REPORT NO. 2013-114
MARCH 2013

ST. PETERSBURG COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2012

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2011-12 fiscal year are listed below:

Notes: (1) Board member served beyond the end of term, May 31, 2011.
(2) Board member served beyond the end of term, May 31, 2011. Position was vacant from April 21, 2012, through June 30, 2012.
(3) Board member served beyond the end of term, May 31, 2010.

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

The audit team leader was Elba Guzik, CPA, and the audit was supervised by Karen J. Collington, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether St. Petersburg College and its officers with administrative and stewardship responsibilities for College operations had:

- **Presented the College's basic financial statements in accordance with generally accepted accounting principles;**
- **Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and**
- **Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.**

The scope of this audit included an examination of the College's basic financial statements as of and for the fiscal year ended June 30, 2012. We obtained an understanding of the College's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit are included in our report No. 2013-025.

Audit Methodology

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

AUDITOR GENERAL
STATE OF FLORIDA

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DAVID W. MARTIN, CPA
AUDITOR GENERAL

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

**INDEPENDENT AUDITOR'S
REPORT ON FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of St. Petersburg College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of College 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 represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 St. Petersburg College and of its aggregate discretely presented component units as of June 30, 2012, and the respective changes in financial position and cash flows 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 a report on our consideration of St. Petersburg College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Respectfully submitted,

David W. Martin, CPA
March 1, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2012, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements–and Management's Discussion and Analysis–for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of College management. The MD&A contains financial activity of the College for the fiscal years ended June 30, 2012, and June 30, 2011, and its component units for fiscal years ended March 31, 2012, and March 31, 2011.

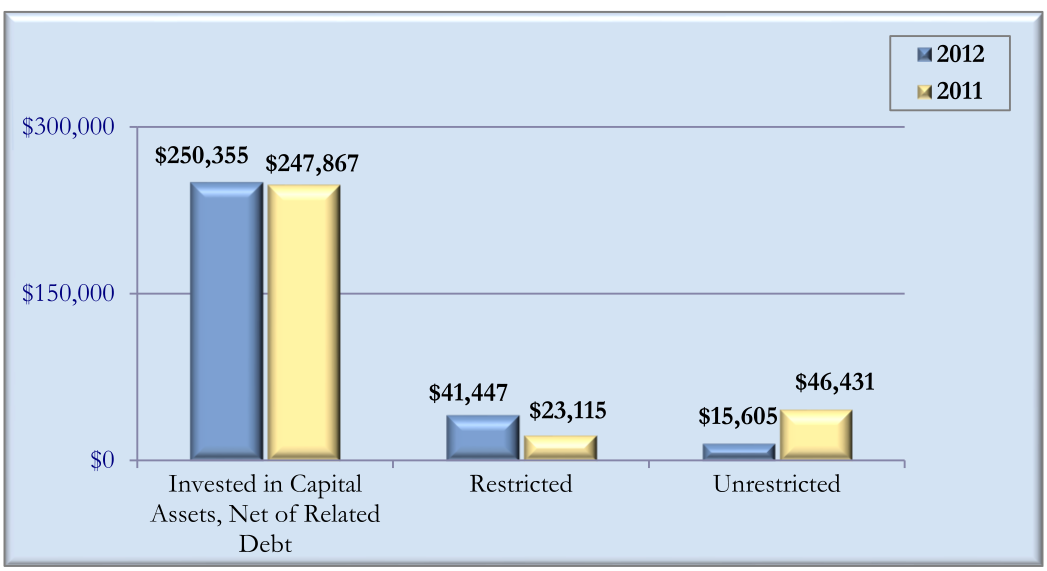
FINANCIAL HIGHLIGHTS

The College's assets totaled $364.4 million at June 30, 2012. This balance reflects a $10.6 million, or 2.8 percent, decrease from the 2010-11 fiscal year, resulting primarily from decreases in funds due from other governmental agencies of $12.7 million, cash and cash equivalents of $11.9 million, nondepreciable capital assets of $3.1 million, offset by an increase in net depreciable capital assets of $6.9 million and restricted cash and cash equivalents of $9.9 million. While assets declined, liabilities decreased by a lesser amount of $0.6 million, or 1 percent, totaling $57 million at June 30, 2012, compared to $57.6 million at June 30, 2011. As a result, the College's net assets decreased by $10 million, resulting in a year-end balance of $307.4 million.

The College's operating revenues totaled $53.3 million for the 2011-12 fiscal year, representing a 0.2 percent increase as compared to the 2010-11 fiscal year and operating expenses totaled $204.2 million for the 2011-12 fiscal year representing an increase of 0.1 percent as compared to the 2010-11 fiscal year.

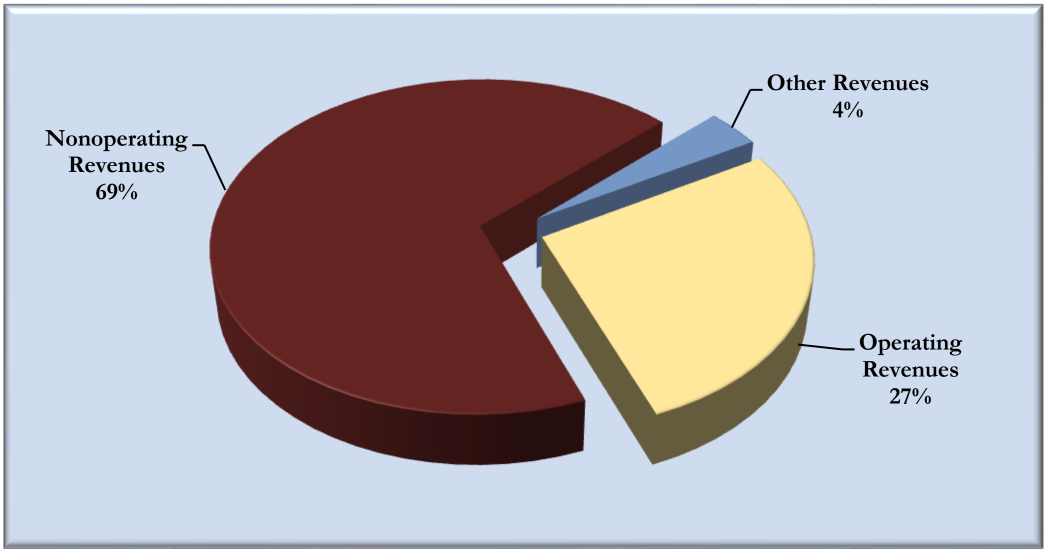
Net assets represent the residual interest in the College's assets after deducting liabilities. The College's comparative total net assets by category for the fiscal years ended June 30, 2012, and 2011, are shown in the following graph:

Net Assets: College
(In Thousands)



The following chart provides a graphical presentation of College revenues by category for the 2011-12 fiscal year:

Total Revenues: College



OVERVIEW OF FINANCIAL STATEMENTS

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

- St. Petersburg College (Primary Institution) – Most of the programs and services generally associated with a college fall into this category, including instruction, public service, and support services.
- St. Petersburg College Foundation, Inc., St. Petersburg College Alumni Association, Inc., and the Leepa-Rattner Museum of Art, Inc. (Component Units) – Although legally separate, these component units are important because the College is financially accountable for them, as the College reports its financial activities to the State of Florida.

