fixed Income Mutual Funds (4)	46,336	-	46,336	-	-	AAA-BBB
Fixed Income Mutual Funds	76,690	-	-	76,690	-	AA-NR
Fixed Income Mutual Funds (4)	243,385	-	243,385	-	-	AAA-NR
Fixed Income Mutual Funds	239,037	-	-	-	239,037	AAA-NR
Fixed Income Mutual Funds	1,428,457	1,428,457	-	-	-	AAA-B
Fixed Income Mutual Funds (4)	1,825,080	-	1,825,080	-	-	BB-B
Fixed Income Mutual Funds	1,297,863	-	-	1,297,863	-	AAA-BB
Fixed Income Mutual Funds	524,129	-	-	-	524,129	BB-BBB-
Real Estate Investment Trusts	611,122	611,122	-	-	-	Not Rated
Certificates of Deposit	250,707	-	250,707	-	-	Not Rated
Alternative Investments (5)	1,025,780	1,025,780	-	-	-	Not Rated
Equity Mutual Funds	1,018,574	1,018,574	-	-	-	Not Rated
Equity Securities	40,796,638	40,796,638	-	-	-	Not Rated
Total Component Units Investments	\$ 59,553,547	\$ 45,072,571	\$ 6,421,182	\$ 4,820,654	\$ 3,239,140	

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

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

(3) This has an average credit rating.

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

(5) These are mutual funds consisting of mixed asset investments.

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 15 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 65 percent in equities, 30 percent in fixed income, and 5 percent in alternative investments.

6. 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 interest, and contract and grant reimbursements due from third parties. These receivables are reported net of a \$1,912,144 allowance for uncollectible accounts.

7. Due From Other Governmental Agencies

Due from other governmental agencies primarily consists of \$6,875,615 of Public Education Capital Outlay allocations due from the State for construction, remodeling, and renovation of College facilities and \$1,502,762 of grant and contract reimbursements due from third parties.

8. Due From and To Component Units/College

The \$44,408 reported as due from component units consists of amounts owed to the College by the Foundation and Institute for programs and scholarships. The College's financial statements are reported for the fiscal year ended June 30, 2015. The College's component units financial statements are reported for the fiscal year ended March 31, 2015. Accordingly, the amount reported as due from component units on the statement of net position does not have a corresponding amount reported by the component units as due to the College.

9. Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015, is shown in the following table:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Nondepreciable Capital Assets:				
Land	\$ 25,602,742	\$ -	\$ -	\$ 25,602,742
Construction in Progress	4,871,771	731,219	4,287,379	1,315,611
Total Nondepreciable Capital Assets	\$ 30,474,513	\$ 731,219	\$ 4,287,379	\$ 26,918,353
Depreciable Capital Assets:				
Buildings	\$ 325,386,690	\$ 14,082,164	\$ -	\$ 339,468,854
Other Structures and Improvements	12,413,551	65,660	-	12,479,211
Furniture, Machinery, and Equipment	19,972,392	1,257,407	1,400,878	19,828,921
Assets Under Capital Leases	5,410,571	1,049,364	-	6,459,935
Total Depreciable Capital Assets	363,183,204	16,454,595	1,400,878	378,236,921
Less, Accumulated Depreciation:				
Buildings	86,236,623	8,307,782	-	94,544,405
Other Structures and Improvements	11,174,736	177,674	-	11,352,410
Furniture, Machinery, and Equipment	17,388,781	930,185	1,400,878	16,918,088
Assets Under Capital Leases	2,586,846	1,255,398	-	3,842,244
Total Accumulated Depreciation	117,386,986	10,671,039	1,400,878	126,657,147
Total Depreciable Capital Assets, Net	\$ 245,796,218	\$ 5,783,556	\$ -	\$ 251,579,774

10. Unearned Revenue

Unearned revenue includes restricted grants and contracts, auxiliary enterprise revenues, and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2015, the College reported the following amounts as unearned revenue:

<u>Description</u>	<u>Amount</u>
Restricted Grants and Contracts	\$ 201,586
Auxiliary	32,207
Student Tuition and Fees	727,701
Total Unearned Revenue	\$ 961,494

