



**AUDITOR GENERAL**  
WILLIAM O. MONROE, CPA



**ST. PETERSBURG COLLEGE**  
Financial Statement Audit

For the Fiscal Year Ended June 30, 2003

During the audit period, the President of the College was Dr. Carl M. Kuttler, Jr. Members of the College's District Board of Trustees who served during the audit period are listed below:

**Board Member**

Dr. Susan D. Jones, Chair  
Kenneth P. Burke, Vice Chair  
Evelyn M. Bilirakis  
W. Richard Johnston  
Cecil B. Keene

## ST. PETERSBURG COLLEGE

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**EXECUTIVE SUMMARY**

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The audit of the financial statements of the St. Petersburg College for the fiscal year ended June 30, 2003, was conducted pursuant to the provisions of Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The scope of this audit included an examination of the financial statements of the College, a component unit of the State of Florida, and a determination as to whether management has complied with applicable laws, administrative rules, regulations, contracts, and grants that are material to the financial statements. An examination of Federal awards administered by the College is included in our Statewide audit of Federal awards administered by the State of Florida.

The following provides a summary of the findings of our audit of the financial statements of the College:

- We found that the College's financial statements presented fairly, in all material respects, the financial positions of the College and its aggregate discretely presented component units as of June 30, 2003; the revenues, expenses, and changes in net assets; and the cash flows for the fiscal year then ended.
- The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.
- We noted no matters involving the College's internal control over financial reporting and its operation that we considered to be material weaknesses.

This audit was conducted by Dawn T. Meyers, CPA, and supervised by Karen J. Collington, CPA. Please address inquiries regarding this report to James E. Raulerson, CPA, Audit Manager, via e-mail at [jimraulerson@aud.state.fl.us](mailto:jimraulerson@aud.state.fl.us) or by telephone at (850) 487-4468. This report, as well as other audit reports prepared by the Auditor General, can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the 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, 2003, as shown on pages 14 through 34. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the St. Petersburg College and of its aggregate discretely presented component units as of June 30, 2003, and the respective changes in financial

position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the St. Petersburg College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grants included under the heading **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 5 through 13 is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Respectfully submitted,



William O. Monroe, CPA  
March 18, 2004



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

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

We have audited the financial statements of the 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, 2003, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. 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. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not extend to the component units. Our report on the financial statements included disclosures regarding our reference to the reports of other auditors.

### Compliance

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial

statements and not to provide assurance on the College's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



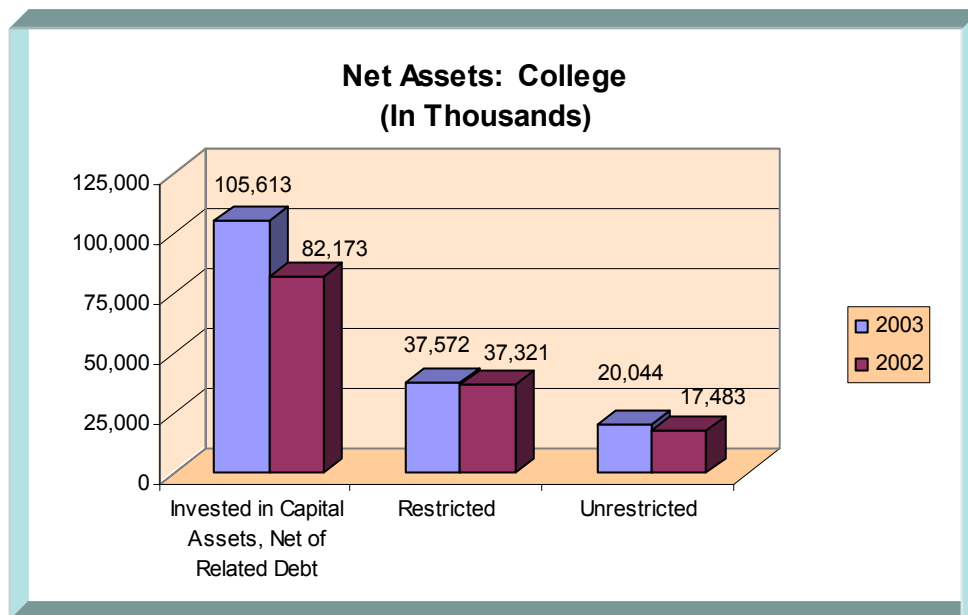
William O. Monroe, CPA  
March 18, 2004

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

The management’s discussion and analysis of St. Petersburg College’s financial statements provides an overview of the College’s financial activities for the year ended June 30, 2003. Management has prepared the financial statements and the related note disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College. The discussion and analysis contains financial activities of the College and its component units, St. Petersburg College Foundation, Inc., St. Petersburg College Alumni Association, Inc., and the Leepa-Rattner Museum of Art, Inc. (all direct support organizations), for the 2002-03 and 2001-02 fiscal years.

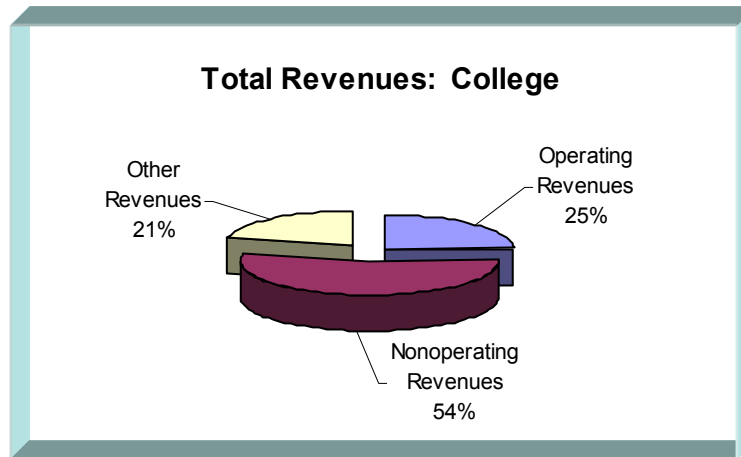
**FINANCIAL HIGHLIGHTS**

The net assets of the College by category for the fiscal years ended June 30, 2003, and June 30, 2002, are shown in the following graph:



The College’s financial position as a whole improved during the fiscal year ended June 30, 2003. Its combined net assets (the College and the component units) increased \$29.5 million, or 19.7 percent, from the 2001-02 fiscal year.