THE STATEMENT OF NET 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 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's operating results.

These two statements report St. Petersburg College's net assets and 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 indication of whether its financial health is improving or deteriorating. You will need to consider many other nonfinancial factors, such as certain trends, student retention, condition of the buildings, and the safety of the campus, to assess the College's overall financial health.

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 fiscal 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 of the College and its component units for the respective fiscal years ended, is shown in the following table:

Condensed Statement of Net Assets at
(In Thousands)

	College			Component Units	
	6-30-12		6-30-11	03-31-12	03-31-11
Assets					
Current Assets	$ 42,750		$ 66,506	$ 21,635	$ 19,973
Capital Assets, Net	274,745		270,925	1,177	1,117
Other Noncurrent Assets	46,896		37,556	27,554	27,378
Total Assets	364,391		374,987	50,366	48,468
Liabilities					
Current Liabilities	15,474		16,107	532	41
Noncurrent Liabilities	41,510		41,467		
Total Liabilities	56,984		57,574	532	41
Net Assets					
Invested in Capital Assets, Net of Related Debt	250,355		247,867	1,177	1,117
Restricted	41,447		23,115	47,261	46,192
Unrestricted	15,605		46,431	1,396	1,118
Total Net Assets	$ 307,407		$ 317,413	$ 49,834	$ 48,427
Increase (Decrease) in Net Assets	$ (10,006)	-3.2%		$ 1,407	2.9%

Revenues and expenses of the College and its component units for the respective fiscal years ended are shown in the following table:

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

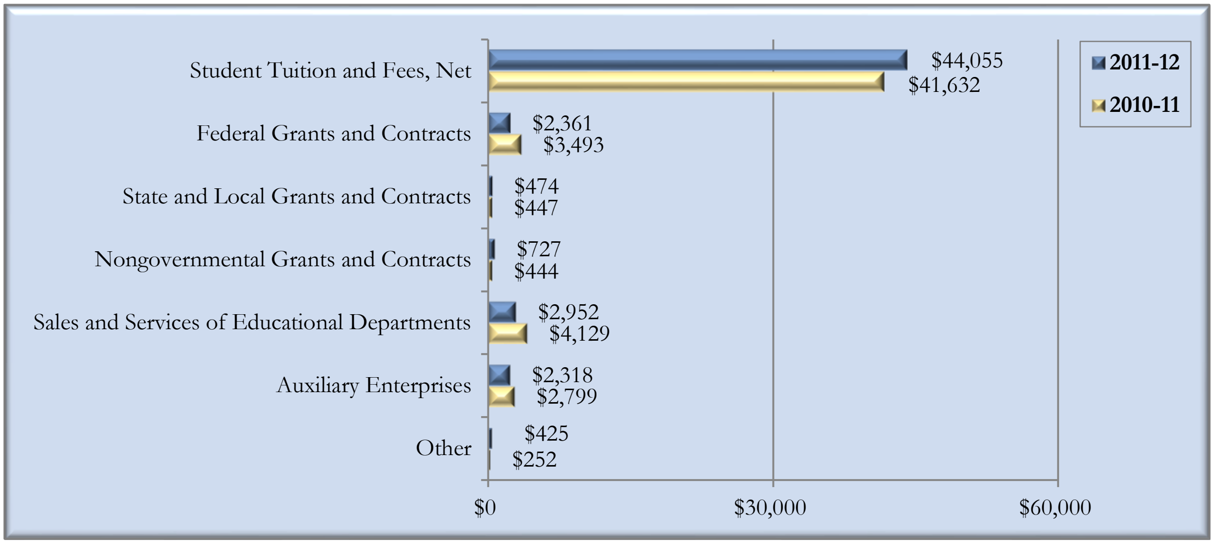
	College		Component Units	
	6-30-12	6-30-11	3-31-12	3-31-11
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	$ 44,055	$ 41,632	$	$
Federal Grants and Contracts	2,361	3,493		
State and Local Grants and Contracts	474	447		
Nongovernmental Grants and Contracts	727	444		
Sales and Services of Educational Departments	2,952	4,129		
Auxiliary Enterprises	2,318	2,799		
Other Operating Revenues	425	252	2,203	2,293
Total Operating Revenues	53,312	53,196	2,203	2,293
Less, Operating Expenses	204,220	203,999	3,662	3,932
Operating Loss	(150,908)	(150,803)	(1,459)	(1,639)
Nonoperating Revenues (Expenses)				
State Noncapital Appropriations	62,792	63,044		
Federal and State Student Financial Aid	62,128	61,436		
Gifts and Grants	8,686	20,121		
Other Nonoperating Revenues	1,522	2,279	2,625	4,148
Interest on Capital Asset-Related Debt	(1,363)	(1,357)		
Net Nonoperating Revenues	133,765	145,523	2,625	4,148
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(17,143)	(5,280)	1,166	2,509
State Capital Appropriations	2,570	8,406		
Capital Grants, Contracts, Gifts, and Fees	4,567	4,210	60	239
Additions to Endowments		16	181	270
Increase (Decrease) in Net Assets	(10,006)	7,352	1,407	3,018
Net Assets, Beginning of Year	317,413	310,061	48,427	45,409
Net Assets, End of Year	$ 307,407	$ 317,413	$ 49,834	$ 48,427

Operating Revenues

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

The following chart presents the College's operating revenues for the 2011-12 and 2010-11 fiscal years:

Operating Revenues: College
(In Thousands)



College operating revenue increased by $0.1 million, or 0.2 percent. This can be primarily attributed to a $2.4 million increase in student tuition and fee revenues as a result of increases in student tuition and fee rates. This increase was offset by decreases in Federal grants and contracts of $1.1 million and sales and services of educational departments of $1.2 million.