11. Long-Term Liabilities

Long-term liabilities activity for the fiscal year ended June 30, 2015, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable	\$ 26,205,000	\$ -	\$ 1,515,000	\$ 24,690,000	\$ 1,585,000
Note Payable	889,618	-	187,770	701,848	187,770
Capital Leases Payable	2,823,725	1,049,364	1,255,400	2,617,689	1,184,464
Compensated Absences Payable	11,134,950	1,717,869	1,327,972	11,524,847	1,152,485
Other Postemployment Benefits Payable	3,779,000	1,220,568	508,000	4,491,568	-
Net Pension Liability	46,981,041	8,718,171	23,396,702	32,302,510	890,595
Total Long-Term Liabilities	\$ 91,813,334	\$ 12,705,972	\$ 28,190,844	\$ 76,328,462	\$ 5,000,314

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 the Series 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.

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
SBE Capital Outlay Bonds:			
Series 2009A	\$ 1,110,000	5.00	2019
Series 2010A	1,575,000	3.50 - 5.00	2030
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2006A	14,360,000	3.50 - 5.00	2027
Series 2010A	7,645,000	3.00 - 4.375	2030
Total	\$ 24,690,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2015, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
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	1,840,000	869,162	2,709,162
2020	1,620,000	782,112	2,402,112
2021-2025	9,410,000	2,683,912	12,093,912
2026-2030	6,825,000	655,456	7,480,456
Total	\$ 24,690,000	\$ 8,068,731	\$ 32,758,731

Note Payable. On March 16, 2011, the College borrowed \$2,166,667, at a stated interest rate of zero percent, to finance the remaining costs 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, 2015, are as follows:

Fiscal Year Ending June 30	Principal
2016	\$ 187,770
2017	187,770
2018	187,770
2019	138,538
Total	\$ 701,848

Capital Leases Payable. Network server equipment in the amount of \$5,892,957, Dental Hygiene Program equipment in the amount of \$403,259, 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, 2015, are as follows:

Fiscal Year Ending June 30	Amount
2016	\$ 1,272,874
2017	829,007
2018	507,709
2019	198,990
Total Minimum Payments	2,808,580
Less, Amount Representing Interest	190,891
Present Value of Minimum Payments	\$ 2,617,689

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, 2015, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$11,524,847. The current portion of the compensated absences liability, \$1,152,485, 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, 2015.

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 health care 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 other postemployment benefit (OPEB) costs or the net OPEB obligation. Premiums necessary for funding the Plan each year on a pay-as-you-go basis are established by the Governor's recommended budget and the General Appropriations Act. For the 2014-15 fiscal year, 88 retirees received other postemployment benefits. The College provided required contributions of \$508,000 toward the annual OPEB cost, composed of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$665,280, which represents 0.8 percent of covered payroll.

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

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 697,000
Amortization of Unfunded Actuarial Accrued Liability	429,000
Interest on Normal Cost and Amortization	50,000
Annual Required Contribution	1,176,000
Interest on Net OPEB Obligation	170,535
Adjustment to Annual Required Contribution	(125,967)
Annual OPEB Cost (Expense)	1,220,568
Contribution Toward the OPEB Cost	(508,000)
Increase in Net OPEB Obligation	712,568
Net OPEB Obligation, Beginning of Year	3,779,000
Net OPEB Obligation, End of Year	<u>\$ 4,491,568</u>

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, 2015, and for the two preceding fiscal years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012-13	\$ 1,249,305	49.95%	\$ 3,025,305
2013-14	1,197,000	37.03%	3,779,000
2014-15	1,220,568	41.62%	4,491,568

Funded Status and Funding Progress. As of July 1, 2013, the most recent valuation date, the actuarial accrued liability for benefits was \$11,245,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$11,245,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$78,853,870 for the 2014-15 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.3 percent.

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

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive Plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and

assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The College's OPEB actuarial valuation as of July 1, 2013, used the projected unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2015, and the College's 2014-15 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, an inflation rate of 3.5 percent, and an annual healthcare cost trend rate of 8.5 percent for the 2014-15 fiscal year, reduced by 0.5 percent per year, until an ultimate rate of 5 percent is reached. 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, 2015, was 22 years.

12. Retirement Plans – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

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

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

The College's FRS and HIS pension expense totaled \$3,073,792 for the 2014-15 fiscal year.

