REPORT NO. 2009-177
MARCH 2009

ST. PETERSBURG COLLEGE

Financial Audit

For the Fiscal Year Ended
June 30, 2008

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 2007-08 fiscal year are listed below:

W. Richard Johnston, Chair from 7-17-07,
  Vice-Chair to 7-16-07
Deveron M. Gibbons, Vice-Chair from 7-17-07
Evelyn M. Bilirakis, Chair to 7-16-07
Terrence E. Brett from 5-09-08 (1)
Kenneth P. Burke
Cecil B. Keene to 4-04-08 (1)

Dr. Carl M. Kuttler, Jr., President

Note: (1) Position remained vacant from April 5, 2008, through May 8, 2008.

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 Dawn T. Meyers, 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 audit reports prepared by the Auditor General can be obtained on our Web site www.myflorida.com/audgen; by telephone at (850) 487-9024; 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, and 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, 2008. 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 financial statements. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the College is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the College are included in our report No. 2009-057.

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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111 West Madison Street
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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, 2008, which collectively comprise the College's basic financial statements as shown on pages 12 through 38. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which 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 on the financial statements, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely upon the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of St. Petersburg College and of its aggregate discretely presented component units as of June 30, 2008, 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.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 11 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

David W. Martin, CPA
February 27, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) of St. Petersburg College provides an overview of the financial position and activities of the College for the fiscal year ended June 30, 2008, 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 Discussions 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.

FINANCIAL HIGHLIGHTS

The College's assets totaled $327.7 million at June 30, 2008. This balance reflects a $38.1 million, or 13.2 percent, increase from the 2006-07 fiscal year primarily resulting from capital construction projects. Total liabilities at June 30, 2008, were $52.3 million, compared to $45.4 million at June 30, 2007. As a result, the College's net assets increased by $31.3 million, reaching a year-end balance of $275.5 million.

The College's revenues totaled $213.1 million for the 2007-08 fiscal year, representing a 6.2 percent increase over the 2006-07 fiscal year primarily due to increased State Public Education Capital Outlay appropriations. Operating expenses totaled $175.1 million for the 2007-08 fiscal year representing an increase of 4.2 percent over the 2006-07 fiscal year due mainly to increases in personnel services.

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 and 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, and reports their financial activities to the State of Florida.

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

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

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

Assets, Liabilities, and Net Assets at
(In Thousands)

	College			Component Units	
	6-30-08		6-30-07	3-31-08	3-31-07
Assets					
Current Assets	$ 69,141		$ 50,818	$ 18,780	$ 15,498
Capital Assets, Net	225,441		199,368	799	722
Other Noncurrent Assets	33,151		39,425	24,596	20,922
Total Assets	327,733		289,611	44,175	37,142
Liabilities					
Current Liabilities	21,770		14,799	29	35
Noncurrent Liabilities	30,496		30,615		
Total Liabilities	52,266		45,414	29	35
Net Assets					
Invested in Capital Assets, Net of Related Debt	212,947		195,246	799	722
Restricted	29,856		20,978	42,503	35,760
Unrestricted	32,664		27,973	844	625
Total Net Assets	$ 275,467		$ 244,197	$ 44,146	$ 37,107
Increase in Net Assets	$ 31,270	12.8%		$ 7,039	19.0%

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

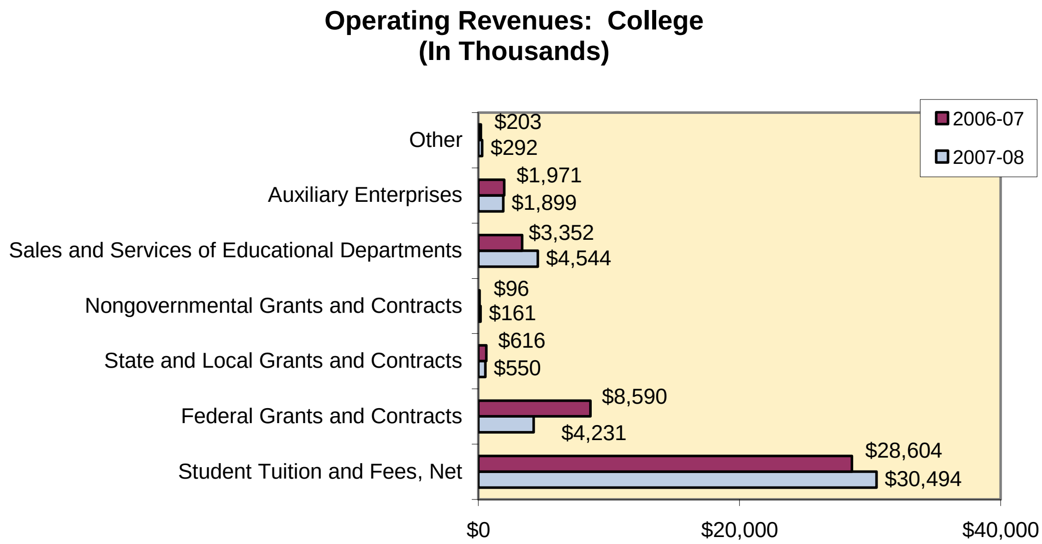
Operating Results for the Fiscal Years Ended
(In Thousands)