Operating Expenses

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

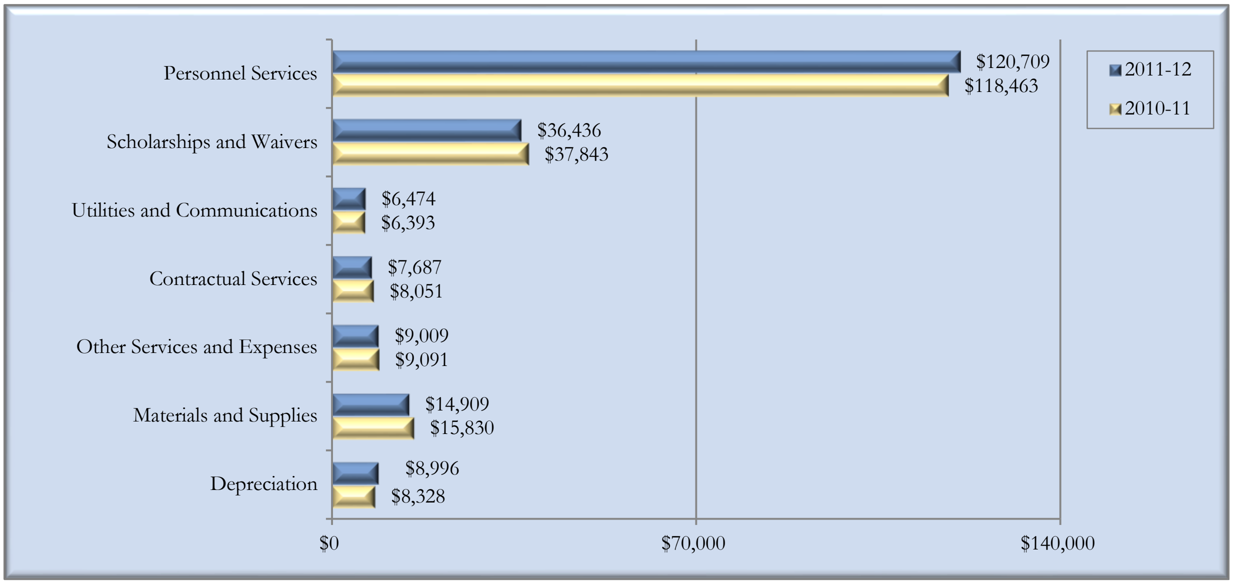
Operating expenses for the College and its component units for the respective fiscal years ended are presented in the following table:

Operating Expenses
For the Fiscal Years Ended
(In Thousands)

	College		Component Units	
	6-30-12	6-30-11	3-31-12	3-31-11
Operating Expenses				
Personnel Services	$ 120,709	$ 118,463	$	$
Scholarships and Waivers	36,436	37,843	1,989	2,158
Utilities and Communications	6,474	6,393		
Contractual Services	7,687	8,051	40	59
Other Services and Expenses	9,009	9,091	1,594	1,535
Materials and Supplies	14,909	15,830	39	180
Depreciation	8,996	8,328		
Total Operating Expenses	$ 204,220	$ 203,999	$ 3,662	$ 3,932

The following chart presents the College's operating expenses for the 2011-12 and 2010-11 fiscal years:

Operating Expenses: College
(In Thousands)



College operating expenses increased by $0.2 million from the 2010-11 fiscal year. Personnel services (salaries and benefits) increased by $2.2 million, primarily due to an across-the-board raise of 3 percent, partially offset by a reduction in employer retirement contributions. Decreases in scholarships and waivers and materials and supplies partially offset that increase in personnel services.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State noncapital appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the College's nonoperating revenues and expenses for the 2011-12 and 2010-11 fiscal years:

Nonoperating Revenues (Expenses): College
(In Thousands)

	2011-12	2010-11
State Noncapital Appropriations	$ 62,792	$ 63,044
Federal and State Student Financial Aid	62,128	61,436
Gifts and Grants	8,686	20,121
Investment Income	1,492	1,737
Other Nonoperating Revenues	30	542
Interest on Capital Asset-Related Debt	(1,363)	(1,357)
Net Nonoperating Revenues	**$ 133,765**	**$ 145,523**

When compared to the prior fiscal year, College net nonoperating revenues decreased by $11.8 million, or 8.1 percent. Gifts and grants decreased $11.4 million primarily due to the elimination of the Federal American Recovery and Reinvestment Act (ARRA) funding and a decrease in funding from other Federal and private gifts and grants.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of State capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2011-12 and 2010-11 fiscal years:

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

	2011-12	2010-11
State Capital Appropriations	$ 2,570	$ 8,406
Capital Grants, Contracts, Gifts, and Fees	4,567	4,210
Other Revenues		16
Total	$ 7,137	$ 12,632

State capital appropriations decreased by $5.8 million, primarily from a decrease in Public Education Capital Outlay appropriations in the 2011-12 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 2011-12 and 2010-11 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College
(In Thousands)

	2011-12	2010-11
Cash Provided (Used) by:		
Operating Activities	$ (141,310)	$ (144,155)
Noncapital Financing Activities	133,368	143,753
Capital and Related Financing Activities	4,463	1,373
Investing Activities	1,419	5,472
Net Increase (Decrease) in Cash and Cash Equivalents	(2,060)	6,443
Cash and Cash Equivalents, Beginning of Year	62,475	56,032
Cash and Cash Equivalents, End of Year	$ 60,415	$ 62,475

Major sources of funds came from Federal direct loan program receipts ($103.4 million), State noncapital appropriations ($62.8 million), Federal and State student financial aid ($62.1 million), net student tuition and fees ($43.9 million), State capital appropriations ($15.8 million), and noncapital gifts and grants ($8.4 million). Major uses of funds included Federal direct loan program disbursements ($103.4 million), payments to employees ($96 million), payments for employee benefits ($23.2 million), payments for scholarships ($36.4 million), payments to suppliers ($31.9 million), and payments for the acquisition of capital assets ($13.1 million).