FRS Pension Plan

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

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

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

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

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

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

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

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2014-15 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.37
FRS, Senior Management Service	3.00	21.14
Deferred Retirement Option Program - Applicable to Members from Both of the Above Classes	0.00	12.28
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.26 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

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

The College's contributions to the Plan, totaled \$4,426,326 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2015, the College reported a liability of \$10,822,992 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the College's proportionate share was

0.177383333 percent, which was an increase of 0.019235273 percent from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of \$1,548,412. In addition, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 669,759
Change of assumptions	1,874,362	-
Net difference between projected and actual earnings on FRS pension plan investments	-	18,054,547
Changes in proportion and differences between College FRS contributions and proportionate share of contributions	2,785,652	-
College FRS contributions subsequent to the measurement date	4,426,326	-
Total	<u>\$ 9,086,340</u>	<u>\$ 18,724,306</u>

The deferred outflows of resources related to pensions totaling \$4,426,326, resulting from College contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ (3,760,758)
2017	(3,760,758)
2018	(3,760,758)
2019	(3,760,758)
2020	752,878
Thereafter	225,862
Total	<u>\$ (14,064,292)</u>

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Investment Rate of Return	7.65 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds / Absolute Return	7.00%	5.81%	5.35%	10.00%
Real estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	100.00%			
Assumed inflation - Mean		2.60%		2.00%

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

Discount Rate. The discount rate used to measure the total pension liability was 7.65 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.65 percent) or 1 percentage point higher (8.65 percent) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
College's proportionate share of the net pension liability (asset)	<u>\$46,291,374</u>	<u>\$ 10,822,992</u>	<u>\$(18,679,934)</u>

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

Payables to the Pension Plan. At June 30, 2015, the College reported a payable of \$32,291 for the outstanding amount of contributions to the Plan required for the fiscal year ended June 30, 2015.

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2015, the contribution rate was 1.26 percent of payroll pursuant to section 112.363, Florida Statutes. The College contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The College's contributions to the HIS Plan totaled \$890,595 for the fiscal year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources Related to Pensions. At June 30, 2015, the College reported a liability of \$21,479,518 for its proportionate share of the net pension liability. The current portion of the net pension liability is the College's proportionate share of benefit payments expected to be paid within one year, net of the College's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The College's proportionate share of the net pension liability was based on the College's 2013-14 fiscal year contributions relative to the total 2013-14 fiscal year contributions of all participating members. At June 30, 2014, the College's proportionate share was 0.229721475 percent, which was an increase of 0.002797439 from its proportionate share measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the College recognized pension expense of \$1,525,380. In addition, the College reported deferred outflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>
Change of assumptions	\$ 764,327
Net difference between projected and actual earnings on HIS pension plan investments	10,311
Changes in proportion and differences between College HIS contributions and proportionate share of HIS contributions	209,727
College contributions subsequent to the measurement date	890,595
Total	\$ 1,874,960

The deferred outflows of resources totaling \$890,595 was related to pensions resulting from College contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 159,683
2017	159,683
2018	159,683
2019	159,683
2020	157,105
Thereafter	188,528
Total	\$ 984,365

Actuarial Assumptions. The total pension liability in the July 1, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.25 percent, average, including inflation
Municipal Bond Rate	4.29 percent

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

While an experience study had not been completed for the HIS Plan, the Florida Retirement System Actuarial Assumptions Conference reviewed the actuarial assumptions for the HIS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated

using the discount rate of 4.29 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.29 percent) or 1 percentage point higher (5.29 percent) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
College's proportionate share of the net pension liability	\$24,431,213	\$ 21,479,518	\$19,015,698

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

Payables to the Pension Plan. At June 30, 2015, the College reported a payable of \$6,614 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended June 30, 2015.

13. Retirement Plans – Defined Contribution Plans

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. College employees already participating in the State College System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2014-15 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS

Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5 year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the College.

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

The College's Investment Plan pension expense totaled \$1,385,969 for the fiscal year ended June 30, 2015.

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

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes 5.14 percent of the participant's salary to the participant's account, 2.54 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover the administrative costs, for a total of 7.69 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the College to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The College's contributions to the Program totaled \$607,287 and employee contributions totaled \$360,765 for the 2014-15 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 21.31 percent and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by salary reduction, an

additional amount not to exceed the 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.