	College		Component Units	
	6-30-08	6-30-07	3-31-08	3-31-07
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	$ 30,494	$ 28,604	$	$
Federal Grants and Contracts	4,231	8,590		
State and Local Grants and Contracts	550	616		
Nongovernmental Grants and Contracts	161	96		
Sales and Services of Educational Departments	4,544	3,352		
Auxiliary Enterprises	1,899	1,971		
Other Operating Revenues	292	203	11,165	7,189
Total Operating Revenues	42,171	43,432	11,165	7,189
Less, Operating Expenses	175,115	168,100	7,353	4,419
Operating Income (Loss)	(132,944)	(124,668)	3,812	2,770
Nonoperating Revenues (Expenses)				
State Appropriations	76,443	70,166		
Other Nonoperating Revenues	48,757	49,241	121	2,392
Interest on Capital Asset-Related Debt	(1,690)	(185)		
Nonoperating Expenses	(5,000)		(737)	
Net Nonoperating Revenues (Expenses)	118,510	119,222	(616)	2,392
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(14,434)	(5,446)	3,196	5,162
Capital Appropriations	38,327	25,173		
Capital Grants, Contracts, Gifts, and Fees	7,219	12,616	76	
Additions to Endowments	158	65	3,767	4,529
Increase in Net Assets	31,270	32,408	7,039	9,691
Net Assets, Beginning of Year	244,197	211,789	37,107	27,416
Net Assets, End of Year	$ 275,467	$ 244,197	$ 44,146	$ 37,107

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 give up or receive something of equal or similar value.

The following chart presents the College's operating revenues for the 2007-08 and 2006-07 fiscal years:



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

- Net student tuition and fee revenue increased by $1.9 million, or 6.6 percent. This increase was the result of a mid-year 5 percent increase in tuition and fees and an increase in student enrollment.
- Several Federal contracts from the United States Department of Defense for military defense products and services ended resulting in a decrease of $4.4 million.
- Sales and services increased $1.2 million, attributable to collaborative lab service sales and the use of college facilities by other entities.

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.

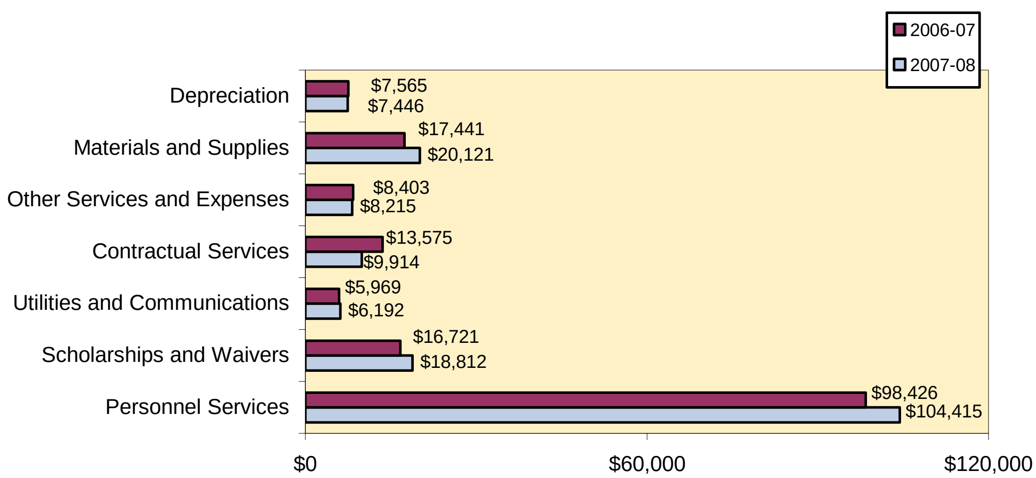
Operating expenses for the College and its component units for the respective fiscal years ended are presented in the following table:

Operating Expenses
(In Thousands)

	College		Component Units	
	6-30-08	6-30-07	3-31-08	3-31-07
Operating Expenses				
Personnel Services	$ 104,415	$ 98,426	$	$
Scholarships and Waivers	18,812	16,721	5,289	2,901
Utilities and Communications	6,192	5,969		
Contractual Services	9,914	13,575	126	
Other Services and Expenses	8,215	8,403	1,496	1,343
Materials and Supplies	20,121	17,441	442	175
Depreciation	7,446	7,565		
Total Operating Expenses	$ 175,115	$ 168,100	$ 7,353	$ 4,419

The following chart presents the College's operating expenses for the 2007-08 and 2006-07 fiscal years.

Operating Expenses: College
(In Thousands)



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

- There was an increase of personnel services (salaries and benefits) expenditures totaling $6 million, or 6.1 percent. This increase was mainly due to a 1.2 percent nonrecurring annual salary increase with associated benefit increases, increasing health insurance benefit costs and new positions to support enrollment growth.
- Scholarships increased $2.1 million due to increased Federal, State and institutional funding for student financial assistance.
- Materials and supplies increased $2.7 million primarily due to increased remodeling and renovation materials expenses for College-wide projects.

Nonoperating Revenues and Expenses

Certain revenue sources that the College relies on to provide funding for operations, including State 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 2007-08 and 2006-07 fiscal years:

Nonoperating Revenues (Expenses): College
(In Thousands)

	2007-08	2006-07
State Appropriations	$ 76,443	$ 70,166
Gifts and Grants	46,180	45,639
Investment Income	2,577	3,602
Interest on Capital Asset-Related Debt	(1,690)	(185)
Other Nonoperating Expenses	(5,000)	
Net Nonoperating Revenues	$ 118,510	$ 119,222

Nonoperating changes were the result of the following factors:

- Following State revenue reductions, the recurring State appropriations decreased by $2.6 million, or 4 percent. The College also received $8.9 million nonrecurring categorical State appropriations.
- Investment income decreased by $1 million, or 28.5 percent. This decrease is a result of market fluctuations and lower interest rates compared to the prior fiscal year.
- Interest on capital asset-related debt increased $1.5 million due to the first annual repayment of the capital improvement revenue bonds.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations and capital grants, contracts, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2007-08 and 2006-07 fiscal years:

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

	2007-08	2006-07
Capital Appropriations	$ 38,327	$ 25,173
Capital Grants, Contracts, Gifts, and Fees	7,219	12,616
Additions to Endowments	158	65
Total	$ 45,704	$ 37,854

The College's other revenues increased by $7.9 million, primarily because of an increase in capital appropriations for construction projects.

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 2007-08 and 2006-07 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College
(In Thousands)

	2007-08	2006-07
Cash Provided (Used) by:		
Operating Activities	$ (120,010)	$ (117,490)
Noncapital Financing Activities	117,179	116,992
Capital and Related Financing Activities	(2,775)	29,649
Investing Activities	14,854	3,536
Net Increase in Cash and Cash Equivalents	9,248	32,687
Cash and Cash Equivalents, Beginning of Year	53,300	20,613
Cash and Cash Equivalents, End of Year	$ 62,548	$ 53,300

Major sources of funds came from State appropriations ($76.4 million), net student tuition and fees ($31.9 million), grants and contracts ($5.5 million), and sales and services of educational departments ($4.5 million).