The following chart provides a graphical breakdown of College revenues by category for the fiscal year ended June 30, 2003:



In the fiscal year ended June 30, 2003, College revenues and other support exceeded expenses, creating an increase in net assets of \$26.3 million (compared to a \$20.2 million increase from the 2001-02 fiscal year). Component units' revenue exceeded expenses during the 2002-03 fiscal year, resulting in an increase in net assets of \$3.2 million (compared to a \$2 million decrease from the 2001-02 fiscal year.)

### USING THIS ANNUAL REPORT

This report consists of three basic financial statements: the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows. These statements provide information on the College as a whole, and, over time, will present a long-term view of the College's finances and fiscal health. The following activities are included in the College's basic financial statements:

- 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.
- Component Units (the Direct Support Organizations) – St. Petersburg College includes three separate legal entities: the Foundation, the Alumni Association, and the Museum. Although legally separate, they are important because the primary institution is financially accountable for them, as the College reports their financial activities to the State of Florida.

### THE STATEMENT OF NET ASSETS AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

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

These two statements report the College's net assets and the changes in them. You can think of the College's net assets, the difference between assets and liabilities, as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the institution's net assets are one indicator of whether its

financial health is improving or deteriorating. To assess the overall health of the College, you must consider many other nonfinancial factors such as certain trends, student retention, and the condition of the buildings and the safety of the campuses.

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

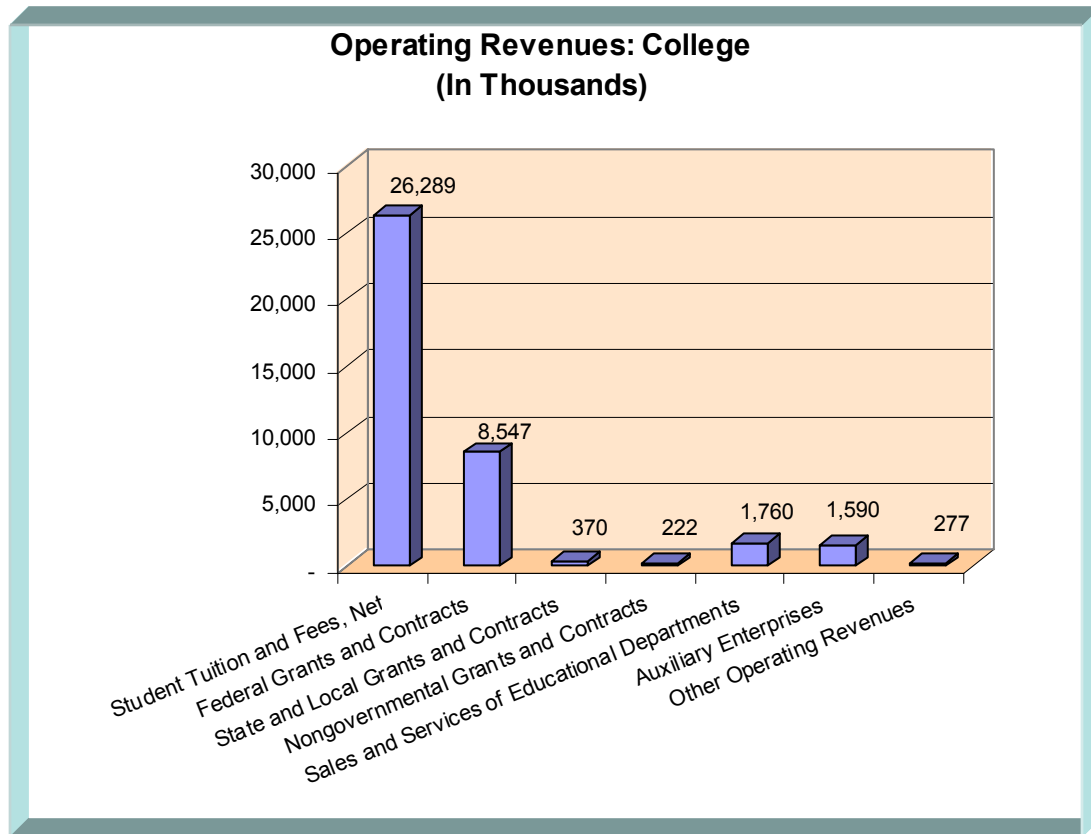
A condensed statement of assets, liabilities, and net assets for the College and its component units for the fiscal years ended June 30, 2003, and June 30, 2002, is shown in the following table:

<b>Net Assets, June 30</b>				
<b>(In Thousands)</b>				
	College		Component Units	
	2003	2002	2003	2002
<b>Assets</b>				
Current Assets	\$ 71,455	\$ 99,504	\$ 14,423	\$ 11,725
Capital Assets, Net	110,338	87,123	114	40
Other Noncurrent Assets	<u>15,065</u>	<u>5,000</u>	<u>9,971</u>	<u>9,280</u>
<b>Total Assets</b>	<u>196,858</u>	<u>191,627</u>	<u>24,508</u>	<u>21,045</u>
<b>Liabilities</b>				
Current Liabilities	23,133	44,509	8,705	8,466
Noncurrent Liabilities	<u>10,496</u>	<u>10,141</u>	<u>          </u>	<u>          </u>
<b>Total Liabilities</b>	<u>33,629</u>	<u>54,650</u>	<u>8,705</u>	<u>8,466</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	105,613	82,173	114	40
Restricted	37,572	37,321	15,492	12,334
Unrestricted	<u>20,044</u>	<u>17,483</u>	<u>197</u>	<u>205</u>
<b>Total Net Assets</b>	<u>\$ 163,229</u>	<u>\$ 136,977</u>	<u>\$ 15,803</u>	<u>\$ 12,579</u>
<b>Increase in Net Assets</b>	<u>\$ 26,252</u>	19.2%	<u>\$ 3,224</u>	25.6%

Comparative revenues and expenses of the College and its component units for the 2002-03 and 2001-02 fiscal years are presented in the following table:

<b>Operating Results</b>				
<b>(In Thousands)</b>				
	<u>College</u>		<u>Component Units</u>	
	<u>2002-03</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2001-02</u>
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 26,289	\$ 25,185	\$	\$
Federal Grants and Contracts	8,547	10,735		
State and Local Grants and Contracts	370	410		
Nongovernmental Grants and Contracts – Including Private Support	222			
Sales and Services of Educational Departments	1,760	1,367		
Auxiliary Enterprises	1,590	1,436		
Other Operating Revenues	277	65	97	62
<b>Total Operating Revenues</b>	<b>39,055</b>	<b>39,198</b>	<b>97</b>	<b>62</b>
Less, Operating Expenses	133,576	118,286	1,279	3,166
<b>Net Operating Loss</b>	<b>(94,521)</b>	<b>(79,088)</b>	<b>(1,182)</b>	<b>(3,104)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	53,840	50,396		
Other Nonoperating Revenues	32,880	24,461	4,406	1,125
<b>Net Nonoperating Revenues</b>	<b>86,720</b>	<b>74,857</b>	<b>4,406</b>	<b>1,125</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
Capital Appropriations	(7,801)	(4,231)	3,224	(1,979)
Capital Grants and Contracts	31,773	23,092		
Gain (Loss) on Disposal of Assets	1,818	1,311		
Gain (Loss) on Disposal of Assets	383	(26)		
Additions to Permanent Endowments	79	44		
<b>Increase (Decrease) in Net Assets</b>	<b>26,252</b>	<b>20,190</b>	<b>3,224</b>	<b>(1,979)</b>
Net Assets, Beginning of Year	136,977	116,787	12,579	14,558
<b>Net Assets, End of Year</b>	<b>\$ 163,229</b>	<b>\$136,977</b>	<b>\$15,803</b>	<b>\$12,579</b>

The following chart presents the operating revenues of the College for the 2002-03 fiscal year.



**Revenues**

College operating revenue changes were the result of the following factors:

- Baccalaureate program tuition provided a \$.5 million increase to student fees.
- A 12.8 percent increase in enrollment and a 3 percent increase in the lower division tuition and fee rate as authorized by State of Florida law resulted in an additional \$ .6 million increase in student tuition and fee revenue.
- A decrease of \$2 million in operating grants and contracts is primarily due to extremely slow Federal contracting processes. Several contracts are pending release in the near future.

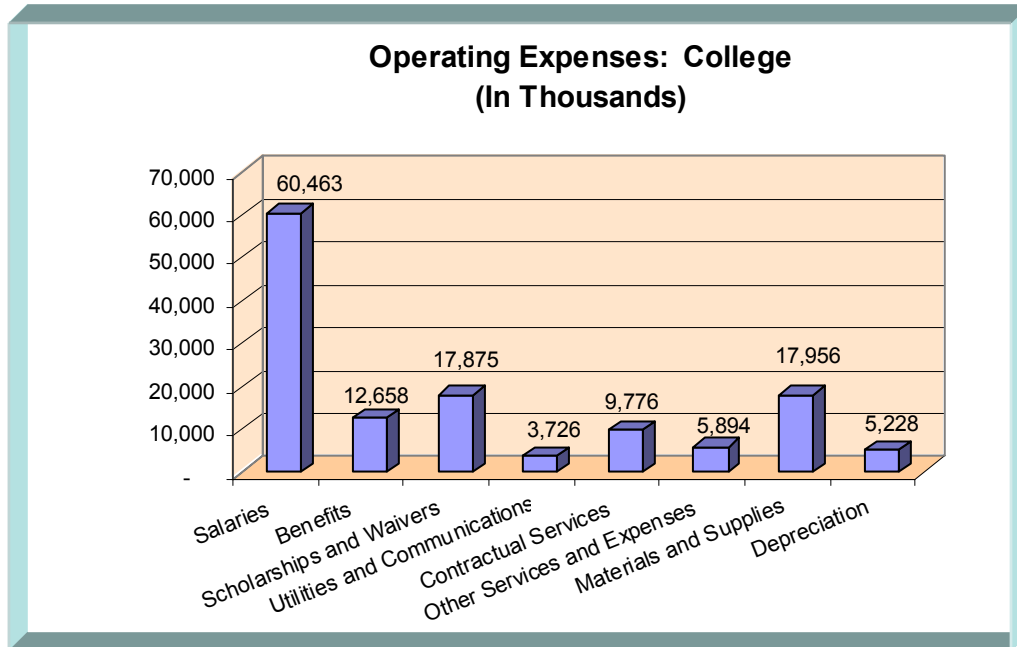
Component units investment earnings, including related unrealized and realized gains and losses, increased \$1.2 million and contributions and gifts increased \$2 million from the 2001-02 fiscal year.

**Operating Expenses**

Operating expenses for the College and its component units for the 2002-03 and 2001-02 fiscal years are presented in the following table:

<b>Operating Expenses (In Thousands)</b>				
	College		Component Units	
	2002-03	2001-02	2002-03	2001-02
<b>Operating Expenses</b>				
Salaries	\$ 60,463	\$ 55,386	\$	\$
Benefits	12,658	10,656		
Scholarships and Waivers	17,875	14,304	318	554
Utilities and Communications	3,726	3,432		
Contractual Services	9,776	9,021		
Other Services and Expenses	5,894	5,976	961	2,612
Materials and Supplies	17,956	15,461		
Depreciation	5,228	4,050		
<b>Total Operating Expenses</b>	<b>\$133,576</b>	<b>\$118,286</b>	<b>\$1,279</b>	<b>\$3,166</b>

Operating expenses of the College for the fiscal year ended June 30, 2003, are presented in the following chart:



Operating expense changes were the result of the following factors:

**College**

- There was an increase of salary expenditures in the amount of \$5.1 million. Of this amount, \$2.4 million was for 7 percent faculty raises and 5 percent raises for all other employees. The remaining \$2.7 million was for new baccalaureate, adjunct, and grant positions to support increased enrollment and grant activity.
- Materials and supplies increased \$2.5 million due to repairs, maintenance, remodeling, and renovation comprised largely of HVAC, ADA, and site improvements to all campuses.
- Benefits increased \$2 million to cover increased health insurance costs.
- Depreciation increased \$1.2 million over the 2001-02 fiscal year.

- Scholarships increased \$3.6 million due to increased enrollment.

### Component Units

Other services and expenses, primarily program support costs, decreased \$1.6 million in the 2002-03 fiscal year. The component units also expended \$.2 million less for scholarship expenses in the 2002-03 fiscal year.

