



AUDITOR GENERAL
WILLIAM O. MONROE, CPA



ST. PETERSBURG COLLEGE
Financial Audit

For the Fiscal Year Ended June 30, 2004

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 to 7-23-03
Kenneth P. Burke, Vice Chair to 7-23-03,
Chair from 7-24-03
Cecil B. Keene, Vice Chair from 7-24-03
Evelyn M. Bilirakis
W. Richard Johnston

ST. PETERSBURG COLLEGE

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EXECUTIVE SUMMARY

The audit of the financial statements of the St. Petersburg College for the fiscal year ended June 30, 2004, 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 grant agreements and other matters 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, 2004; the revenues, expenses, and changes in net assets; and the cash flows for the fiscal year then ended.
- We noted no matters involving the College's internal control over financial reporting and its operation that we considered 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*.

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 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

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



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of 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, 2004, as shown on pages 14 through 37. 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 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 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, are 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 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, 2004, 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 grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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* and should be considered in assessing the results of our audit.

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

Respectfully submitted,



William O. Monroe, CPA
March 29, 2005



WILLIAM O. MONROE, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534/SC 278-5534
Fax: 488-6975/SC 278-6975

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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, 2004, 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 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.

Internal Control Over Financial Reporting

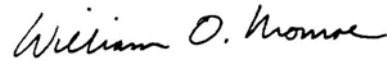
In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the College's internal control over financial 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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, administrative 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*.

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,



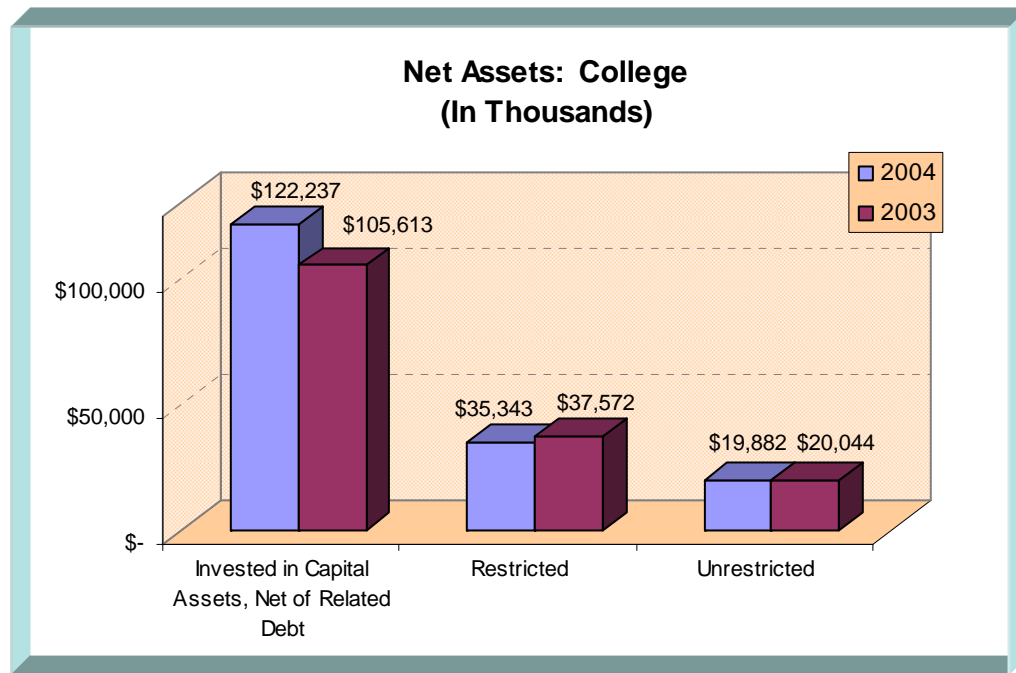
William O. Monroe, CPA
March 29, 2005

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, 2004. 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. (the direct-support organizations), for the 2003-04 and 2002-03 fiscal years.

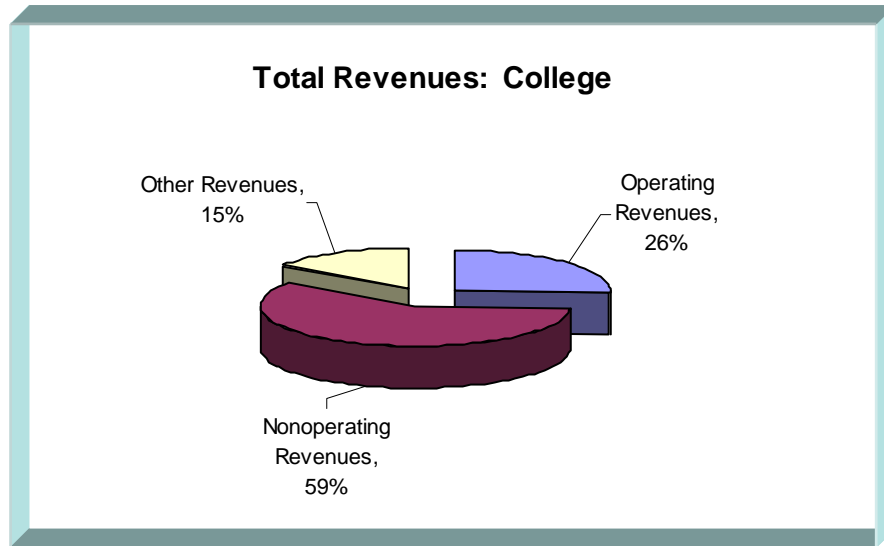
FINANCIAL HIGHLIGHTS

The net assets of the College by category for the fiscal years ended June 30, 2004, and June 30, 2003, are shown in the following graph:



The College’s financial position as a whole improved during the fiscal year ended June 30, 2004, with net assets increasing \$14.2 million, or 8.7 percent. The combined net assets (the College and its component units) increased \$17.1 million, or 9.6 percent, from the 2002-03 fiscal year.