The College's overall cash and cash equivalents decreased in the 2011-12 fiscal year by $2.1 million, or 3.3 percent from the prior fiscal year. Changes in cash and cash equivalents were the result of the following factors:

- The decrease of $2.8 million in cash used by operating activities is partly a result of a $3.1 million increase in cash inflows from tuition and fees due to increases in student tuition and fee rates and a decrease in cash outflows of $1.8 million from payments to suppliers offset by a decrease in cash inflows from grants and contracts of $1.1 million and $0.7 million from auxiliary enterprises.
- Decreases in noncapital financing cash inflows of $10.4 million were primarily due to the elimination of ARRA funding and funding from other Federal and private gifts and grants.
- Capital and related financing activities provided $3.1 million more cash compared to the prior fiscal year mainly due to a decrease in the purchase of capital assets.
- Cash provided by investing activities decreased by $4.1 million in the 2011-12 fiscal year mainly due to an increase in purchases of investments of $10.3 million offset by an increase in proceeds from sales and maturities of investments of $6.4 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2012, the College had $378.6 million in capital assets, less accumulated depreciation of $103.8 million, for net capital assets of $274.8 million. Depreciation charges for the current fiscal year totaled $9 million. The following table summarizes the College's capital assets at June 30:

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

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 25,626	$	$ 23	$ 25,603
Construction in Progress	10,073	5,735	8,830	6,978
Buildings	295,183	14,038		309,221
Other Structures and Improvements	11,681			11,681
Furniture, Machinery, and Equipment	23,351	1,009	766	23,594
Assets Under Capital Leases	595	887		1,482
Total	366,509	21,669	9,619	378,559
Less, Accumulated Depreciation:				
Buildings	63,682	7,565		71,247
Other Structures and Improvements	10,808	98		10,906
Furniture, Machinery, and Equipment	20,945	992	766	21,171
Assets Under Capital Leases	149	341		490
Total Accumulated Depreciation	95,584	8,996	766	103,814
Capital Assets, Net	$ 270,925	$ 12,673	$ 8,853	$ 274,745

The College has $9.3 million in major construction commitments at June 30, 2012. The commitments are for the construction of the Ethics and Social Science building at the Clearwater Campus and the Seminole Campus Library. In addition, the College plans $2.8 million of capital expenditures from the 2012-13 fiscal year Public Education Capital Outlay appropriations. Projects planned include Collegewide site improvements and general renovations, roof replacement, remodeling, and major building renovations. State capital appropriations, State Board of Education capital outlay bond proceeds, capital improvement revenue bond proceeds, and local funds are expected to finance the construction, renovation, and remodeling of facilities. More information about the College's capital assets is presented in the notes to financial statements.

DEBT ADMINISTRATION

At fiscal year-end, the College had $31.9 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2012, and June 30, 2011:

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

	2012	2011
SBE Capital Outlay Bonds	$ 3,675	$ 4,040
Capital Improvement Revenue Bonds	25,630	26,750
Note Payable	1,598	2,120
Capital Leases Payable	993	446
Total	$ 31,896	$ 33,356

The State Board of Education (SBE) issues capital outlay bonds on behalf of the College. During the 2011-12 fiscal year, the SBE issued $53.8 million of the SBE Capital Outlay Refunding Bonds, Series 2011A. Proceeds from the College's portion of the bonds, $0.3 million, were used to refund $0.3 million of outstanding SBE Capital Outlay Bonds, Series 2002B. Long-term debt repayments during the 2011-12 fiscal year totaled $2.6 million. Additional information about the College's long-term debt is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

St. Petersburg College's economic position is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, a slight decrease in general State funding is anticipated in the 2012-13 fiscal year. In response to the anticipated slight decrease in State appropriations, the Board of Trustees adopted a 4.5 percent tuition rate increase for lower division credit hours and a 5 percent increase for upper division credit hours to take effect beginning with the Fall 2012 term. Additional tuition revenue is expected by increasing student retention in College programs with initiatives such as Achieving the Dream and the College Experience implemented in the Fall 2012 term. The College's current financial and capital plans indicate that the continuance of monitoring spending, increasing operating efficiencies, and the infusion of additional financial resources from the increase in tuition rates will be necessary to maintain its present level of services to ensure student success.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
June 30, 2012

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 17,025,375	$ 3,119,970
Restricted Cash and Cash Equivalents	16,416,318	
Other Short-Term Investments		18,503,524
Accounts Receivable, Net	2,341,216	1,079
Due from Other Governmental Agencies	5,138,658	
Due from Component Units	651,166	
Inventories	162,855	10,833
Prepaid Expenses	1,012,886	
Other Assets	1,748	
Total Current Assets	42,750,222	21,635,406
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	26,973,470	
Investments	7,896,250	131,447
Restricted Investments	12,025,752	
Endowment Investments		26,238,759
Loans and Notes Receivable		1,110,500
Depreciable Capital Assets, Net	242,165,091	
Nondepreciable Capital Assets	32,580,388	1,176,887
Other Assets		72,750
Total Noncurrent Assets	321,640,951	28,730,343
TOTAL ASSETS	$ 364,391,173	$ 50,365,749
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 2,104,763	$ 515,273
Salary and Payroll Taxes Payable	1,081,155	
Retainage Payable	538,708	
Deferred Revenue	232,272	16,767
Estimated Claims Payable	1,016,965	
Deposits Held for Others	7,434,381	
Long-Term Liabilities - Current Portion:		
Bonds Payable	1,515,000	
Note Payable	187,770	
Capital Leases Payable	341,064	
Compensated Absences Payable	1,022,356	
Total Current Liabilities	15,474,434	532,040
Noncurrent Liabilities:		
Bonds Payable	27,790,000	
Note Payable	1,410,721	
Capital Leases Payable	651,625	
Compensated Absences Payable	9,201,202	
Other Postemployment Benefits Payable	2,400,000	
Estimated Arbitrage Rebate Payable	56,430	
Total Noncurrent Liabilities	41,509,978	
TOTAL LIABILITIES	56,984,412	532,040

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2012

	College	Component Units
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 250,354,785	$ 1,176,887
Restricted:		
Nonexpendable:		
Endowment		26,239,759
Expendable:		
Grants and Loans	7,729,515	21,020,868
Scholarships	132,490	
Capital Projects	33,290,490	
Debt Service	294,268	
Unrestricted	15,605,213	1,396,195
Total Net Assets	307,406,761	49,833,709
TOTAL LIABILITIES AND NET ASSETS	$ 364,391,173	$ 50,365,749