### THE STATEMENT OF CASH FLOWS

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

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

A summary of the College's cash flows for the 2002-03 and 2001-02 fiscal years is presented in the following table:

	College	
	2002-03	2001-02
<b>Cash Flows for the Year (In Thousands)</b>		
Cash Provided (Used) by:		
Operating Activities	\$ (90,046)	\$ (77,569)
Noncapital Financing Activities	83,974	74,295
Capital and Related Financing Activities	5,131	7,983
Investing Activities	1,644	(19,392)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	703	(14,683)
Cash and Cash Equivalents, Beginning of the Year	29,868	44,551
<b>Cash and Cash Equivalents, End of the Year</b>	<b>\$ 30,571</b>	<b>\$ 29,868</b>

The College's liquidity increased during the 2002-03 fiscal year. An overview of the College's cash flows is presented below:

- Cash used by operating activities increased \$12.5 million over the 2001-02 fiscal year primarily for payments for scholarships, to employees, and to suppliers for goods and services.
- Cash provided from noncapital financing activities increased approximately \$9.7 million over the 2001-02 fiscal year. This is due in part to a \$7 million increase in State appropriations and a \$2.7 million increase in grants and gifts received.
- Cash provided by capital and related financing activities decreased \$2.9 million over the 2001-02 fiscal year. The change was due to an increase in capital appropriations with a greater increase in purchases of construction services.
- Finally, cash provided from interest earnings increased by \$.6 million primarily due to the improved earnings on the government-backed securities purchased in the 2001-02 fiscal year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At June 30, 2003, the College had approximately \$110.3 million, net of accumulated depreciation, invested in capital assets as summarized in the following table:

<b>Capital Assets, Net (In Thousands)</b>				
	<u>College</u>		<u>Component Units</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$ 13,653	\$ 8,467	\$	\$
Buildings	74,393	68,403		
Other Structures and Improvements	1,675	1,942		
Furniture, Machinery, and Equipment	4,819	2,806		
Construction in Progress	15,798	5,505		
Other Capital Assets			114	40
<b>Total Capital Assets, Net</b>	<b><u><u>\$110,338</u></u></b>	<b><u><u>\$87,123</u></u></b>	<b><u><u>\$ 114</u></u></b>	<b><u><u>\$ 40</u></u></b>

Major capital projects under construction this year were the Crossroads Building, the Natural Science Building, EpiCenter, Seminole Community Library, and the Tarpon Springs Annex. Resources funding their construction are Public Education Capital Outlay and local funds.

More detailed information about the College’s capital assets is presented in the notes to financial statements.

The College has planned capital expenditures for the fiscal year ending June 30, 2004, at approximately \$7.7 million, most of which relates to the College. Projects planned include the new EpiCenter (Technology and Business Development Center), the new joint use library in partnership with the City of St. Petersburg at the St. Petersburg/Gibbs Campus, and continued repair/renovation/remodeling of buildings on the St. Petersburg/Gibbs Campus, the Tarpon Springs Center, and the Seminole Campus.

**DEBT**

At June 30, 2003, the College had approximately \$4.8 million in State Board of Education Capital Outlay Bonds outstanding, compared to \$5 million at June 30, 2002.

The State Board of Education Capital Outlay Bonds are issued by the State Board of Education on behalf of the College. More detailed information about the College’s long-term liabilities is presented in the notes to financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The economic position of St. Petersburg College continues to be closely tied to that of the State and, to a lesser degree, to Federal grants such as those for Homeland Security, Department of Defense, and other similar grant programs. The outlook for Federal and similar grants, for the near term, is to remain even with present levels.

Our current view of State funding for the 2004-05 fiscal year is that discretionary appropriations for higher education in general will continue to be impacted and constrained by flat to slightly lower than normal Statewide revenue growth, as well as significant increases in Statewide obligations such as Medicaid and constitutional amendments. This will likely result in limited increases in program fund appropriations to colleges and universities in the range of 0 to 3 percent, coupled with possible higher student fee increases. Some continued enrollment growth is expected in the coming academic year. However, due to possible fee increases in future years, the possibility of some capping of enrollment growth at State universities, and continued high unemployment, continued enrollment growth is largely unknown.

Finally, continued sluggishness in the national economy coupled with lower market interest rates will most likely result in lower interest income on surplus funds than has been enjoyed during recent years. Despite these uncertainties, the College's current financial and capital plans indicate that infusion of additional financial resources from increased tuition rates, some enrollment growth, expanded private fund raising and donation campaigns, and cost containment and reduction measures, will enable the College to maintain its present level of services and financial health.

**FINANCIAL SECTION**

**ST. PETERSBURG COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS  
As of June 30, 2003**

	<u>College</u>	<u>Component Units</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 9,868,645	\$ 607,802
Restricted Cash and Cash Equivalents	16,637,556	
Short-Term Investments	10,557,698	2,028,987
Accounts Receivable, Net	714,577	661,262
Due from Other Governmental Agencies	5,993,714	
Due from State	26,265,059	
Due from College		11,009,862
Due from Component Units	44,254	
Notes Receivable, Net	537,141	
Inventories	146,340	34,736
Prepaid Expenses	689,410	1,200
Deposits - Other	636	79,625
<b>Total Current Assets</b>	<u>71,455,030</u>	<u>14,423,474</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	4,064,754	
Endowment Investments		9,970,156
Other Restricted Investments	10,000,000	
Notes Receivable, Net	1,000,000	
Depreciable Capital Assets, Net	80,887,498	
Nondepreciable Capital Assets	29,450,827	114,350
<b>Total Noncurrent Assets</b>	<u>125,403,079</u>	<u>10,084,506</u>
<b>TOTAL ASSETS</b>	<u>\$ 196,858,109</u>	<u>\$ 24,507,980</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 2,911,982	\$ 3,670
Salary and Payroll Taxes Payable	3,409,696	
Retainage Payable	1,352,003	
Due to Other Governmental Agencies	738	8,657,071
Due to College		44,254
Due to Component Units	11,009,862	
Deferred Revenue	2,474,174	
Estimated Claims Payable	796,200	
Deposits Held in Custody	289,532	
Long-Term Liabilities - Current Portion:		
Bonds Payable	225,000	
Compensated Absences Payable	663,449	
<b>Total Current Liabilities</b>	<u>23,132,636</u>	<u>8,704,995</u>
Noncurrent Liabilities:		
Bonds Payable	4,525,000	
Compensated Absences Payable	5,971,039	
<b>Total Noncurrent Liabilities</b>	<u>10,496,039</u>	
<b>TOTAL LIABILITIES</b>	<u>33,628,675</u>	<u>8,704,995</u>

**ST. PETERSBURG COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**As of June 30, 2003**

	<b>College</b>	<b>Component Units</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	\$ 105,613,234	\$ 114,350
Restricted:		
Nonexpendable:		
Endowment		9,970,156
Expendable:		
Grants and Other	2,073,248	5,521,866
Endowment	1,990,115	
Loans	1,057,863	
Scholarships	493,707	
Capital Projects	31,873,225	
Debt Service	84,115	
Unrestricted	20,043,927	196,613
<b>Total Net Assets</b>	163,229,434	15,802,985
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 196,858,109</b>	<b>\$ 24,507,980</b>

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 ASSETS**  
**For the Fiscal Year Ended June 30, 2003**