The College's overall cash and cash equivalents increased for the 2007-08 fiscal year by $9.2 million, or 17.4 percent over the prior fiscal year. The following briefly describes the factors for the increase in cash flows:

- Operating activities used $2.5 million more cash compared to the previous fiscal year due to nonrecurring increases in employee wages and benefits, payments for scholarships and a reduction in operating Federal contracts.
- Noncapital financing activities provided $.2 million more compared to the previous fiscal year primarily due to the nonrecurring special projects' State appropriation.
- Capital and related financing activities used $32.4 million more compared to the previous fiscal year due to an increase in purchases of construction services.
- Cash provided from investing activities increased by $11.3 million due to the liquidation of government-backed securities for the funding of accelerated construction projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2008, the College had $300.6 million in capital assets, less accumulated depreciation of $75.2 million, for net capital assets of $225.4 million. Depreciation charges for the current fiscal year totaled $7.4 million. The following table summarizes the College's capital assets for the 2007-08 fiscal year:

Capital Assets: College
(In Thousands)

Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	$ 23,317	$	$	$ 23,317
Buildings	198,649	19,840	1,548	216,941
Other Structures and Improvements	10,702			10,702
Furniture, Machinery, and Equipment	24,926	1,302	1,505	24,723
Construction in Progress	12,268	18,114	5,407	24,975
Total	269,862	39,256	8,460	300,658
Less, Accumulated Depreciation:				
Buildings	40,572	5,014	1,218	44,368
Other Structures and Improvements	10,003	175		10,178
Furniture, Machinery, and Equipment	19,919	2,257	1,505	20,671
Total Accumulated Depreciation	70,494	7,446	2,723	75,217
Capital Assets, Net	$ 199,368	$ 31,810	$ 5,737	$ 225,441

The College plans $17.9 million in capital expenditures for the 2008-09 fiscal year. Projects planned include: collegewide site acquisition and general renovations; remodeling of classrooms, labs and institutional support space at the Downtown Center; and major building renovations at the Clearwater and St. Petersburg/Gibbs Campuses. State appropriations, 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 $23.3 million in long-term debt outstanding. The following table summarizes outstanding long-term debt by type for the fiscal years ended June 30, 2008, and June 30, 2007:

Long-Term Debt: College
(In Thousands)

	2007-08	2006-07
SBE Capital Outlay Bonds	$ 3,485	$ 3,770
Capital Improvement Revenue Bonds	19,835	20,500
Total	$ 23,320	$ 24,270

During the 2007-08 fiscal year, there were no bond sales and debt repayments totaled $950,000. More detailed information about the College's long-term liabilities is presented in the notes to financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

St. Petersburg College's economic position is closely tied to that of the State of Florida. Because of the downturn of the economy and increased demand for State resources, the College expects a further reduction in the 2008-09 fiscal year State appropriations. In response to the lack of State appropriation increases, the Board of Trustees increased the tuition rate 6 percent to take effect with the Fall 2008-09 term. The College's current financial and capital plans indicate that implementing cost-saving measures to reduce expenses and the infusion of additional financial resources from an increase in tuition rates will be necessary to maintain its present level of services.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
As of June 30, 2008

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 11,055,326	$ 9,074,048
Restricted Cash and Cash Equivalents	19,424,142	
Investments		7,177,993
Accounts Receivable, Net	1,378,864	2,170,282
Notes Receivable, Net	18,206	331,176
Due from Other Governmental Agencies	34,981,247	
Due from Component Units	1,080,069	
Inventories	135,498	19,464
Prepaid Expenses	1,065,032	
Other Assets	2,349	7,579
Total Current Assets	69,140,733	18,780,542
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	32,068,535	
Restricted Investments	1,082,925	
Endowment Investments		23,422,074
Notes Receivable		1,101,261
Depreciable Capital Assets, Net	177,149,766	
Nondepreciable Capital Assets	48,291,699	798,637
Other Assets		72,750
Total Noncurrent Assets	258,592,925	25,394,722
TOTAL ASSETS	$ 327,733,658	$ 44,175,264
LIABILITIES		
Current Liabilities:		
Accounts Payable	$ 6,060,305	$ 2,201
Salary and Payroll Taxes Payable	2,270,436	
Retainage Payable	3,637,632	
Due to College		4,129
Deferred Revenue	659,679	22,800
Estimated Claims Payable	704,012	
Deposits Held for Others	6,579,836	
Long-Term Liabilities - Current Portion:		
Bonds Payable	990,000	
Compensated Absences Payable	867,962	
Total Current Liabilities	21,769,862	29,130
Noncurrent Liabilities:		
Bonds Payable	22,330,000	
Compensated Absences Payable	7,811,658	
Postemployment Health Care Benefits Payable	243,000	
Estimated Arbitrage Rebate Payable	111,706	
Total Noncurrent Liabilities	30,496,364	
TOTAL LIABILITIES	52,266,226	29,130