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, 2012

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $31,136,837	$ 44,054,758	$
Federal Grants and Contracts	2,361,090	
State and Local Grants and Contracts	474,205	
Nongovernmental Grants and Contracts	726,533	
Sales and Services of Educational Departments	2,952,271	
Auxiliary Enterprises	2,318,219	
Other Operating Revenues	424,361	2,202,675
Total Operating Revenues	53,311,437	2,202,675
EXPENSES		
Operating Expenses:		
Personnel Services	120,709,166	
Scholarships and Waivers	36,436,165	1,988,759
Utilities and Communications	6,474,237	
Contractual Services	7,686,710	39,526
Other Services and Expenses	9,008,459	1,593,962
Materials and Supplies	14,908,705	39,277
Depreciation	8,996,162	
Total Operating Expenses	204,219,604	3,661,524
Operating Loss	(150,908,167)	(1,458,849)
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	62,791,875	
Federal and State Student Financial Aid	62,127,921	
Gifts and Grants	8,686,186	
Investment Income	1,491,678	2,403,848
Other Nonoperating Revenues	30,101	221,238
Interest on Capital Asset-Related Debt	(1,362,996)	
Net Nonoperating Revenues	133,764,765	2,625,086
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(17,143,402)	1,166,237
State Capital Appropriations	2,570,446	
Capital Grants, Contracts, Gifts, and Fees	4,566,975	60,050
Additions to Permanent Endowments		180,823
Total Other Revenues	7,137,421	240,873
Increase (Decrease) in Net Assets	(10,005,981)	1,407,110
Net Assets, Beginning of Year	317,412,742	48,426,599
Net Assets, End of Year	$ 307,406,761	$ 49,833,709

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, 2012

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 43,889,254
Grants and Contracts	3,283,696
Payments to Suppliers	(31,896,481)
Payments for Utilities and Communications	(6,474,237)
Payments to Employees	(95,985,082)
Payments for Employee Benefits	(23,215,961)
Payments for Scholarships	(36,436,165)
Collection on Loans to Students	14,309
Auxiliary Enterprises	2,134,212
Sales and Service of Educational Departments	2,952,271
Other Receipts	424,361
Net Cash Used by Operating Activities	(141,309,823)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	62,791,875
Federal and State Student Financial Aid	62,127,921
Federal Direct Loan Program Receipts	103,401,970
Federal Direct Loan Program Disbursements	(103,401,970)
Gifts and Grants Received for Other Than Capital or Endowment Purposes	8,418,168
Other Nonoperating Receipts	30,101
Net Cash Provided by Noncapital Financing Activities	133,368,065
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	1,157,829
State Capital Appropriations	15,825,587
Capital Grants and Gifts	4,572,753
Purchases of Capital Assets	(13,113,463)
Principal Paid on Capital Debt and Leases	(2,617,168)
Interest Paid on Capital Debt and Leases	(1,362,996)
Net Cash Provided by Capital and Related Financing Activities	4,462,542
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	10,613,762
Purchase of Investments	(10,716,176)
Investment Income	1,521,594
Net Cash Provided by Investing Activities	1,419,180
Net Decrease in Cash and Cash Equivalents	(2,060,036)
Cash and Cash Equivalents, Beginning of Year	62,475,199
Cash and Cash Equivalents, End of Year	$ 60,415,163

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2012

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (150,908,167)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	8,996,162
Changes in Assets and Liabilities:	
Receivables, Net	(509,252)
Inventories	(28,377)
Prepaid Expenses	9,809
Other Assets	(1,112)
Accounts Payable	(634,669)
Deferred Revenue	(104,084)
Deposits Held for Others	381,926
Compensated Absences Payable	752,802
Other Postemployment Benefits Payable	735,139
NET CASH USED BY OPERATING ACTIVITIES	$ (141,309,823)

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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

- The St. Petersburg College Foundation, Inc. (Foundation), is a community advocate for St. Petersburg College and encourages charitable donations to provide financial support for the College. As a public charity, the Foundation accepts donations to enhance the College's many and varied teachings, and public service programs, as well as to support capital projects and other related College improvements.
- The St. Petersburg College Alumni Association, Inc., assists the College in worthwhile endeavors such as fund raising and establishing scholarships.
- The Leepa-Rattner Museum of Art, Inc., benefits the College through the promotion of educational excellence by collecting, preserving, and displaying works of art that reflect or support the aesthetic concerns of Abraham Rattner, Esther Gentle, Allen Leepa, and other artists.

The College's component units are audited by other auditors, pursuant to Section 1004.70(6), Florida Statutes. The audited financial statements of these organizations are available to the public at the College. The financial data reported on the accompanying financial statements was derived from the audited financial statements of the organizations for the fiscal year ended March 31, 2012. Additional condensed financial statements for the College's component units are included in a subsequent note.

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

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

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

The College's component units use the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The St. Petersburg College Foundation, Inc., and the Leepa-Rattner Museum of Art, Inc., are required to follow GASB standards of accounting and financial reporting and the St. Petersburg College Alumni Association, Inc. follows FASB standards of accounting and financial reporting for not-for-profit organizations.

The College follows GASB pronouncements and FASB pronouncements issued on or before November 30, 1989, unless FASB pronouncements conflict with GASB pronouncements. Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* the College has the option to elect to apply all pronouncements of FASB issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

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

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the College and the amount that is actually paid by the student or the third party making payment on behalf of the student. The College calculated its scholarship allowances by identifying financial aid applied versus cash payments applied to the student accounts receivable.

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

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, money market accounts, and cash placed with the State Treasury Special Purpose Investment Account (SPIA), and the State Board of Administration (SBA) Florida PRIME investment pool. For reporting cash flows, the College considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Under this definition, the College considers amounts invested in SPIA and SBA Florida PRIME to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets are classified as restricted.

At June 30, 2012, the College reported as cash equivalents at fair value $40,113,137 in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of A+f by Standard & Poor's and had an effective duration of 2.38 years at June 30, 2012. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury SPIA investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2012, the College reported as cash equivalents $8,096,763 in the Florida PRIME investment pool administered by the SBA pursuant to Section 218.405, Florida Statutes. The College's investments in the Florida

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

PRIME investment pool, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of June 30, 2012, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The Florida PRIME investment pool carried a credit rating of AAAm by Standard & Poor's and had a weighted-average days to maturity (WAM) of 38 days as of June 30, 2012. A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating-rate instruments. WAM measures the sensitivity of the Florida PRIME investment pool to interest rate changes. The investments in the Florida PRIME investment pool are reported at fair value, which is amortized cost.

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

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

Art collections of the College's component units are stated at fair market value at the date of the donation.

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

2. INVESTMENTS

The College's Board of Trustees has adopted a written investment policy providing that surplus funds of the College shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Section 218.415(16), Florida Statutes, authorizes the College to invest in the Florida PRIME investment pool administered by the State Board of Administration (SBA); interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education (SBE) Rule 6A-14.0765(3), Florida Administrative Code, provides that College loan, endowment, annuity, and life income funds may also be invested pursuant to Section 215.47, Florida Statutes. Investments authorized by Section 215.47, Florida Statutes, include bonds, notes, commercial paper, and various other types of investments.