	<b>College</b>	<b>Component Units</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$7,508,401	\$ 26,289,205	\$
Federal Grants and Contracts	8,546,656	
State and Local Grants and Contracts	369,933	
Nongovernmental Grants and Contracts	222,509	
Sales and Services of Educational Departments	1,760,233	
Auxiliary Enterprises	1,589,647	
Other Operating Revenues	276,957	96,769
<b>Total Operating Revenues</b>	<b>39,055,140</b>	<b>96,769</b>
<b>EXPENSES</b>		
Operating Expenses:		
Personnel Services	73,121,479	
Scholarships and Waivers	17,875,065	317,388
Utilities and Communications	3,725,903	
Contractual Services	9,775,484	
Other Services and Expenses	5,894,304	961,143
Materials and Supplies	17,956,191	
Depreciation	5,227,816	
<b>Total Operating Expenses</b>	<b>133,576,242</b>	<b>1,278,531</b>
<b>Operating Loss</b>	<b>(94,521,102)</b>	<b>(1,181,762)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	53,839,724	
Investment Income	1,779,543	954,492
Interest on Capital Asset-Related Debt	(230,240)	
Gifts and Grants	31,317,996	
Other Nonoperating Revenues	13,362	3,946,352
Net Unrealized and Realized Loss on Investments		(495,337)
<b>Net Nonoperating Revenues</b>	<b>86,720,385</b>	<b>4,405,507</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(7,800,717)</b>	<b>3,223,745</b>
Capital Appropriations	31,773,313	
Capital Grants, Gifts, and Fees	1,818,224	
Gain on Disposal of Assets	382,631	
Additions to Endowments	78,997	
<b>Total Other Revenues</b>	<b>34,053,165</b>	
<b>Increase in Net Assets</b>	<b>26,252,448</b>	<b>3,223,745</b>
Net Assets, Beginning of Year	136,976,986	12,579,240
<b>Net Assets, End of Year</b>	<b>\$ 163,229,434</b>	<b>\$ 15,802,985</b>

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

**ST. PETERSBURG COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2003**

	<b>College</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$ 26,699,469
Grants and Contracts	7,558,767
Payments to Suppliers	(34,601,908)
Payments to Utilities and Communications	(3,725,903)
Payments to Employees	(60,126,985)
Payments for Benefits	(11,500,391)
Payments for Scholarships	(17,875,065)
Auxiliary Enterprises	1,489,154
Sales and Services of Educational Departments	1,760,233
Other Receipts	276,957
	<b>(90,045,672)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	53,839,724
Gifts and Grants Received for Other than Capital or Endowment Purposes	30,054,966
Private Gifts for Endowment Purposes	78,997
	<b>83,973,687</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt	1,145,000
Capital Appropriations	31,421,822
Capital Grants and Gifts Received	1,818,224
Proceeds from Sale of Capital Assets	328,199
Purchases of Capital Assets	(27,971,991)
Principal Paid on Capital Debt and Leases	(1,380,000)
Interest Paid on Capital Debt and Leases	(230,240)
	<b>5,131,014</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on Investments	1,643,571
	<b>702,600</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>29,868,355</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 30,570,955</b>

**ST. PETERSBURG COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**For the Fiscal Year Ended June 30, 2003**

	<b>College</b>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$(94,521,102)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,227,816
Changes in Assets and Liabilities:	
Receivables, Net	(1,029,192)
Inventories	(20,110)
Other Assets	(56,116)
Accounts Payable	(71,496)
Deferred Revenue	(241,369)
Compensated Absences	665,897
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$(90,045,672)</b>

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

**ST. PETERSBURG COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Component Units.** Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600*. These criteria were used to evaluate potential component units for which the District Board of Trustees is financially accountable and other organizations for which the nature and significance of their relationship with the District Board of Trustees are such that exclusion would cause the College's financial statements to be misleading or incomplete. Based on the application of these criteria, the following component units are included within the District Board of Trustees' reporting entity as discretely presented component units:

- The St. Petersburg College Foundation, Inc.: This organization was formed to raise funds to benefit the College for purposes including scholarships, facility enhancements, and related educational activities.
- The St. Petersburg College Alumni Association, Inc.: This organization is to assist the College in worthwhile endeavors such as fund raising and the establishment of scholarships.
- The Leepa-Rattner Museum of Art, Inc.: This organization was formed to benefit the College for purposes including promotion of educational excellence by collecting, preserving, and displaying works of art that reflect or support the aesthetic concerns for Abraham Rattner, Allen Leepa and other artists.

The College's component units are audited by other auditors pursuant to Section 1004.70(6), Florida Statutes. The audited financial statements of the organizations are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the audited annual financial statements of the organizations for the fiscal year ended June 30, 2003. Additional condensed financial statements for the College's component units are included in a separate note.

The College's component units, as described above, are also direct-support organizations, as defined in Section 1004.70, Florida Statutes, which are legally separate from the College, but financially accountable to the College. These legally separate entities are managed independently, outside the College's budgeting

**ST. PETERSBURG COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2003**

process, and their powers generally are vested in governing boards pursuant to various State statutes. These entities receive, hold, invest, and administer property and make expenditures to or for the benefit of the College.

**Basis of Presentation.** The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board. GASB allows public colleges the option of reporting as a special-purpose government either engaged in only business-type activities, engaged in only governmental activities, or engaged in both governmental and business-type activities. In consultation with the Division of Community Colleges and the Community College Business Officers, the College elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows (presented using the direct method in compliance with GASB Statement No. 9)
  - Notes to Financial Statements

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

**ST. PETERSBURG COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2003**

The College's component units use the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Interdepartmental transactions of Auxiliary Service 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 include all fiscal transactions related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State appropriations, investment income and capital funding. Interest on asset-related debt is considered a nonoperating expense.

The College follows Financial Accounting Standards Board statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

When both restricted and unrestricted resources are available to fund specific programs, it is the College's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

Student tuition and fees are reported net of scholarship allowances. 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.

**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 Board of Administration and State Treasury. Cash and cash equivalents and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, and to purchase or construct capital or other restricted assets are classified as restricted. Banks qualified as public depositories under Florida law hold cash deposits of the College. All such deposits are insured by Federal depository insurance or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash placed with the State Board of Administration represents the College's participation in the Local Government Surplus Funds Trust Fund external investment pool authorized by Section 218.415(17), Florida Statutes. The pool operates under investment guidelines established by Section 215.47, Florida Statutes. The College also places cash with the State Treasury pursuant to Section 17.57, Florida Statutes. The College's investments in the Local Government Surplus Funds Trust Fund and the State Treasury, both Securities and Exchange Commission

**ST. PETERSBURG COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2003**

Rule 2a7-like external investment pools, are reported at amortized cost and cannot be classified as to risk category.