The following chart provides a graphical breakdown of revenues by category for the College for the fiscal year ending June 30, 2004:



In the fiscal year ended June 30, 2004, College revenues and other support exceeded expenses, creating an increase in net assets of \$14.2 million (compared to a \$26.3 million increase for the 2002-03 fiscal year). The \$14.2 million increase in College net assets was driven primarily by an \$8 million contribution from Pinellas County government for its portion of the construction cost of the joint-use EpiCenter facility, which the College will own and operate. Component units' revenue exceeded expenses during the 2003-04 fiscal year, resulting in an increase in net assets of \$2.9 million (compared to a \$3.2 million increase for the 2002-03 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 help 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 College's net assets are one indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors such as certain trends, student retention, the condition of the buildings, and the safety of the campuses must also be considered in assessing the overall health of the College. These nonfinancial factors are beyond the scope of this document but may be found in other College reports and documentation.

The statement of net assets and the statement of revenues, expenses, and changes in net assets 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, 2004, and June 30, 2003, is shown in the following table:

Assets, Liabilities, and Net Assets at June 30				
(In Thousands)				
	College		Component Units	
	2004	2003	2004	2003
Assets				
Current Assets	\$ 63,009	\$ 71,455	\$ 7,485	\$ 14,423
Noncurrent Assets	21,115	15,065	11,335	9,971
Capital Assets, Net	<u>126,763</u>	<u>110,338</u>	<u>135</u>	<u>114</u>
Total Assets	<u>210,887</u>	<u>196,858</u>	<u>18,955</u>	<u>24,508</u>
Liabilities				
Current Liabilities	23,240	23,133	209	8,705
Noncurrent Liabilities	<u>10,186</u>	<u>10,496</u>		
Total Liabilities	<u>33,426</u>	<u>33,629</u>	<u>209</u>	<u>8,705</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	122,237	105,613	135	114
Restricted	35,343	37,572	18,328	15,492
Unrestricted	<u>19,882</u>	<u>20,044</u>	<u>283</u>	<u>197</u>
Total Net Assets	<u>\$ 177,462</u>	<u>\$ 163,229</u>	<u>\$ 18,746</u>	<u>\$ 15,803</u>
Increase in Net Assets	<u>\$ 14,233</u>	8.7%	<u>\$ 2,943</u>	18.6%

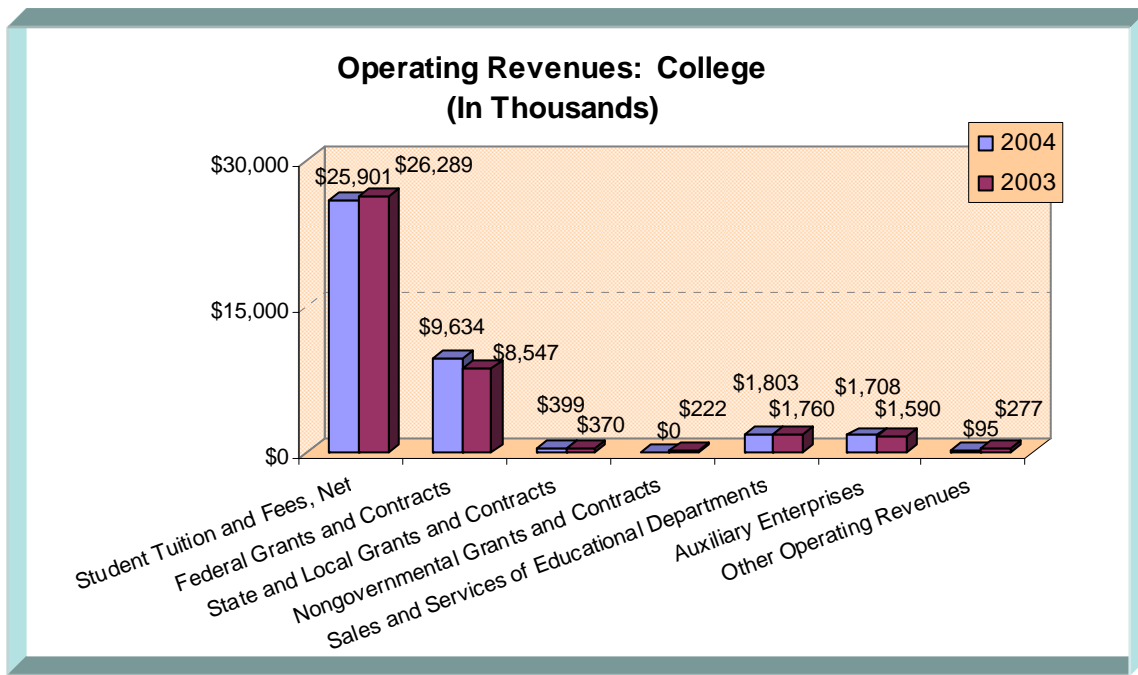
Comparative revenues and expenses of the College and its component units for the 2003-04 and 2002-03 fiscal years are presented in the following table:

**Operating Results for the Fiscal Years
(In Thousands)**

	College		Component Units	
	2003-04	2002-03	2003-04	2002-03
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 25,901	\$ 26,289	\$	\$
Federal Grants and Contracts	9,634	8,547		
State and Local Grants and Contracts	399	370		
Nongovernmental Grants and Contracts - Including Private Support		222		
Sales and Services of Educational Departments	1,803	1,760		
Auxiliary Enterprises	1,708	1,590		
Other Operating Revenues	95	277	167	97
Total Operating Revenues	39,540	39,055	167	97
Less, Operating Expenses	137,565	133,576	2,138	1,279
Net Operating Loss	(98,025)	(94,521)	(1,971)	(1,182)
Nonoperating Revenues (Expenses)				
State Appropriations	55,207	53,840		
Other Nonoperating Revenues	33,835	32,880	12,914	4,406
Net Nonoperating Revenues	89,042	86,720	12,914	4,406
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
	(8,983)	(7,801)	10,943	3,224
Capital Appropriations	10,479	31,773		
Capital Grants and Contracts	12,662	1,818	(8,000)	
Gain on Disposal of Assets		383		
Additions to Endowments	75	79		
Increase in Net Assets	14,233	26,252	2,943	3,224
Net Assets, Beginning of Year	163,229	136,977	15,803	12,579
Net Assets, End of Year	\$ 177,462	\$ 163,229	\$ 18,746	\$ 15,803

Revenues

The following chart presents the operating revenues of the College for the 2003-04 and 2002-03 fiscal years:



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

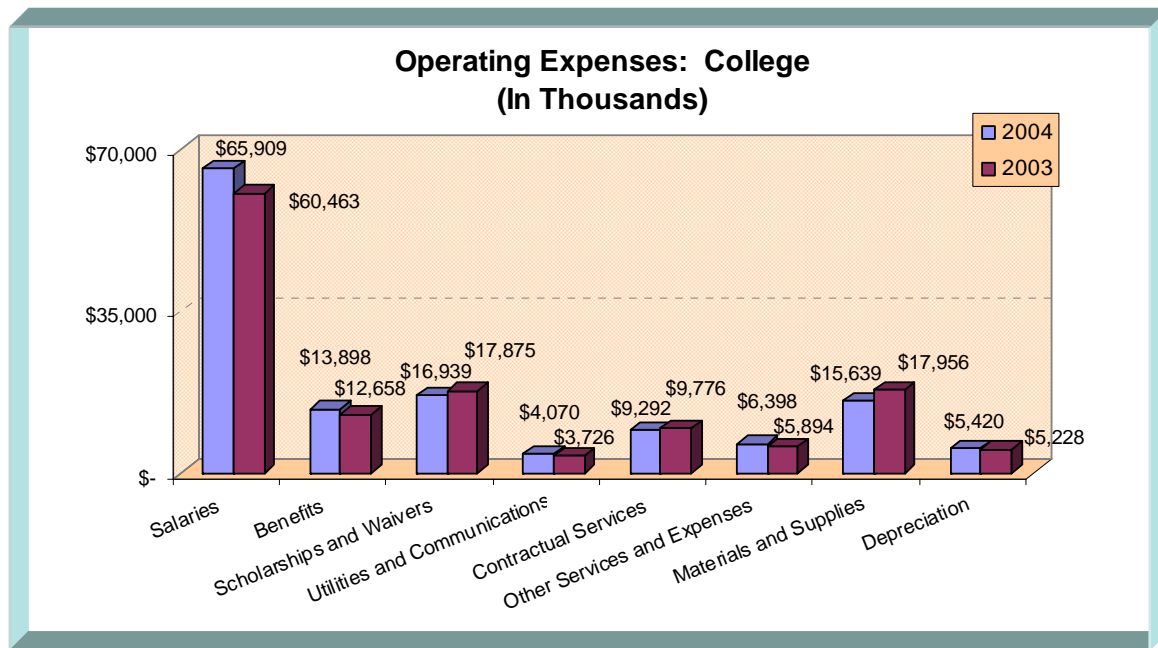
- An increase of \$.9 million in operating grants and contracts reflects additional Federal contracts for Homeland Security instruction and training.
- The decrease of \$.39 million in student tuition and fees (net of scholarship allowances) is due to student scholarship aid (i.e., scholarship allowance) increasing at a faster rate (\$7.5 million in 2003 vs. \$11.5 million in 2004) than regular student tuition and fees, despite a 7.5 percent fee rate increase and approximately 8 percent enrollment growth.

Operating Expenses

Operating expenses for the College and its component units for the 2003-04 and 2002-03 fiscal years are presented in the following table:

	College		Component Units	
	2003-04	2002-03	2003-04	2002-03
Operating Expenses				
Salaries	\$ 65,909	\$ 60,463	\$	\$
Benefits	13,898	12,658		
Scholarships and Waivers	16,939	17,875	293	318
Utilities and Communications	4,070	3,726		
Contractual Services	9,292	9,776		
Other Services and Expenses	6,398	5,894	1,843	961
Materials and Supplies	15,639	17,956	2	
Depreciation	5,420	5,228		
Total Operating Expenses	\$137,565	\$133,576	\$2,138	\$1,279

Operating expenses of the College for the fiscal years ended June 30, 2004, and 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 \$5.4 million. Of this amount, \$3.5 million was for 4 percent faculty raises and 3 percent raises for all other employees. The remaining \$1.9 million was for new baccalaureate, adjunct, and grant positions to support increased enrollment and grant activity.
- Materials and supplies decreased \$2.3 million due to higher than normal volume of repairs, maintenance, remodeling, renovation, and site improvements made College-wide during the 2002-03 fiscal year and a decrease in purchases of noncapital equipment and other assets in the 2003-04 fiscal year.
- Benefits increased \$1.2 million to cover increased health insurance costs.
- Scholarships and waivers expense (i.e., student scholarship aid net of tuition and fees) decreased slightly by \$.94 million. These are dollars used by students to pay for books, living expenses, and other similar personal expenses and imply that a greater proportion of student scholarship aid is going towards covering tuition and fees.