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

The College's investments at June 30, 2012, are reported at fair value, as follows:

Investment Type	Amount
State Board of Administration Fund B Surplus Funds Trust Fund	$ 326,787
State Board of Administration Debt Service Accounts	775,101
State Board of Administration Debt Service Rebate Accounts	56,430
Certificates of Deposit	18,763,684
Total College Investments	$ 19,922,002

State Board of Administration Fund B Surplus Funds Trust Fund

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

At June 30, 2012, the College reported investments at fair value of $326,787 in Fund B. The College's investments in Fund B are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.83481105 at June 30, 2012. The weighted-average life (WAL) of Fund B at June 30, 2012, was 5.73 years. A portfolio's WAL is the dollar-weighted average length of time until securities held reach maturity and is based on legal final maturity dates for Fund B as of June 30, 2012. WAL measures the sensitivity of Fund B to interest rate changes. The College's investment in Fund B is unrated.

State Board of Administration Debt Service Accounts

The College reported investments totaling $775,101 at June 30, 2012, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the SBE for the benefit of the College. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

State Board of Administration Debt Service Rebate Accounts

The College reported investments totaling $56,430 at June 30, 2012, in the SBA Debt Service Rebate Accounts. These investments are for the arbitrage rebate liability required for the Community College Capital Improvement Revenue Bonds, Series 2006A. The College's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The College relies on policies developed by the SBA for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Rebate Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

Certificates of Deposit

During the 2011-12 fiscal year, the College had a financial institution purchase investments in individual certificates of deposits (CDs) with 83 banks in the College's name totaling $18,763,684. Each of the CDs was insured by the Federal Deposit Insurance Corporation (FDIC). The CDs carry original maturity dates of 24 months to 40 months with annual percentage interest rates between 0.4 and 1.55 percent.

Component Units Investments

Investments held by the College's component units, St. Petersburg College Foundation, Inc. (Foundation), and the Leepa-Rattner Museum of Art, Inc. (Museum), at March 31, 2012, are reported at fair value as follows:

Investment Type	St. Petersburg College Foundation, Inc.	Leepa-Rattner Museum of Art, Inc.	Total
United States Government Obligations	$ 4,287,645	$	$ 4,287,645
Federal Agency Obligations	1,835,445		1,835,445
Bonds and Notes	4,785,498		4,785,498
Stocks and Other Equity Securities	27,899,981		27,899,981
Mutual Funds	5,729,335		5,729,335
Certificates of Deposit		131,447	131,447
Property	204,379		204,379
Total Component Units Investments	$ 44,742,283	$ 131,447	$ 44,873,730

The Foundation has a written investment policy to provide the basis for the management of a prudent investment program appropriate to the particular fund type. At March 31, 2012, the Museum's investments consisted of two certificates of deposit totaling $131,447. Each certificate is insured by the FDIC.

Interest Rate and Credit Risk: The Foundation's investment policy limits investments in fixed-income securities to maturities of no longer than 30 years. The Foundation has $6,123,090 in obligations of United States Government obligations and Federal agency obligations that include embedded options consisting of the option, at the discretion of the issuer, to call their obligation. These securities have various call dates and mature between August 2012 and May 2042.

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

The Foundation's investment policy provides that debt issues of investment grade "A" or better are preferred. However, investment managers may purchase lesser quality debt investments as long as the purchases represent no more than 10 percent of that particular portfolio's asset.

The following are maturities and credit quality ratings for the Foundation and Museum's investments in debt securities, mutual funds, and certificate of deposit at March 31, 2012:

Investment Type	Investment Maturities (In Years)					
	Fair Value	Less than 1 Year	1-5	6-10	More Than 10	Credit Quality Range (1)
United States Government Obligations	$ 4,287,645	$	$1,347,795	$ 289,591	$2,650,259	(2)
Federal Agency Obligations	1,835,445		70,629	356,521	1,408,295	AA+
Bonds and Notes	4,785,498	301,472	2,456,346	1,792,747	234,933	AAA, BBB+, CCC
Fixed Income Mutual Funds (3)	225,790		225,790			AAA-NR (4)
Fixed Income Mutual Funds (3)	1,488,504		1,488,504			AAA, B
Fixed Income Mutual Funds	162,271			162,271		AAA-NR (4)
Fixed Income Mutual Funds	2,124,416			2,124,416		AAA, B
Fixed Income Mutual Funds	954,921				954,921	BBB, BB
Equity Mutual funds	773,433	773,433				Not Rated
Equity securities	27,899,981	27,899,981				Not Rated
Certificates of Deposit	131,447	131,447				Not Rated
Property	204,379				204,379	Not Rated
Total Component Units Investments	$44,873,730	$29,106,333	$5,589,064	$4,725,546	$5,452,787	

Notes: (1) Rated by Standard & Poor's.
(2) Disclosure of credit risk is not required for this investment type.
(3) These fixed income mutual funds have a weighted average maturity of less than 5 years.
(4) Components of these funds have credit ratings that range from AAA to NR (Not Rated).

Custodial Credit Risk: The Foundation's investment policy does not address custodial risk. Foundation investments in debt securities are uncollateralized, uninsured, not registered in the name of the Foundation, and held by financial institutions and, as such, are exposed to custodial credit risk.

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

3. ACCOUNTS RECEIVABLE

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

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

interest, and contract and grant reimbursements due from third parties. These receivables are reported net of a $2,105,043 allowance for doubtful accounts.

4. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of $2,171,815 of Public Education Capital Outlay allocations due from the State for construction of College facilities and $1,432,372 of grant and contract reimbursements due from third parties.

5. DUE FROM AND TO COMPONENT UNITS/COLLEGE

The $651,166 reported as due from component units consists of amounts owed to the College by the Foundation and the Museum for programs, scholarships, construction, and wireless services for College facilities. The College's financial statements are reported for the fiscal year ended June 30, 2012. The College's component units' financial statements are reported for the fiscal year ended March 31, 2012. Accordingly, amounts reported by the College as due from component units on the statement of net assets do not agree with amounts reported by the component units as due to the College.