The College's contributions to the Annuity Program totaled \$15,204 and employee contributions totaled \$7,275 for the 2014-15 fiscal year.

14. Construction Commitments

The College had one major construction project commitment at June 30, 2015, as well as several smaller projects, as outlined below:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Bay Pines Center	\$ 4,563,426	\$ 747,829	\$ 3,815,597
Smaller Projects (1)	1,689,047	567,782	1,121,265
Total	\$ 6,252,473	\$ 1,315,611	\$ 4,936,862

Note: (1) Individual projects with current balance committed of less than \$1 million each at June 30, 2015.

15. Operating Lease Commitments

The College leased computer equipment and copiers under operating leases with various expiration dates through 2020. 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:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2016	\$ 1,679,429
2017	1,461,460
2018	972,265
2019	234,293
2020	22,883
Total Minimum Payments Required	\$ 4,370,330

16. Risk Management Programs

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and purchases excess insurance through commercial companies for claims in excess of specified amounts. Excess insurance

from commercial companies provided coverage of up to \$150 million to February 28, 2015, and up to \$200 million from March 1, 2015, for property insurance. 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 3 fiscal years.

Life insurance coverage is provided through purchased commercial insurance.

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 2014-15 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 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 \$1,458,824 as of June 30, 2015.

The following schedule represents the changes in claims liability for the current and prior 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>
2013-14	\$ 1,628,101	\$ 14,872,259	\$ (15,295,042)	\$ 1,205,318
2014-15	1,205,318	16,029,651	(15,776,145)	1,458,824

17. 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	\$ 79,941,973
Public Services	5,549
Academic Support	28,114,915
Student Services	22,817,778
Institutional Support	20,005,418
Operation and Maintenance of Plant	18,641,308
Scholarships and Waivers	35,111,496
Depreciation	10,671,039
Auxiliary Enterprises	223,308
Total Operating Expenses	\$ 215,532,784

18. Discretely Presented Component Units

The College had 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

	<u>Direct-Support Organizations</u>				<u>Total</u>
	<u>St. Petersburg College Foundation, Inc. 3/31/2015</u>	<u>St. Petersburg College Alumni Association, Inc. (Unaudited) 9/19/2014 (1)</u>	<u>The Leepa- Rattner Museum of Art, Inc. 3/31/2015</u>	<u>Institute for Strategic Policy Solutions, Inc. 3/31/2015</u>	
Assets:					
Current Assets	\$ 33,349,215	\$ -	\$ 239,980	\$ 74,096	\$ 33,663,291
Other Noncurrent Assets	28,198,899	-	271,338	-	28,470,237
Total Assets	61,548,114	-	511,318	74,096	62,133,528
Liabilities:					
Current Liabilities	-	-	47,668	1,144	48,812
Net Position:					
Restricted Nonexpendable	27,430,633	-	-	-	27,430,633
Restricted Expendable	32,525,157	-	59,811	-	32,584,968
Unrestricted	1,592,324	-	403,839	72,952	2,069,115
Total Net Position	\$ 61,548,114	\$ -	\$ 463,650	\$ 72,952	\$ 62,084,716

Note: (1) On August 7, 2014, the St. Petersburg College Alumni Association, Inc. (Association), voted to dissolve its incorporation and the St. Petersburg College Board of Trustees approved the resolution on August 19, 2014. The Association was dissolved on September 19, 2014. Transactions are reported for the period April 1, 2014, through September 19, 2014. The activities and account balances of the Association were transferred to the St. Petersburg College Foundation, Inc.