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2008

	College	Component Units
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 212,947,096	$ 798,637
Restricted:		
Nonexpendable:		
Endowment		23,422,074
Expendable:		
Grants and Other	6,268,976	19,080,694
Endowment	1,730,942	
Loans	953,334	
Scholarships	207,018	
Capital Projects	20,601,542	
Debt Service	94,404	
Unrestricted	32,664,120	844,729
Total Net Assets	275,467,432	44,146,134
TOTAL LIABILITIES AND NET ASSETS	$ 327,733,658	$ 44,175,264

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, 2008

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of $15,079,043	$ 30,494,249	$
Federal Grants and Contracts	4,230,424	
State and Local Grants and Contracts	550,404	
Nongovernmental Grants and Contracts	161,287	
Sales and Services of Educational Departments	4,543,726	
Auxiliary Enterprises	1,899,496	
Other Operating Revenues	291,880	11,165,686
Total Operating Revenues	42,171,466	11,165,686
EXPENSES		
Operating Expenses:		
Personnel Services	104,415,074	
Scholarships and Waivers	18,811,914	5,288,487
Utilities and Communications	6,192,267	
Contractual Services	9,914,057	125,976
Other Services and Expenses	8,214,747	1,496,389
Materials and Supplies	20,120,897	442,435
Depreciation	7,445,898	
Total Operating Expenses	175,114,854	7,353,287
Operating Income (Loss)	(132,943,388)	3,812,399
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	76,442,592	
Gifts and Grants	46,180,314	57,570
Investment Income (Loss)	2,576,544	(737,445)
Other Nonoperating Revenues		63,558
Interest on Capital Asset-Related Debt	(1,689,802)	
Other Nonoperating Expenses	(5,000,000)	
Net Nonoperating Revenues (Expenses)	118,509,648	(616,317)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(14,433,740)	3,196,082
Capital Appropriations	38,326,597	
Capital Grants, Contracts, Gifts, and Fees	7,218,667	76,367
Additions to Permanent Endowments	158,569	3,766,558
Total Other Revenues	45,703,833	3,842,925
Increase in Net Assets	31,270,093	7,039,007
Net Assets, Beginning of Year	244,197,339	37,107,127
Net Assets, End of Year	$ 275,467,432	$ 44,146,134

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, 2008

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	$ 31,938,470
Grants and Contracts	5,549,212
Payments to Suppliers	(35,895,179)
Payments for Utilities and Communications	(6,192,267)
Payments to Employees	(81,662,457)
Payments for Employee Benefits	(21,626,400)
Payments for Scholarships	(18,811,914)
Net Loans Issued to Students	521,319
Collection of Loans to Students	(519,027)
Auxiliary Enterprises	1,852,280
Sales and Service of Educational Departments	4,543,726
Other Receipts	291,880
Net Cash Used by Operating Activities	(120,010,357)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	76,442,592
Gifts and Grants	45,577,622
Private Gifts for Endowment Purposes	158,569
Other Nonoperating Disbursements	(5,000,000)
Net Cash Provided by Noncapital Financing Activities	117,178,783
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	24,161,822
Capital Grants and Gifts	7,249,543
Proceeds from Sale of Capital Assets	329,602
Purchases of Capital Assets	(31,876,466)
Principal Paid on Capital Debt	(950,000)
Interest Paid on Capital Debt	(1,689,802)
Net Cash Used by Capital and Related Financing Activities	(2,775,301)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	13,157,785
Investment Income	2,585,299
Purchase of Investments	(888,659)
Net Cash Provided by Investing Activities	14,854,425
Net Increase in Cash and Cash Equivalents	9,247,550
Cash and Cash Equivalents, Beginning of Year	53,300,453
Cash and Cash Equivalents, End of Year	$ 62,548,003

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2008

		College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$	(132,943,388)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation Expense		7,445,898
Changes in Assets and Liabilities:		
Receivables, Net		227,606
Inventories		(22,072)
Other Assets		(342,919)
Accounts Payable		3,028,590
Deferred Revenue		(1,647)
Deposits Held for Others		1,780,435
Compensated Absences Payable		574,140
Postemployment Health Care Benefits Payable		243,000
NET CASH USED BY OPERATING ACTIVITIES	$	(120,010,357)

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, 2008

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

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

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, 2008. 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. These entities are managed independently, outside the College's budgeting process, and their powers generally are vested in a governing board pursuant to various State statutes. These entities receive, hold, invest, and administer property and make expenditures to or for the benefit of the College.