6. INVENTORIES

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

7. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2012, is shown below:

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 25,625,865	$	$ 23,123	$ 25,602,742
Construction in Progress	10,073,332	5,734,728	8,830,414	6,977,646
Total Nondepreciable Capital Assets	$ 35,699,197	$ 5,734,728	$ 8,853,537	$ 32,580,388
Depreciable Capital Assets:				
Buildings	$ 295,183,497	$ 14,038,415	$	$ 309,221,912
Other Structures and Improvements	11,680,809			11,680,809
Furniture, Machinery, and Equipment	23,351,429	1,008,837	765,997	23,594,269
Assets Under Capital Leases	594,566	887,830		1,482,396
Total Depreciable Capital Assets	330,810,301	15,935,082	765,997	345,979,386
Less, Accumulated Depreciation:				
Buildings	63,682,478	7,565,238		71,247,716
Other Structures and Improvements	10,807,960	97,834		10,905,794
Furniture, Machinery, and Equipment	20,945,050	992,026	765,997	21,171,079
Assets Under Capital Leases	148,642	341,064		489,706
Total Accumulated Depreciation	95,584,130	8,996,162	765,997	103,814,295
Total Depreciable Capital Assets, Net	$ 235,226,171	$ 6,938,920	$	$ 242,165,091

8. DEFERRED REVENUE

Deferred revenue includes grants and contracts revenue, auxiliary enterprises revenue, and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2012, the College reported the following amounts as deferred revenue:

Description	Amount
Grants and Contracts	$ 174,866
Auxiliary Enterprises	29,474
Student Tuition and Fees	27,932
Total Deferred Revenue	$ 232,272

9. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2012, include bonds payable, note payable, capital leases payable, compensated absences payable, other postemployment benefits payable, and estimated arbitrage rebate payable. Long-term liabilities activity for the fiscal year ended June 30, 2012, is shown below:

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 30,790,000	$ 270,000	$ 1,755,000	$ 29,305,000	$ 1,515,000
Note Payable	2,119,594		521,103	1,598,491	187,770
Capital Leases Payable	445,925	887,829	341,065	992,689	341,064
Compensated Absences Payable	9,470,756	1,657,715	904,913	10,223,558	1,022,356
Other Postemployment Benefits Payable	1,664,861	1,232,139	497,000	2,400,000	
Estimated Arbitrage Rebate Payable	57,410		980	56,430	
Total Long-Term Liabilities	$ 44,548,546	$ 4,047,683	$ 4,020,061	$ 44,576,168	$ 3,066,190

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

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

The College had the following bonds payable at June 30, 2012:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
SBE Capital Outlay Bonds:			
Series 2009A	$ 1,780,000	4.00 - 5.00	2019
Series 2010A	1,625,000	3.50 - 5.00	2030
Series 2011A, Refunding	270,000	4.00 - 5.00	2014
Florida Department of Education Capital Improvement Revenue Bonds:			
Series 2006A	16,890,000	3.50 - 5.00	2027
Series 2010A	8,740,000	3.00 - 4.375	2030
Total	$ 29,305,000		

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Annual requirements to amortize all bonded debt outstanding as of June 30, 2012, are as follows:

Fiscal Year Ending June 30	SBE Capital Outlay Bonds and Capital Improvement Revenue Bonds		
	Principal	Interest	Total
2013	$ 1,515,000	$ 1,274,026	$ 2,789,026
2014	1,585,000	1,217,011	2,802,011
2015	1,515,000	1,153,513	2,668,513
2016	1,585,000	1,094,013	2,679,013
2017	1,660,000	1,031,563	2,691,563
2018-2022	8,705,000	3,934,313	12,639,313
2023-2027	10,335,000	1,801,263	12,136,263
2028-2030	2,405,000	207,581	2,612,581
Total	$ 29,305,000	$ 11,713,283	$ 41,018,283

On January 5, 2012, the SBE issued $53,785,000 of SBE Capital Outlay Refunding Bonds, Series 2011A. A portion of the bonds were used to advance refund $28,990,000 of SBE Capital Outlay Bonds, Series 2002B, that were called for redemption on January 6, 2012. The College's portion of the Series 2011A bonds totaled $270,000, and was used to refund $290,000 of the Series 2002B bonds. As a result of the refunding, the College had a debt service savings of $20,821 and obtained an economic gain of $20,572.

Note Payable. On March 16, 2011, the College borrowed $2,166,667, at a stated interest rate of zero percent, to finance the remaining costs of a building acquisition with property. The note matures on April 1, 2019, and principal payments are made quarterly. Annual requirements to amortize the outstanding note as of June 30, 2012, are as follows:

Fiscal Year Ending June 30	Principal
2013	$ 187,770
2014	521,103
2015	187,770
2016	187,770
2017	187,770
2018-2019	326,308
Total	$ 1,598,491

Capital Leases Payable. Network server equipment in the amount of $1,318,677 and MIRA computer lab equipment in the amount of $163,719 are being acquired under capital lease agreements. The stated interest rates range from 3.56 percent to 6.545 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2012, are as follows:

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Fiscal Year Ending June 30	Amount
2013	$ 370,850
2014	370,850
2015	208,998
2016	131,065
Total Minimum Payments	1,081,763
Less, Amount Representing Interest	89,074
Present Value of Minimum Payments	$ 992,689

Compensated Absences Payable. College employees may accrue annual and sick leave based on length of service, subject to certain limitations regarding the amount that will be paid upon termination. The College reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the College expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2012, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $10,223,558. The current portion of the compensated absences liability, $1,022,356, is the amount expected to be paid in the coming fiscal year. The current portion of the compensated absences was determined by calculating ten percent of the compensated absences liability as of June 30, 2012.

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

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

Funding Policy. Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and the Board of Trustees has established and can amend plan benefits and contribution rates. The College has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2011-12 fiscal year, 101 retirees received other postemployment benefits. The College provided required contributions of $497,000

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toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled $719,288.

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

Description	Amount
Normal Cost (Service Cost for One Year)	$ 765,000
Amortization of Unfunded Actuarial Accrued Liability	404,000
Interest on Normal Cost and Amortization	52,000
Annual Required Contribution	1,221,000
Interest on Net OPEB Obligation	75,000
Adjustment to Annual Required Contribution	(63,861)
Annual OPEB Cost (Expense)	1,232,139
Contribution Toward the OPEB Cost	(497,000)
Increase in Net OPEB Obligation	735,139
Net OPEB Obligation, Beginning of Year	1,664,861
Net OPEB Obligation, End of Year	$ 2,400,000

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation as of June 30, 2012, and for the two preceding fiscal years were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009-10	$ 972,000	36.01%	$ 1,098,050
2010-11	981,811	42.27%	1,664,861
2011-12	1,232,139	40.34%	2,400,000

Funded Status and Funding Progress. As of July 1, 2011, the most recent valuation date, the actuarial accrued liability for benefits was $10,586,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $10,586,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $73,173,278 for the 2011-12 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future

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

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

The College's OPEB actuarial valuation as of July 1, 2011, used the projected unit credit actuarial method to estimate the actuarial accrued liability as of June 30, 2012, and the College's 2011-12 fiscal year ARC. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.5 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 3.5 percent per year, and an annual healthcare cost trend rate of 10 percent for the 2011-12 fiscal year, reduced by 0.5 percent per year, until an ultimate rate of 5 percent after 10 years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012, was 25 years.