**Capital Assets.** College capital assets consist of land; buildings; other structures and improvements; furniture, machinery, and equipment; and construction in progress, and are stated at historical cost or estimated fair value at date of acquisition in the case of gifts and surplus property acquired at nominal cost. Interest costs incurred during construction of capital assets are not considered material, and are not capitalized as part of the cost of construction. The College has a capitalization threshold of \$5,000 for tangible personal property and \$25,000 for buildings and other structures and improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 40 Years
- Other Structures and Improvements, Portables – 10 Years
- Furniture and Equipment:
  - Computer Equipment – 3 Years
  - Vehicles, Office Machines, Educational Equipment – 5 Years
  - Furniture – 7 Years

Art collections and portable classroom buildings of the College's component units are stated at cost, except for donated property which is stated at fair market value at the date of the donation, and is net of accumulated depreciation of \$455,144. The College's component units depreciate buildings using the straight-line method over the estimated useful lives of the asset. The buildings were fully depreciated in the 2000-01 fiscal year.

## 2. INVESTMENTS

Generally accepted accounting principles require that the credit risk of investments be classified into the following three categories:

- Risk Category 1 – Insured or registered, or securities held by the entity or its agent in the entity's name.
- Risk Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- Risk Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

**ST. PETERSBURG COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2003**

Investment pools managed by the State Board of Administration and State Treasury or other entities and mutual funds cannot be categorized because the investments are not evidenced by specific, identifiable investment securities.

Investments of the College and its component units are reported at fair value. These investments at June 30 are shown in the following table:

	I n v e s t m e n t s			Fair Value
	Risk Category			
	1	2	3	
<u>College</u>				
Obligations of United States Government Agencies and Instrumentalities	\$ 10,000,000	\$	\$	\$ 10,000,000
Money Market Funds				10,557,698
<b>Total College Investments</b>				<b>\$ 20,557,698</b>
<u>Component Units</u>				
Obligations of United States Government Agencies and Instrumentalities	\$	\$	\$ 4,216,818	\$ 4,216,818
Debt Securities			1,514,147	1,514,147
Equity Securities			5,372,952	5,372,952
<b>Total</b>	<b>\$</b>	<b>\$</b>	<b>\$ 11,103,917</b>	<b>11,103,917</b>
Money Market Funds				895,226
<b>Total Component Units Investments</b>				<b>\$ 11,999,143</b>

**3. ACCOUNTS RECEIVABLE**

Accounts receivable represent amounts for student fee deferments, returned checks, various student services provided by the College, uncollected commissions for food service and vending machine sales, unused credit memos, and grant reimbursements due from third parties. These receivables are reported net of a \$191,481 allowance for uncollectible accounts.

**4. NOTES RECEIVABLE**

Notes receivable represent student loans made under the Federal Perkins Loan Program (\$5,323), Federal Nursing Student Loan Program (\$99,450), and short-term loan program (\$98,172), and a loan to the City of St. Petersburg, Florida pursuant to an intergovernmental agreement for joint-use library facilities (\$1,500,000). Notes receivable are reported net of a \$165,804 allowance for uncollectible notes.

**ST. PETERSBURG COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2003**

**5. INVENTORIES**

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

**6. DUE FROM STATE**

This amount includes \$26,047,633 of Public Education Capital Outlay allocations for construction of College facilities.

**7. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2003, is shown in the following table:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 8,467,205	\$ 5,213,845	\$ 27,808	\$ 13,653,242
Construction in Progress	5,504,998	14,698,150	4,405,563	15,797,585
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 13,972,203</b>	<b>\$ 19,911,995</b>	<b>\$ 4,433,371</b>	<b>\$ 29,450,827</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 92,503,203	\$ 8,435,770	\$	\$ 100,938,973
Other Structures and Improvements	10,982,302			10,982,302
Furniture, Machinery, and Equipment	15,279,125	4,559,012	477,257	19,360,880
<b>Total Depreciable Capital Assets</b>	<b>118,764,630</b>	<b>12,994,782</b>	<b>477,257</b>	<b>131,282,155</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	(24,100,142)	(2,445,626)		(26,545,768)
Other Structures and Improvements	(9,040,240)	(266,905)		(9,307,145)
Furniture, Machinery, and Equipment	(12,473,111)	(2,515,285)	446,652	(14,541,744)
<b>Total Accumulated Depreciation</b>	<b>(45,613,493)</b>	<b>(5,227,816)</b>	<b>446,652</b>	<b>(50,394,657)</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 73,151,137</b>	<b>\$ 7,766,966</b>	<b>\$ 30,605</b>	<b>\$ 80,887,498</b>

**8. DUE TO/FROM COMPONENT UNITS AND COLLEGE**

The St. Petersburg College Foundation, Inc. (Foundation) received \$2,000,000 from the City of St. Petersburg, Florida through an intergovernmental agreement toward the construction of a joint-use library. The Foundation also received \$8,000,000 from Pinellas County, Florida, through an interlocal agreement, to be used in the construction of the EpiCenter, a Technology and Business Development Center and Services

**ST. PETERSBURG COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2003**

Center. The funds received were transferred to the College for investment with the State Board of Administration investment pool and the State Treasury. The Foundation has a receivable including interest of \$10,697,514 relating to these transactions at June 30, 2003. Further information on these interlocal agreements is disclosed in note 17.

The Foundation has an additional receivable of \$312,348 for other funds transferred to the College for investment in the State Board of Administration investment pool and the State Treasury.

**9. LONG-TERM LIABILITIES**

Long-term liabilities of the College include bonds and compensated absences. The long-term liabilities activity for the year ended June 30, 2003, is shown in the following table:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable	\$ 4,985,000	\$ 1,145,000	\$ 1,380,000	\$ 4,750,000	\$ 225,000
Compensated Absences Payable	5,968,591	1,158,547	492,650	6,634,488	663,449
<b>Total Long-Term Liabilities</b>	<b><u>\$ 10,953,591</u></b>	<b><u>\$ 2,303,547</u></b>	<b><u>\$ 1,872,650</u></b>	<b><u>\$ 11,384,488</u></b>	<b><u>\$ 888,449</u></b>