Basis of Presentation. The College's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the College with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public colleges various reporting options. The College 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

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,

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The College's component units use the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. 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 FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

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

The College's principal operating activity is instruction. Operating revenues and expenses generally include all fiscal transactions directly related to instruction as well as administration, academic support, student services, physical plant operations, and depreciation of capital assets. Nonoperating revenues include State 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 considered 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 for Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.*

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

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 investments with the State Treasury and the State Board of Administration (SBA). For the purpose of 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 the State Treasury Special Purpose Investment Account (SPIA) and State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool (LGIP) 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, 2008, the College reported as cash equivalents at fair value $58,061,124 of moneys held 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 AA-f by Standard & Poor's and had an effective duration of 3.31 years at June 30, 2008. The College relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool.

At June 30, 2008, the College reported as cash equivalents at fair value $2,629,683 of moneys held in the Local Government Surplus Funds Trust Fund Investment Pool (LGIP) administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The College's investments in the LGIP, which the SBA indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, at June 30, 2008, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The LGIP carried a credit rating of AAAm by Standard and Poor's and had a weighted-average days to maturity (WAM) of 20.22 days at June 30, 2008. 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 LGIP to interest rate changes. The investments in the LGIP 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; and furniture, machinery, and equipment. 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

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

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

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

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 Local Government Surplus Funds Trust Fund investment pools administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the College's Board of Trustees as authorized by law. State Board of Education 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.

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

The College's investments at June 30, 2008, are reported at fair value, as follows:

Investment Type	Amount
State Board of Administration Fund B Surplus Funds Trust Fund	$ 888,659
State Board of Administration Debt Service Accounts	82,560
State Board of Administration Debt Service Rebate Accounts	111,706
Total College Investments	$ 1,082,925

State Board of Administration Fund B Surplus Funds Trust Fund

On December 4, 2007, the State Board of Administration (SBA) restructured the Local Government Surplus Funds Trust Fund (LGIP) to also establish the Fund B Surplus Funds Trust Fund. Fund B, which is administered by the SBA pursuant to Sections 218.405 and 218.417, Florida Statutes, 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 LGIP, consistent with the pro rata allocation of pool shareholders of record at the creation date of Fund B. One hundred percent of such distributions from Fund B are available as liquid balance within the LGIP.

At June 30, 2008, the College reported investments at fair value of $888,659 for amounts held 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 0.923331 at June 30, 2008. The weighted-average life (WAL) of Fund B at June 30, 2008, was 9.22 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, 2008. 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 at fair value totaling $82,560 at June 30, 2008, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education 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 State Board of Administration for managing interest rate risk or credit risk for this account. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

State Board of Administration Debt Service Rebate Accounts

The College reported investments at fair value totaling $111,706 at June 30, 2008, in the State Board of Administration Debt Service Rebate Accounts. These investments are for the arbitrage rebate liability required for the Community College Capital Improvement Revenue Bonds, Series 2006-A. The College's investments consist of United States Treasury securities, with maturity dates of six months or less. The College relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for this account.

Component Unit Investments

Investments held by the College's component unit, St. Petersburg College Foundation, Inc. (Foundation), at March 31, 2008 are reported at fair value as follows:

Investment Type	Amount
U. S. Government Obligations	$ 1,267,856
Federal Agency Obligations	4,307,322
Bonds and Notes	2,499,540
Stocks and Other Equity Securities	20,179,796
Mututal Funds	2,345,553
Total Component Unit Investments	**$ 30,600,067**

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

Interest Rate and Credit Risk: The Foundation's investment policy limits investments in fixed-income securities to maturities of no longer than 30 years. The Foundation has $5,575,178 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 May 2008 and June 2036.

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 less than 10 percent of that particular portfolio's assets.