Component Units

Other services and expenses, primarily program support costs, increased \$.9 million in the 2003-04 fiscal year.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides another way to assess the financial health of an institution. 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 2003-04 and 2002-03 fiscal years is presented in the following table:

Cash Flows for the Fiscal Years (In Thousands)		
	<u>2003-04</u>	<u>2002-03</u>
Cash Provided (Used) by:		
Operating Activities	\$(86,955)	\$(90,046)
Noncapital Financing Activities	86,234	83,974
Capital and Related Financing Activities	3,732	5,131
Investing Activities	<u>1,565</u>	<u>1,644</u>
Net Increase in Cash and Cash Equivalents	4,576	703
Cash and Cash Equivalents, Beginning of the Year	<u>30,571</u>	<u>29,868</u>
Cash and Cash Equivalents, End of the Year	<u><u>\$ 35,147</u></u>	<u><u>\$ 30,571</u></u>

The College's liquidity increased during the 2003-04 fiscal year driven largely by the following:

- Cash used by operating activities decreased \$3.1 million over the 2002-03 fiscal year, due to a combination of increased receipts for grants and contracts and decreases in payments to suppliers for goods and services.
- Cash provided from noncapital financing activities, such as State appropriations and gifts, increased approximately \$2.3 million over the 2002-03 fiscal year. This is due in part to a \$1.4 million increase in State appropriations and a \$.9 million increase in gifts and grants.
- Cash provided by capital and related financing activities decreased by \$1.4 million over the 2002-03 fiscal year. The change was due primarily to a decrease in capital appropriations.
- Finally, cash provided for investing activities decreased by \$.08 million primarily due to the additional purchases of government-backed securities.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2004, the College had approximately \$126.8 million, net of accumulated depreciation, invested in capital assets as summarized in the following table:

Capital Assets - Net (In Thousands)				
Capital Assets	College		Component Units	
	2004	2003	2004	2003
Land	\$ 13,858	\$ 13,653	\$	\$
Buildings	91,584	74,393		
Other Structures and Improvements	1,408	1,675		
Furniture, Machinery, and Equipment	3,839	4,819		
Construction in Progress	16,074	15,798		
Other Capital Assets			135	114
Total Capital Assets, Net	\$126,763	\$110,338	\$135	\$114

Major capital projects under construction this year were the Collegiate High School and the Natural Science Building at the St. Petersburg/Gibbs Campus, the EpiCenter Technology and Business Development Center and Services Buildings at the ICOT Center, and the Delta Building at the Tarpon Springs Center. Resources funding the 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, 2005, at approximately \$13.8 million. Projects planned include continued construction of the EpiCenter Technology and Business Development Center and Services Buildings at the ICOT Center, the new joint-use library in partnership with the City of St. Petersburg at the St. Petersburg/Gibbs Campus, site acquisitions adjacent to existing campus locations, and continued repair/renovation/remodeling of buildings on the Seminole Campus, the Downtown Center, and the Tarpon Springs Center.

DEBT

At June 30, 2004, the College had approximately \$4.5 million in State Board of Education Capital Outlay Bonds outstanding, compared to \$4.8 million at June 30, 2003.

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 will continue 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 in the coming 2005-06 fiscal year is to remain in the \$35 million to \$36 million range, trending downward slightly from \$39.2 million and \$39.8 million in the 2002-03 and 2003-04 fiscal years, respectively.

Our current view of State funding for the 2005-06 fiscal year is that discretionary appropriations for the Florida Community College System will increase around 4 percent, less than the 7.59 percent recommended by the Chancellor's Initial Recommendation to the Commissioner in July 2004, which excluded a student tuition fee rate increase but included a 4 percent student enrollment increase. The projected 4 percent increase above is exclusive of PECO appropriations which, in particular, are important economic factors affecting St. Petersburg College's future, as prior loans have been made from internal operations (Fund 1 – Unrestricted Current Fund and Fund 3 – Auxiliary Fund) to accelerate construction and acquisition projects currently in outer years of the State's Capital Improvement Program for community colleges. These projected increases assume: State revenues will continue to recover during the 2004-05 and 2005-06 fiscal years from post-9/11 levels; no major new terrorism attacks on United States soil, and no recession in the national and international economies which would severely impact tourism revenue in Florida. Even assuming avoidance of these potentially dampening uncertainties, the Florida Legislature will continue to struggle with significant increases in other statewide obligations such as Medicaid and constitutional amendments.