**Bonds Payable.** The State Board of Education issues State Board of Education Capital Outlay Bonds on behalf of the College. These bonds mature serially and are secured by a pledge of the College's portion of the State-assessed motor vehicle license tax and by the State's full faith and credit. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of Retirement of Indebtedness Fund resources, and compliance with reserve requirements. Bonds payable at June 30, 2003, are shown in the following table:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates (Percent)</u>	<u>Annual Maturity To</u>
State Board of Education Capital Outlay Bonds:			
Series 1994-A	\$ 75,000	5.25	2004
Series 1996-B	100,000	4.375 - 4.625	2007
Series 1999-A	3,440,000	4.0 - 4.75	2019
Series 2002-B	<u>1,135,000</u>	3.375 - 5.375	2014
<b>Total Bonds Payable</b>	<b><u>\$ 4,750,000</u></b>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2003, are shown in the following table:

**ST. PETERSBURG COLLEGE**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2003**

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2004	\$ 225,000	\$ 216,981	\$ 441,981
2005	240,000	206,950	446,950
2006	250,000	196,450	446,450
2007	265,000	185,425	450,425
2008	285,000	173,719	458,719
2009-2013	1,635,000	679,244	2,314,244
2014-2018	1,525,000	289,681	1,814,681
2019	325,000	15,438	340,438
<b>Total</b>	<b>\$ 4,750,000</b>	<b>\$ 1,963,888</b>	<b>\$ 6,713,888</b>

**Compensated Absences.** College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is paid in the current fiscal year. Although the College expects the liability to be funded from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. Consequently, the recording of a liability for compensated absences without the corresponding recognition of such future resources, results in a reduction of current year net assets. For the fiscal year ended June 30, 2003, the estimated liability for compensated absences, which includes the employer's share of the Florida Retirement System and FICA contributions, totaled \$6,634,488. Of this amount, \$663,449 is considered a current liability as this is expected to be paid in the coming fiscal year. The current portion of compensated absences was determined by calculating ten percent of the compensated absences liability as of June 30, 2003.

#### 10. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the Workforce Development Education Fund and the Community College Program Fund administered by the Florida Department of Education under the provisions of Sections 1011.80 and 1011.84, Florida Statutes, respectively. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college's apportionment considering the following components: base budget, which includes the State appropriation to the Community College Program Fund in the current year plus the related student matriculation and tuition fees assigned in the current General Appropriations Act; the cost-to-continue allocation which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which shall be determined by the Legislature. Student fees in the base budget plus student fee revenues generated by

**ST. PETERSBURG COLLEGE  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2003**

increases in fee rates shall be deducted from the sum of these components to determine the net annual State apportionment to each college.

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

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

<u>Sources</u>	<u>Amount</u>
Community College Program Fund	\$ 29,852,253
Gross Receipts Tax (Public Education Capital Outlay)	27,262,913
Workforce Development Education Fund	13,748,609
Restricted Contracts and Grants	12,504,623
Educational Enhancement Trust Fund	4,876,099
Motor Vehicle License Tax (Capital Outlay and Debt Service)	510,400
Performance-Based Incentives	501,756
Interest on Investments	<u>10,934</u>
<b>Total</b>	<b><u><u>\$ 89,267,587</u></u></b>

**11. FUNCTIONAL DISTRIBUTION OF EXPENSES**

The operating expenses on the statement of revenues, expenses, and changes in net assets are presented in the natural classification. Below are those same expenses presented in functional classifications as recommended by NACUBO. The functional classification 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 academic departments 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 departments consists of instructional program elements, all expenses of the departments are reported under the instruction classification. The functional classification of expenses are summarized in the following table:

**ST. PETERSBURG COLLEGE**  
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**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2003**

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 57,821,177
Public Services	332,239
Academic Support	16,195,463
Student Services	12,724,943
Institutional Support	11,859,866
Physical Plant Operation and Maintenance	10,163,845
Student Aid	19,015,045
Auxiliary Operations	<u>193,879</u>
<b>Total</b>	128,306,457
Depreciation Expenses	5,227,816
Loan Operating Expenses	<u>41,969</u>
<b>Total Operating Expenses</b>	<u><u>\$ 133,576,242</u></u>

## 12. STATE RETIREMENT PROGRAMS

**Florida Retirement System.** Most employees working in regularly established positions of the College are covered by the Florida Retirement System, a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions 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 Plan eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible and must enroll as members of the Plan. Benefits vest at specified ages or number of years of service depending upon the employee's classification. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (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 a Florida Retirement System employer. An employee may participate in the 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 Florida Retirement System Trust Fund and accrue interest.

The Plan's financial statements and other supplemental information are included in the State's Comprehensive Annual Financial Report, which may be obtained by contacting the State of Florida, Department of Financial Services in Tallahassee, Florida. Also, an annual report on the Plan, which includes

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its financial statements, required supplemental information, actuarial report, and other relevant information may be obtained from the State of Florida, Division of Retirement in Tallahassee, Florida.

The contribution rates for Plan members are established, and may be amended, by the State of Florida. Contribution rates during the 2002-03 fiscal year are presented in the following table:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	5.76
Florida Retirement System, Senior Management Service	0.00	6.06
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	9.11
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement and .15 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The College's liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions to the Plan for the fiscal years ended June 30, 2001, June 30, 2002, and June 30, 2003, totaled \$3,162,937, \$2,773,382, and \$2,302,638, respectively, which were equal to the required contributions for each fiscal year.

**State Community College System Optional Retirement Program.** Pursuant to Section 1012.875, Florida Statutes, the Florida Legislature created the State Community College System Optional Retirement Program (Program) for eligible community college instructors and administrators. The Program is designed to aid the community college in recruiting employees by offering more portability to those employees who are not expected to remain in the Florida Retirement System for six or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions are allowed to make an irrevocable election to participate in the Program, rather than the Florida Retirement System, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing community college contributes on behalf of the participant 10.43 percent of the participant's salary. The contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by salary reduction, an amount not to exceed the percentage contributed by the community college to the participant's annuity account.

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There were 117 College participants during the 2002-03 fiscal year. Required employer contributions made to the Program totaled \$909,043.

**Public Employee Optional Retirement Program.** Effective July 1, 2002, the Florida Legislature created a defined contribution program called the Public Employee Optional Retirement Program. This program is an option to the Florida Retirement System and is self-directed by the employee. A retirement account is established for each employee who selects this option and an employer contribution is directed to the individual account. The employees have the responsibility of selecting how their funds are invested within the approved set of investment choices and may take their funds when they leave the Florida Retirement System. There were 38 College participants during the 2002-03 fiscal year. Required employer contributions made to the Program totaled \$51,800.