Estimated Arbitrage Rebate Payable. This represents the amount of arbitrage rebate liability for the Capital Improvement Revenue Bonds, Series 2006A. These bonds and the related arbitrage rebate liability are administered by the State Board of Administration, Division of Bond Finance, on behalf of the College.

10. RETIREMENT PROGRAMS

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All

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members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

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

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

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2011-12 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	4.91
Florida Retirement System, Senior Management Service	3.00	6.27
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	4.42
Florida Retirement System, Reemployed Retiree	(B)	(B)

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

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

The College's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the College. The College's contributions including employee contributions for the fiscal years ended June 30, 2010, June 30, 2011, and June 30, 2012, totaled $4,410,493, $5,278,412, and $3,843,888, respectively, which were equal to the required contributions for each fiscal year.

There were 335 College participants in the Investment Plan during the 2011-12 fiscal year. The College's contributions including employee contributions to the Investment Plan totaled $1,150,484, which was equal to the required contribution for the 2011-12 fiscal year.

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

State College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible college instructors and administrators. The Program is designed to aid colleges in recruiting employees by offering more portability to employees not expected to remain in the FRS for 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 can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing college contributes, on behalf of the participant, 7.92 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the college to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 189 College participants during the 2011-12 fiscal year. The College's contributions to the Program totaled $985,161 and employee contributions totaled $425,164 for the 2011-12 fiscal year.

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

The Annuity Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. College employees in eligible positions make an irrevocable election to participate in the Annuity Program in lieu of the Senior Management Service Class of FRS, and purchase retirement and death benefits through contracts with participating provider companies. The College contributes 9.49 percent and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by salary reduction, an additional amount not to exceed the percentage contributed by the College. These contributions are invested in the companies selected by the employee to create a fund for the purchase of annuities at retirement.

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JUNE 30, 2012

There were 3 College participants during the 2011-12 fiscal year. The College's contributions to the Annuity Program totaled $35,696 and employee contributions totaled $11,492 for the 2011-12 fiscal year.

11. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2012, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Clearwater Campus:			
Ethics and Social Science Building	$ 12,938,310	$ 6,885,367	$ 6,052,943
Seminole Campus Library	3,239,505		3,239,505
Total	$ 16,177,815	$ 6,885,367	$ 9,292,448

12. OPERATING LEASE COMMITMENTS

The College leased building space, computer equipment, and copiers under operating leases, with various expiration dates through 2017. These leased assets and the related commitments are not reported on the College's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2013	$ 1,592,558
2014	1,090,616
2015	527,616
2016	27,531
2017	5,784
Total Minimum Payments Required	$ 3,244,105

13. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida College System Risk Management Consortium (Consortium), which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide College risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to $150 million to February 29, 2012, and up to $90 million from March 1, 2012. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

ST. PETERSBURG COLLEGE
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

Self-Insured Program. The Board has established an individual self-insured program to provide group health and dental insurance for its employees, retirees, former employees, and their dependents. The College's liability was limited by excess reinsurance to $350,000 per insured person for the 2011-12 fiscal year. The plan is provided by an insurance company licensed by the Florida Department of Financial Services, Office of Insurance Regulation. The College contributes a portion of employee premiums as a fringe benefit. The remaining portion of the employee premium and dependent coverage is by payroll deduction and coverage for retirees, former employees, and their dependents is by prepaid premium.

The College reports a liability when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The liability includes an amount for claims that have been incurred, but not reported. Because the actual claims liability depends on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. The College reevaluates the claims liability periodically and the claims liability totaled $1,016,965 as of June 30, 2012.

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
2010-11	$ 1,010,807	$ 13,818,261	$(13,563,808)	$ 1,265,260
2011-12	1,265,260	14,530,560	(14,778,855)	1,016,965

14. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

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JUNE 30, 2012

Functional Classification	Amount
Instruction	$ 73,957,122
Public Services	1,525
Academic Support	27,669,783
Student Services	19,515,008
Institutional Support	18,050,764
Operation and Maintenance of Plant	19,175,372
Scholarships and Waivers	36,436,165
Depreciation	8,996,162
Auxiliary Enterprises	417,703
Total Operating Expenses	$ 204,219,604

15. COMPONENT UNITS

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

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2012

	Direct-Support Organizations			Total
	St. Petersburg College Foundation, Inc.	St. Petersburg College Alumni Association, Inc.	Leepa-Rattner Museum of Art, Inc.	
Condensed Statement of Net Assets				
Assets:				
Current Assets	$ 21,115,358	$ 124,342	$ 395,706	$ 21,635,406
Capital Assets, Net			1,176,887	1,176,887
Other Noncurrent Assets	27,398,900		154,556	27,553,456
Total Assets	48,514,258	124,342	1,727,149	50,365,749
Liabilities:				
Current Liabilities	500,800		31,240	532,040
Total Liabilities	500,800		31,240	532,040
Net Assets:				
Invested in Capital Assets, Net of Related Debt			1,176,887	1,176,887
Restricted	47,177,961		82,666	47,260,627
Unrestricted	835,497	124,342	436,356	1,396,195
Total Net Assets	$ 48,013,458	$ 124,342	$ 1,695,909	$ 49,833,709
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	$ 1,298,214	$	$ 904,461	$ 2,202,675
Operating Expenses	(2,630,065)	(45,563)	(985,896)	(3,661,524)
Operating Loss	(1,331,851)	(45,563)	(81,435)	(1,458,849)
Net Nonoperating Revenues	2,401,204	49,681	174,201	2,625,086
Other Revenues, Expenses, Gains, and Losses	180,823		60,050	240,873
Increase in Net Assets	1,250,176	4,118	152,816	1,407,110
Net Assets, Beginning of Year	46,763,282	120,224	1,543,093	48,426,599
Net Assets, End of Year	$ 48,013,458	$ 124,342	$ 1,695,909	$ 49,833,709

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

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

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

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

1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN

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

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

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

We have audited the financial statements of St. Petersburg College, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2012, which collectively comprise the College's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to 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. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to College management in our operational audit report No. 2013-025.

Our **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*** is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

David W. Martin, CPA
March 1, 2013