For the national and international economies, we anticipate, based on recent Wall Street views, continued slow recovery with periods of no-growth as the Federal fund rate is raised from 1.75 percent to 2 percent by calendar year end 2004 and up to 3 percent by calendar year end 2005. Despite recent signs of a possible slowdown in United States consumer spending, ongoing high Federal deficits, record crude oil prices, and signs of weakness in business and technology spending, we do not expect the national and international economies to adversely impact the Florida economy and State appropriations.

Finally, although the Chancellor's recommendation mentioned above did not include a student fee rate increase, we anticipate an additional student tuition rate increase in the range of the CPI inflation rate, 2.5 percent to 3 percent, which is moderate compared to the 7.5 percent and 5 percent for community college students during the 2003-04 and 2004-05 fiscal years. While the effects of these fee increases on enrollment growth and the traditional open door mission are largely unknown, we anticipate enrollment growth at the College will moderate slightly in the 2005-06 fiscal year from the 2002-03 and 2003-04 fiscal year levels due to improvements in employment in Pinellas County along with college goals to increase classroom/faculty productivity.

Despite the uncertainties on the horizon for the 2005-06 fiscal year, 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/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, 2004**

	<u>College</u>	<u>Component Units</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 16,541,725	\$ 1,279,918
Restricted Cash and Cash Equivalents	18,604,914	
Short-Term Investments		2,547,858
Investments with State Treasury Under Securities		
Lending and Reverse Repurchase Agreements	7,521,376	
Accounts Receivable, Net	1,644,217	651,444
Due from Other Governmental Agencies	4,407,573	
Due from State	13,334,171	
Due from Component Units	180,959	
Due from College		2,882,058
Notes Receivable, Net	549,936	
Inventories	109,852	45,661
Prepaid Expenses	113,647	
Deposits - Other	636	
Other Assets		78,495
Total Current Assets	<u>63,009,006</u>	<u>7,485,434</u>
Noncurrent Assets:		
Endowment Investments		11,335,256
Other Restricted Investments	20,615,835	
Notes Receivable, Net	500,000	
Depreciable Capital Assets, Net	96,830,716	
Nondepreciable Capital Assets	29,932,118	134,550
Total Noncurrent Assets	<u>147,878,669</u>	<u>11,469,806</u>
TOTAL ASSETS	<u>\$ 210,887,675</u>	<u>\$ 18,955,240</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,641,516	\$ 5,834
Salary and Payroll Taxes Payable	3,512,155	
Retainage Payable	1,351,393	
Due to Component Units	3,492,109	
Due to College		203,714
Obligations Under Securities Lending and Reverse Repurchase Agreements	7,521,376	
Deferred Revenue	442,580	
Estimated Claims Payable	763,402	
Deposits Held in Custody	1,619,369	
Long-Term Liabilities - Current Portion:		
Bonds Payable	240,000	
Compensated Absences Payable	655,677	
Total Current Liabilities	<u>23,239,577</u>	<u>209,548</u>
Noncurrent Liabilities:		
Bonds Payable	4,285,000	
Compensated Absences Payable	5,901,090	
Total Noncurrent Liabilities	<u>10,186,090</u>	
TOTAL LIABILITIES	<u>33,425,667</u>	<u>209,548</u>

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2004

	College	Component Units
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 122,237,834	\$ 134,550
Restricted:		
Nonexpendable:		
Endowment		11,335,256
Expendable:		
Grants and Other	2,452,044	6,993,023
Endowment	2,038,066	
Loans	1,100,621	
Scholarships	480,995	
Capital Projects	29,166,944	
Debt Service	103,970	
Unrestricted	19,881,534	282,863
Total Net Assets	177,462,008	18,745,692
TOTAL LIABILITIES AND NET ASSETS	\$ 210,887,675	\$ 18,955,240

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, 2004

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$11,468,721	\$ 25,901,491	\$
Federal Grants and Contracts	9,634,620	
State and Local Grants and Contracts	399,026	
Sales and Services of Educational Departments	1,802,669	
Auxiliary Enterprises	1,707,699	
Other Operating Revenues	94,707	167,414
Total Operating Revenues	39,540,212	167,414
EXPENSES		
Operating Expenses:		
Personnel Services	79,807,749	
Scholarships and Waivers	16,939,013	292,857
Utilities and Communications	4,070,329	
Contractual Services	9,291,574	
Other Services and Expenses	6,398,300	1,843,483
Materials and Supplies	15,638,809	2,022
Depreciation	5,419,720	
Total Operating Expenses	137,565,494	2,138,362
Operating Loss	(98,025,282)	(1,970,948)
Nonoperating Revenues (Expenses)		
State Appropriations	55,207,101	
Investment Income	1,622,814	1,241,920
Interest on Capital Asset-Related Debt	(216,981)	
Gifts and Grants	32,536,444	11,671,735
Other Nonoperating Expenses	(107,519)	
Net Nonoperating Revenues	89,041,859	12,913,655
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(8,983,423)	10,942,707
Capital Appropriations	10,478,889	
Capital Grants, Gifts, and Fees	12,661,910	(8,000,000)
Additions to Endowments	75,198	
Total Other Revenues/Expenses	23,215,997	(8,000,000)
Increase in Net Assets	14,232,574	2,942,707
Net Assets, Beginning of Year	163,229,434	15,802,985
Net Assets, End of Year	\$ 177,462,008	\$ 18,745,692