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

	Direct-Support Organizations				Total
	St. Petersburg College Foundation, Inc. 3/31/2015	St. Petersburg College Alumni Association, Inc. (Unaudited) 9/19/2014 (1)	The Leepa-Rattner Museum of Art, Inc. 3/31/2015	Institute for Strategic Policy Solutions, Inc. 3/31/2015	
Operating Revenues	\$ 2,284,985	\$ -	\$ 835,525	\$ 443,985	\$ 3,564,495
Operating Expenses	(3,797,062)	(129,109)	(925,185)	(387,558)	(5,238,914)
Operating Income (Loss)	<u>(1,512,077)</u>	<u>(129,109)</u>	<u>(89,660)</u>	<u>56,427</u>	<u>(1,674,419)</u>
Net Nonoperating Revenues	3,386,862	4,469	75,185	-	3,466,516
Other Revenues, Expenses, Gains and Losses	330,180	-	-	-	330,180
Increase (Decrease) in Net Position	<u>2,204,965</u>	<u>(124,640)</u>	<u>(14,475)</u>	<u>56,427</u>	<u>2,122,277</u>
Net Position, Beginning of Year	59,343,149	124,640	478,125	16,525	59,962,439
Net Position, End of Year	<u>\$ 61,548,114</u>	<u>\$ -</u>	<u>\$ 463,650</u>	<u>\$ 72,952</u>	<u>\$62,084,716</u>

Note: (1) On August 7, 2014, the St. Petersburg College Alumni Association, Inc. (Association), voted to dissolve its incorporation and the St. Petersburg College Board of Trustees approved the resolution on August 19, 2014. The Association was dissolved on September 19, 2014. Transactions are reported for the period April 1, 2014, through September 19, 2014. The activities and account balances of the Association were transferred to the St. Petersburg College Foundation, Inc.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Postemployment Benefits Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2009	\$ -	\$ 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%
7/1/2013	-	11,245,000	11,245,000	0%	76,426,236	14.7%

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

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

	2014 (1)	2013 (1)
College's proportion of the FRS net pension liability	0.177383333%	0.158148060%
College's proportionate share of the FRS net pension liability	\$ 10,822,992	\$ 27,224,320
College's covered-employee payroll (2)	\$ 81,597,410	\$ 79,520,264
College's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	13.26%	34.24%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

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

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

**Schedule of College Contributions –
Florida Retirement System Pension Plan**

	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required FRS contribution	\$4,426,326	\$ 3,885,448
FRS contributions in relation to the contractually required contribution	<u>(4,426,326)</u>	<u>(3,885,448)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$83,468,575	\$ 81,597,410
FRS contributions as a percentage of covered-employee payroll	5.30%	4.76%

- Notes: (1) The amounts presented for each fiscal year were determined as of June 30.
(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

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

	<u>2014 (1)</u>	<u>2013 (1)</u>
College's proportion of the HIS net pension liability	0.229721475%	0.226924036%
College's proportionate share of the HIS net pension liability	\$ 21,479,518	\$19,756,721
College's covered-employee payroll (2)	\$ 81,597,410	\$ 79,520,264
College's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	26.32%	24.84%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

- Notes: (1) The amounts presented for each fiscal year were determined as of June 30.
(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

**Schedule of College Contributions –
Health Insurance Subsidy Pension Plan**

	<u>2015 (1)</u>	<u>2014 (1)</u>
Contractually required HIS contribution	\$ 890,595	\$ 786,948
HIS contributions in relation to the contractually required HIS contribution	<u>(890,595)</u>	<u>(786,948)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll (2)	\$ 83,468,575	\$ 81,597,410
HIS contributions as a percentage of covered-employee payroll	1.07%	0.96%

- Notes: (1) The amounts presented for each fiscal year were determined as of June 30.
(2) Covered-employee payroll included defined benefit plan actives, investment plan members, and members in DROP.

1. Schedule of Funding Progress – Other Postemployment Benefits Plan

The July 1, 2013, unfunded actuarial liability (UAAL) of \$11,245,000 was 6.2 percent higher than the July 1, 2011, UAAL of \$10,586,000. This increase was due to the expected growth of liabilities over time, demographic changes, updated participation and medical trend assumptions, updated claims costs as compared to contribution rates, and revised mortality assumptions.

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

Changes of Assumptions. As of June 30, 2014, the inflation rate assumption was decreased from 3 percent to 2.6 percent, the real payroll growth assumption was decreased from 1 percent to 0.65 percent, and the overall payroll growth rate assumption was decreased from 4 percent to 3.25 percent. The long-term expected rate of return decreased from 7.75 percent to 7.65 percent.

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

Changes of Assumptions. The municipal rate used to determine the total pension liability decreased from 4.63 percent to 4.29 percent.



Sherrill F. Norman, CPA
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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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2015, 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 14, 2016, 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to College management in our operational audit report No. 2016-115.

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

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 14, 2016