The following are maturities and credit quality ratings for the Foundation's investments in debt securities and mutual funds, at March 31, 2008:

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

Investment Type	Investment Maturities (In Years)					
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Credit Quality Range (1)
U. S. Government Obligations	$ 1,267,856	$	$ 207,695	$ 465,630	$ 594,531	(2)
Federal Agency Obligations	4,307,322	4,600	845,113	846,507	2,611,102	AAA
Bonds and Notes	2,499,540	104,368	883,429	933,186	578,557	BBB - AAA
Fixed Income Mutual Funds (3)(6)	112,559				112,559	AAA
Fixed Income Mutual Funds (4)(6)	45,544				45,544	AAA
Fixed Income Mutual Funds (5)(6)	146,391				146,391	AAA
Fixed Income Mutual Funds	1,322,442		240,807	1,081,635		BB - AAA
Equity Mutual Funds	718,617	718,617				Not Rated
Total Component Unit Investments	$ 10,420,271	$ 827,585	$ 2,177,044	$ 3,326,958	$ 4,088,684	

Notes: (1) Rated by Standard & Poor's.
(2) Disclosure of credit risk is not required for this investment type.
(3) This Fixed Income Mutual Fund has a weighted average maturity of 27.20 years.
(4) This Fixed Income Mutual Fund has a weighted average maturity of 20.50 years.
(5) This Fixed Income Mutual Fund has a weighted average maturity of 15.50 years.
(6) Weighted average credit rating.

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 10 percent of total investment assets at market value. U. S. 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 10 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 70 percent in equities and 30 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 for food service and vending machine sales, unused credit memos, and contract and grant reimbursements due from third parties. These receivables are reported net of a $1,214,864 allowance for uncollectible accounts.

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the Federal Perkins Loan Program of $5,323 and short-term loan program of $37,782. Notes receivable are reported net of a $24,899 allowance for uncollectible notes.

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of $31,752,595 of Public Education Capital Outlay allocations due from the State for construction of College facilities.

6. DUE FROM AND TO COMPONENT UNITS/COLLEGE

The College's financial statements are reported for the fiscal year ended June 30, 2008. The College's component units' financial statements are reported for the fiscal year ended March 31, 2008. Accordingly, amounts reported as due from and to component units on the statement of net assets do not agree with amounts reported by the component units as due from and to the College.

7. INVENTORIES

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

8. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, is shown below:

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	$ 23,316,765	$	$	$ 23,316,765
Construction in Progress	12,268,654	18,114,055	5,407,775	24,974,934
Total Nondepreciable Capital Assets	$ 35,585,419	$ 18,114,055	$ 5,407,775	$ 48,291,699
Depreciable Capital Assets:				
Buildings	$ 198,648,609	$ 19,840,307	$ 1,547,578	$ 216,941,338
Other Structures and Improvements	10,702,473			10,702,473
Furniture, Machinery, and Equipment	24,925,979	1,302,084	1,504,816	24,723,247
Total Depreciable Capital Assets	234,277,061	21,142,391	3,052,394	252,367,058
Less, Accumulated Depreciation:				
Buildings	40,571,893	5,014,166	1,217,976	44,368,083
Other Structures and Improvements	10,003,312	174,790		10,178,102
Furniture, Machinery, and Equipment	19,918,981	2,256,942	1,504,816	20,671,107
Total Accumulated Depreciation	70,494,186	7,445,898	2,722,792	75,217,292
Total Depreciable Capital Assets, Net	$ 163,782,875	$ 13,696,493	$ 329,602	$ 177,149,766

9. DEFERRED REVENUE

Deferred revenue includes grants and contracts and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2008, the College reported the following amounts as deferred revenue:

Description	Amount
Grants and Contracts	$ 537,448
Student Tuition and Fees	122,231
Total Deferred Revenue	$ 659,679

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

10. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2008, include bonds, compensated absences, and postemployment health care benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2008, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	$ 24,270,000	$	$ 950,000	$ 23,320,000	$ 990,000
Compensated Absences Payable	8,105,480	2,190,261	1,616,121	8,679,620	867,962
Postemployment Health Care Benefits Payable		243,000		243,000	
Estimated Arbitrage Rebate Payable		111,706		111,706	
Total Long-Term Liabilities	$ 32,375,480	$ 2,544,967	$ 2,566,121	$ 32,354,326	$ 1,857,962

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

- State Board of Education Capital Outlay Bonds. The State Board of Education 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 State Board of Education and the State Board of Administration administer the principal and interest payments, investment of debt service resources, and compliance with reserve requirements.
- Community College Capital Improvement Revenue Bonds, Series 2006-A. 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 2006-A participating community colleges on a parity with any additional bonds issued subsequent to the issuance of the 2006-A bonds. These bonds constitute the first series of bonds to be issued pursuant to a Master Authorizing Resolution. Upon the issuance of additional bonds, all bonds will share a parity first lien on the pledged revenues of all community colleges participating in any series of bonds then outstanding. The 2006-A bonds will share the lien of such additional bonds on the 2006-A pledged revenues and on the revenues pledged by the community colleges participating in such additional bonds. The bonds were issued for new construction and renovation and remodeling of educational facilities.