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, 2004

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees	\$ 26,190,784
Grants and Contracts	12,987,912
Payments to Suppliers	(29,986,900)
Payments to Utilities and Communications	(4,070,329)
Payments to Employees	(65,672,372)
Payments for Benefits	(13,119,064)
Payments for Scholarships	(16,939,013)
Loans Issued to Students	(486,201)
Collection of Loans to Students	473,407
Auxiliary Enterprises	1,768,821
Sales and Service of Educational Departments	1,802,669
Other Receipts	94,707
	(86,955,579)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	55,207,101
Gifts and Grants Received for Other Than Capital or Endowment Purposes	30,951,771
Private Gifts for Endowment Purposes	75,198
	86,234,070
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	21,217,373
Capital Grants and Gifts Received	4,910,407
Proceeds from Sales of Capital Assets	26,557
Purchases of Capital Assets	(21,980,147)
Principal Paid on Capital Debt	(225,000)
Interest Paid on Capital Debt	(216,981)
	3,732,209
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	1,623,121
Purchase of Investments	(58,137)
	1,564,984
Net Increase in Cash and Cash Equivalents	4,575,684
Cash and Cash Equivalents, Beginning of Year	30,570,955
Cash and Cash Equivalents, End of Year	\$ 35,146,639

**ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2004**

	College
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (98,025,282)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	5,419,720
Changes in Assets and Liabilities:	
Receivables	2,926,860
Inventories	36,488
Other Assets	575,762
Accounts Payable	798,457
Deferred Revenue	73,095
Deposits Held for Others	1,329,837
Compensated Absences	(77,722)
Loans to Students	(12,794)
NET CASH USED BY OPERATING ACTIVITIES	\$ (86,955,579)

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, 2004

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 College's 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 of 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 nine months ended March 31, 2004. Additional condensed financial statements for the College's component units are included in a subsequent note.

The College's component units, as described above, are also direct-support organizations, as defined in Section 1004.70, Florida Statutes, which are legally separate from the College, but are 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, 2004

process, and their powers generally are vested in a governing board 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 (FASB). GASB allows public colleges various reporting options. 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.

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.

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004

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

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's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at amortized cost and cannot be classified as to risk category.

The College also places cash with the State Treasury pursuant to Section 17.61, Florida Statutes. The College's investments in the State Treasury are reported at fair value.

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004

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 improvements other than buildings. 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 of depreciation over the estimated useful lives of the asset. The buildings were fully depreciated in the 2000-01 fiscal year.

2. INVESTMENTS

State Board of Education Rule 6A-14.0765, Florida Administrative Code, authorizes the investment of College moneys in those investments authorized under Section 218.415, Florida Statutes, which include Securities and Exchange Commission registered money market funds, direct obligations of the United States Treasury, and Federal agencies and instrumentalities. College investments made locally are stated at fair value.

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.

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004

- 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.

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

Under the State Treasury’s authority to purchase and sell securities, it has entered into securities lending and reverse repurchase agreements. A securities lending agreement is a loan of securities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. A reverse repurchase agreement is a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. As required by generally accepted accounting principles, the College has reported investments and an offsetting liability of \$7,521,376 in order to account for these transactions. Required note disclosures for the agreements are reported in the State’s Comprehensive Annual Financial Report.

Investments of the College and its component units are reported at fair market value. Those 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	\$	\$	\$ 16,000,000	\$ 16,000,000
Money Market Funds				4,615,835
Total College Investments				<u>\$ 20,615,835</u>
<u>Component Units</u>				
Obligations of United States Government Agencies and Instrumentalities	\$	\$	\$ 4,769,198	\$ 4,769,198
Debt Securities			1,485,234	1,485,234
Equity Securities			7,108,252	7,108,252
Total	<u>\$</u>	<u>\$</u>	<u>\$ 13,362,684</u>	13,362,684
Money Market Funds				520,430
Total Component Units Investments				<u>\$ 13,883,114</u>

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

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004

memos, and grant reimbursements due from third parties. These receivables are reported net of a \$471,285 allowance for uncollectible accounts.

4. DUE FROM STATE

This receivable includes \$13,204,461 of Public Education Capital Outlay allocations for construction of College facilities.

5. DUE TO/FROM COMPONENT UNITS AND COLLEGE

The financial statements for the College are reported for the fiscal year ended June 30, 2004, and the financial statements for the College's component units are reported for the fiscal year ended March 31, 2004. Accordingly, the amounts reported as due to/from component units and College on the statement of net assets do not agree.

6. 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 (\$109,752), and a loan (\$1,000,000) to the City of St. Petersburg, Florida, pursuant to an intergovernmental agreement for the joint-use library facilities. Notes receivable are reported net of a \$164,589 allowance for uncollectible notes.

7. 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's departments are expensed when purchased, and are not considered material. Accordingly, these items are not included in the reported inventory.

8. CAPITAL ASSETS

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

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004

	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 13,653,242	\$ 205,015	\$	\$ 13,858,257
Construction in Progress	15,797,585	12,398,890	12,122,614	16,073,861
Total Nondepreciable Capital Assets	\$ 29,450,827	\$ 12,603,905	\$ 12,122,614	\$ 29,932,118
Depreciable Capital Assets:				
Buildings	\$ 100,938,973	\$ 20,118,646	\$ 380,803	\$ 120,676,816
Other Structures and Improvements	10,982,302			10,982,302
Furniture, Machinery, and Equipment	19,360,880	1,379,600	356,210	20,384,270
Total Depreciable Capital Assets	131,282,155	21,498,246	737,013	152,043,388
Less, Accumulated Depreciation:				
Buildings	26,545,768	2,815,938	268,945	29,092,761
Other Structures and Improvements	9,307,145	266,905		9,574,050
Furniture, Machinery, and Equipment	14,541,744	2,336,877	332,760	16,545,861
Total Accumulated Depreciation	50,394,657	5,419,720	601,705	55,212,672
Total Depreciable Capital Assets, Net	\$ 80,887,498	\$ 16,078,526	\$ 135,308	\$ 96,830,716

9. LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 4,750,000	\$	\$ 225,000	\$ 4,525,000	\$ 240,000
Compensated Absences Payable	6,634,488	811,753	889,474	6,556,767	655,677
Total Long-Term Liabilities	\$ 11,384,488	\$ 811,753	\$ 1,114,474	\$ 11,081,767	\$ 895,677

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 are shown in the following table:

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education			
Capital Outlay Bonds:			
Series 2002-B	\$ 1,135,000	3.375 - 5.375	2014
Series 1999-A	3,315,000	4.0 - 4.75	2019
Series 1996-B	75,000	4.40 - 4.625	2007
Total Bonds Payable	\$ 4,525,000		

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

Fiscal Year Ending June 30	State Board of Education Capital Outlay Bonds		
	Principal	Interest	Total
2005	\$ 240,000	\$ 206,980	\$ 446,980
2006	250,000	196,450	446,450
2007	265,000	185,425	450,425
2008	285,000	173,719	458,719
2009	295,000	162,975	457,975
2010-2014	1,725,000	604,787	2,329,787
2015-2019	1,465,000	216,600	1,681,600
Total	\$ 4,525,000	\$ 1,746,936	\$ 6,271,936

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, 2004, the estimated liability for compensated absences, which includes the employer's share of the Florida Retirement System and FICA contributions, totaled \$6,556,767. Of this amount, \$655,677 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, 2004.

**ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004**

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 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>Source</u>	<u>Amount</u>
Community College Program Fund	\$ 30,316,517
Workforce Development Education Fund	13,656,499
Gross Receipts Tax (Public Education Capital Outlay)	6,275,427
Baccalaureate Program	4,808,294
Educational Enhancement Trust Fund	4,876,099
Restricted Contracts and Grants	2,514,650
Motor Vehicle License Tax (Capital Outlay and Debt Service)	664,400
Performance-Based Incentives	482,958
Interest on Investments	7,504
Total	\$ 63,602,348

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

**ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004**

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 functional classification of expenses is summarized in the following table:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 59,580,710
Public Services	500,541
Academic Support	17,011,451
Student Services	12,853,954
Institutional Support	11,670,605
Physical Plant Operation and Maintenance	11,845,474
Student Aid	17,015,031
Auxiliary Operations	<u>1,651,171</u>
Total	132,128,937
Depreciation Expenses	5,419,720
Loan Operating Expenses	<u>16,837</u>
Total Operating Expenses	<u>\$ 137,565,494</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

**ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004**

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 Florida Department of Financial Services in Tallahassee, Florida. Also, an annual report on the Plan, which includes its financial statements, required supplemental information, actuarial report, and other relevant information may be obtained from the Florida Department of Management Services, 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 2003-04 fiscal year are presented in the following table:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.39
Florida Retirement System, Senior Management Service	0.00	9.37
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 the post-employment health insurance supplement of 1.11 percent and .10 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, 2002, June 30, 2003, and June 30, 2004, totaled \$2,773,382, \$2,302,638, and \$3,173,714, 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.

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004

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. There were 173 College participants during the 2003-04 fiscal year. Required employer contributions made to the Program totaled \$948,113.

Public Employee Optional Retirement Program. Pursuant to Section 121.4501, Florida Statutes, the Florida Legislature created a defined contribution program called the Public Employee Optional Retirement Program (PEORP). 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 102 College participants during the 2003-04 fiscal year. Required employer contributions made to the Program totaled \$171,528.

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 personal services and 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 2003-04 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.	Leepa- Rattner Museum of Art, Inc.	Total
Assets				
Current Assets	\$ 4,433,900	\$	\$ 169,476	\$ 4,603,376
Due from College	2,772,839	108,154	1,065	2,882,058
Capital Assets			134,550	134,550
Other Assets	11,335,256			11,335,256
Total Assets	\$ 18,541,995	\$ 108,154	\$ 305,091	\$ 18,955,240
Liabilities and Net Assets				
Liabilities:				
Current Liabilities	\$	\$	\$ 5,834	\$ 5,834
Due to College	167,714		36,000	203,714
Total Liabilities	167,714		41,834	209,548
Net Assets	18,374,281	108,154	263,257	18,745,692
Total Liabilities and Net Assets	\$ 18,541,995	\$ 108,154	\$ 305,091	\$ 18,955,240

Condensed Statement of Activities
All Component Units

	Foundation, Inc.	Alumni Association, Inc.	Leepa- Rattner Museum of Art, Inc.	Total
Program Revenues:				
Donations and Other Income	\$ 11,358,318	\$ 26,199	\$ 454,632	\$ 11,839,149
Investment Income	1,239,860	2,060		1,241,920
Total Program Revenues	12,598,178	28,259	454,632	13,081,069
Expenses:				
Program Services	290,857	2,000		292,857
Supporting Services	1,438,950	27,611	378,944	1,845,505
Capital Grants	8,000,000			8,000,000
Total Expenses	9,729,807	29,611	378,944	10,138,362
Net Program (Expense) Revenue	2,868,371	(1,352)	75,688	2,942,707
Beginning Net Assets	15,505,910	109,506	187,569	15,802,985
Ending Net Assets	\$ 18,374,281	\$ 108,154	\$ 263,257	\$ 18,745,692