**13. COMPONENT UNITS**

The College has three component units. Refer to note 1 for additional discussion pertaining to the component units and how to obtain further information on individual component units. The College's component units are generally supported by contributions and donations, although the College has provided financial assistance, in some cases of a recurring nature, to the component units for operating and other expenses. For example, financial assistance, in the form of office space was provided to the St. Petersburg College Foundation, Inc., and assistance is expected to continue in future years. These component units contain 100 percent of the total component unit assets and revenues reported in the component unit column of the financial statements. Substantially all financial data was derived from audited financial statements for the 2002-03 fiscal year, and are summarized in the following tables:

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**CONDENSED STATEMENT OF NET ASSETS**  
**ALL COMPONENT UNITS**

	Foundation, Inc.	Alumni Association, Inc.	Museum of Art, Inc.	Total
<b>ASSETS</b>				
Current Assets	\$ 3,191,282	\$ 109,506	\$ 112,824	\$ 3,413,612
Due from College	11,009,862			11,009,862
Capital Assets			114,350	114,350
Other Assets	9,970,156			9,970,156
<b>TOTAL ASSETS</b>	<b>\$ 24,171,300</b>	<b>\$ 109,506</b>	<b>\$ 227,174</b>	<b>\$ 24,507,980</b>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Current Liabilities	\$ 8,657,136	\$	\$ 3,605	\$ 8,660,741
Due to College	8,254		36,000	44,254
<b>Total Liabilities</b>	8,665,390		39,605	8,704,995
Net Assets	15,505,910	109,506	187,569	15,802,985
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 24,171,300</b>	<b>\$ 109,506</b>	<b>\$ 227,174</b>	<b>\$ 24,507,980</b>

**CONDENSED STATEMENT OF ACTIVITIES**  
**ALL COMPONENT UNITS**

	Foundation, Inc.	Alumni Association, Inc.	Museum of Art, Inc.	Total
Program Revenues:				
Donations and Other Income	\$ 3,516,947	\$ 3,575	\$ 522,599	\$ 4,043,121
Investment Income	950,947	3,545		954,492
Net Unrealized and Realized Loss on Investments	(495,337)			(495,337)
<b>Total Program Revenues</b>	<b>3,972,557</b>	<b>7,120</b>	<b>522,599</b>	<b>4,502,276</b>
Expenses:				
Program Services	315,388	2,000		317,388
Supporting Services	530,618	4,629	425,896	961,143
<b>Total Expenses</b>	<b>846,006</b>	<b>6,629</b>	<b>425,896</b>	<b>1,278,531</b>
<b>Net Program Revenue</b>	<b>3,126,551</b>	<b>491</b>	<b>96,703</b>	<b>3,223,745</b>
Beginning Net Assets	12,379,359	109,015	90,866	12,579,240
<b>Ending Net Assets</b>	<b>\$ 15,505,910</b>	<b>\$ 109,506</b>	<b>\$ 187,569</b>	<b>\$ 15,802,985</b>

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Financial data reported for the College’s component units in the 2001-02 fiscal year audit report was actually 2000-01 fiscal year financial data since the component units’ 2001-02 fiscal year financial data was not available at the completion of the College’s financial statements. Accordingly, the beginning net assets of \$12,579,240 reported for the component units in the accompanying financial statements differ from the component units’ prior year ending net assets by \$1,979,423.

**14. CONSTRUCTION CONTRACT COMMITMENTS**

A summary of major construction contract commitments remaining at June 30 is presented in the following table:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Remodel, Renovate, and Reroof Buildings:			
Clearwater Campus:			
Architect	\$ 341,258	\$ 265,950	\$ 75,308
General Contractor	4,918,332	2,003,481	2,914,851
New Construction:			
St. Petersburg/Gibbs Campus:			
Architect	954,851	357,011	597,840
General Contractor	7,129,910	1,045,783	6,084,127
EpiCenter:			
Architect	1,156,539	184,784	971,755
<b>Total</b>	<b><u>\$ 14,500,890</u></b>	<b><u>\$ 3,857,009</u></b>	<b><u>\$ 10,643,881</u></b>

**15. OPERATING LEASE COMMITMENTS**

The College leased building space, copiers and computer equipment under several operating leases, which expire in 2008. The leases are not recorded as assets on the balance sheet and lease payments are expensed when paid. The following schedule by years presents the estimated future minimum rental payments required under operating leases that have remaining lease terms in excess of one year:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2004	\$ 373,881
2005	259,163
2006	135,956
2007	134,358
2008	86,073
<b>Total Minimum Lease Payments</b>	<b><u>\$ 989,431</u></b>

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**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 through a self-insured program and the Florida Community Colleges Risk Management Consortium.

**Self-Insured Program.** The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College's liability for the 2002-03 fiscal year was limited by excess reinsurance to \$150,000 until December 31, 2002, and \$200,000 from January 1, 2003, per insured person. An insurance company provides this plan. The Board contributes employee premiums as a fringe benefit. Employee dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend upon such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. The College reevaluates claims liabilities periodically and the claims liabilities totaled \$796,200 as of June 30, 2003.

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

Fiscal Year	Beginning of Fiscal Year	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year
2001-02	\$	\$ 1,871,445	\$ 1,620,583	\$ 250,862
2002-03	250,862	5,087,618	4,542,280	796,200

Settled claims resulting from these risks have not exceeded coverage in the past fiscal year.

**Consortium.** The College participated in the Florida Community Colleges Risk Management Consortium which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public community colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide community college risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Insurance coverage obtained through the Consortium included fire

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and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**17. INTERLOCAL AGREEMENTS**

The College entered into an intergovernmental agreement with the City of St. Petersburg, Florida (City) in January 2003 to design and construct library facilities on the College's St. Petersburg/Gibbs Campus to provide library programs, services, materials, and resources to benefit citizens of the City and the students, staff, and faculty of the College. The City's contribution of \$2,000,000 toward the construction of the library was paid to St. Petersburg College Foundation, Inc. (Foundation) pursuant to an agreement between the City and the Foundation dated January 2003. The Foundation used the funds solely for the purpose of securing matching grant funds from the State for the construction of the library. Pursuant to this intergovernmental agreement, the College loaned the City \$1,500,000. The College applied for the matching grant funds and received notification in June 2003 of the pending receipt. There were no project expenditures during the 2002-2003 fiscal year.

The College entered into an interlocal agreement with Pinellas County, Florida in October 2003 to develop the EpiCenter, a Technology and Business Development Center and Services Center. The County contributed a total of \$8,000,000 toward the construction and assisted the College in leveraging additional funds for the project. The funds were deposited into the Foundation and used solely for the purpose of securing matching grant funds from the State for the construction of the EpiCenter. The College applied for and received matching grant funds totaling \$8,000,000. Project expenditures during the 2002-03 fiscal year totaled approximately \$185,000.

**18. LITIGATION**

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