**ST. PETERSBURG COLLEGE
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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004**

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:			
EpiCenter at ICOT:			
Architect	\$ 933,506	\$ 685,313	\$ 248,193
General Contractor	13,546,988	2,123,598	11,423,390
St. Petersburg College Downtown Center:			
General Contractor	2,561,000		2,561,000
New Construction:			
St. Petersburg/Gibbs Campus:			
Architect	954,874	779,524	175,350
General Contractor	14,972,470	6,178,966	8,793,504
Seminole Campus:			
Architect	315,822	162,454	153,368
General Contractor	2,331,083	344,470	1,986,613
EpiCenter at ICOT:			
Architect	416,789	351,311	65,478
General Contractor	6,965,533	3,743,830	3,221,703
Total	<u>\$ 42,998,065</u>	<u>\$ 14,369,466</u>	<u>\$ 28,628,599</u>

15. OPERATING LEASE COMMITMENTS

The College leased building space, copiers and computer equipment under several operating leases, which expire in 2009. The College does not record the leases as assets on the balance sheet and expenses the lease payments 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>
2005	\$ 573,417
2006	511,791
2007	399,282
2008	362,933
2009	<u>213,143</u>
Total Minimum Payments Required	<u>\$ 2,060,566</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)
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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 was limited by excess reinsurance to \$200,000 per insured person for the 2003-04 fiscal year. The plan is provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The Board 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 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 \$763,402 as of June 30, 2004, including \$642,167 for estimated claims incurred but not reported.

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
2002-03	\$ 250,862	\$ 5,087,618	\$ 4,542,280	\$ 796,200
2003-04	796,200	5,405,224	5,438,022	763,402

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

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2004

claims in excess of specified amounts. 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 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 the 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. Pursuant to this intergovernmental agreement, the College loaned the City \$1,500,000. The loan balance at June 30, 2004, was \$1,000,000. The College applied for and received matching grant funds of \$1,434,374 as of June 30, 2004. Project expenditures through the 2003-04 fiscal year totaled \$762,054.

The College entered into an interlocal agreement with Pinellas County, Florida in October 2003 to develop the EpiCenter Technology and Business Development Center and Services Center. The County contributed a total of \$8,000,000 toward the construction. The College applied for and received matching grant funds from the State totaling \$8,000,000. Project expenditures through the 2003-04 fiscal year totaled \$6,904,052.

18. CURRENT UNRESTRICTED FUND

The Southern Association of Colleges and Schools, Commission on Colleges, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net assets, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net assets. To meet this requirement, statements of net assets and revenues, expenses, and changes in net assets for the current unrestricted fund are presented in the following tables:

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Statement of Current Unrestricted Fund Net Assets

Assets

Current Assets:

Cash and Cash Equivalents	\$ 5,703,602
Investments with State Treasury Under Securities Lending and Reverse Repurchase Agreements	2,510,272
Accounts Receivable, Net	608,370
Due from Other Funds and Entities	9,575,033
Due from Component Units	32,048
Notes Receivable	500,000
Inventories	109,852
Prepaid Expenses	112,154
Deposits - Other	636

Total Current Assets 19,151,967

Noncurrent Assets:

Other Restricted Investments	13,097,399
Notes Receivable	500,000

Total Noncurrent Assets 13,597,399

Total Assets 32,749,366

Liabilities

Current Liabilities:

Accounts Payable	639,061
Salary and Payroll Taxes Payable	3,303,973
Obligations under Securities Lending and Reverse Repurchase Agreements	2,510,272
Deferred Revenue	160,233
Compensated Absences Payable - Current Portion	625,429

Total Current Liabilities 7,238,968

Noncurrent Liabilities:

Compensated Absences Payable	5,628,864
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Total Liabilities 12,867,832

Total Net Assets \$ 19,881,534

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**Statement of Current Unrestricted Fund Revenues,
 Expenses, and Changes in Net Assets**

Revenues

Operating Revenues:

Student Tuition and Fees, Net of Scholarship	
Allowances of \$9,748,413	\$ 22,791,286
Sales and Services of Educational Departments	334,011
Auxiliary Enterprises	1,707,699
Other Operating Revenue	<u>1,004,080</u>

Total Operating Revenues 25,837,076

Expenses

Operating Expenses:

Personnel Services	65,226,831
Scholarships and Waivers	239,155
Utilities and Communications	3,851,435
Contractual Services	3,903,934
Other Services and Expenses	3,880,628
Materials and Supplies	<u>6,600,522</u>

Total Operating Expenses 83,702,505

Operating Loss (57,865,429)

Nonoperating Revenues

State Appropriations	49,332,073
Investment Income	808,565
Other Nonoperating Gifts and Grants	72,872
Other Nonoperating Revenues	<u>1,232</u>

Net Nonoperating Revenues 50,214,742

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

(7,650,687)

Capital Appropriations	9,966
Capital Grants, Gifts, and Fees	<u>375</u>

Total Other Revenues 10,341
 Transfers From Other Funds 7,477,953

Decrease in Net Assets (162,393)
 Net Assets, Beginning of Year 20,043,927

Net Assets, End of Year \$ 19,881,534

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June 30, 2004

19. 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 attorney and management, should not materially affect the financial condition of the College.