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

The College had the following capital outlay bonds payable and revenue bonds payable outstanding at June 30, 2008:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education			
Capital Outlay Bonds:			
Series 2002-B	$ 765,000	3.50 - 5.375	2014
Series 1999-A	2,720,000	4.125 - 4.75	2019
Total State Board of Education Capital Outlay Bonds	3,485,000		
Community College Revenue Bonds Series 2006-A	19,835,000	3.50 - 5.00	2027
Total Bonds Payable	$ 23,320,000		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2008, are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
State Board of Education Outlay Bonds:			
2009	$ 295,000	$ 162,975	$ 457,975
2010	305,000	151,494	456,494
2011	325,000	137,000	462,000
2012	345,000	121,325	466,325
2013	365,000	106,450	471,450
2014-2018	1,525,000	289,681	1,814,681
2019	325,000	15,438	340,438
Total State Board of Education Capital Outlay Bonds	3,485,000	984,363	4,469,363
Community College Revenue Bonds:			
2009	695,000	883,050	1,578,050
2010	720,000	855,250	1,575,250
2011	750,000	826,450	1,576,450
2012	780,000	796,450	1,576,450
2013	810,000	765,250	1,575,250
2014-2018	4,575,000	3,303,750	7,878,750
2019-2023	5,780,000	2,102,000	7,882,000
2024-2027	5,725,000	573,900	6,298,900
Total Community College Revenue Bonds	19,835,000	10,106,100	29,941,100
Total	$ 23,320,000	$ 11,090,463	$ 34,410,463

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

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 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, 2008, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled $8,679,620. Of this amount, $867,962 is considered a current liability as this is 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, 2008.

Postemployment Health Care Benefits Payable. Effective for the 2007-08 fiscal year, the College implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits administered by the College. The requirements of this Statement are being implemented prospectively, with the actuarially determined liability of $4,521,000 at July 1, 2007, the date of transition, amortized over 30 years. Accordingly, for financial statement reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of transition.

Plan Description. The Postemployment Health Care Benefits 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 health and hospitalization plan for medical and prescription drug coverages. 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 and the College's Plan provides secondary coverage. The College does not issue a stand-alone report and is not included in the annual report of a public employee retirement system or another entity.

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Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits may be amended by the Board of Trustees. Contribution requirements of the College are established and may be amended through recommendations of the Insurance Committee and actions from the Board. The College has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2007-08 fiscal year, 111 retirees received postemployment health care and prescription drug benefits. The College provided required contributions of $227,000 toward the 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 $659,993.

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 Governmental Accounting Standards No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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)	$ 274,000
Amortization of Unfunded Actuarial Accrued Liability	182,000
Interest on Normal Cost and Amortization	14,000
Annual Required Contribution	470,000
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB Cost (Expense)	470,000
Contribution Toward the OPEB Cost	227,000
Increase in Net OPEB Obligation	243,000
Net OPEB Obligation, Beginning of Year	-
Net OPEB Obligation, End of Year	$ 243,000

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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, 2008 (the year of implementation), was as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	$		$
2007-08	470,000	48.3%	243,000

Funded Status and Funding Progress. As of June 30, 2008, the actuarial accrued liability for benefits was $4,521,000 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $4,521,000. The covered payroll (annual payroll of active participating employees) was $65,439,956 for the 2007-08 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.9 percent.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the health care 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. 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 initial OPEB actuarial valuation as of July 1, 2007, used the unit credit actuarial method to estimate the unfunded actuarial liability as of June 30, 2008, and to estimate the 2007-08 fiscal year annual required contribution. This method was selected because it provides the most logical correlation between accruing and expensing of retiree benefits. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 5 percent rate of return on invested assets, which is the College's expectation of investment returns. The actuarial assumptions also included a level percentage of projected payroll growth rate per year, and an annual health care cost trend rate of 11 percent initially for the 2007-08 fiscal year,

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reduced by 0.5 percent per year, to an ultimate rate of 6 percent after ten years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll method. The remaining amortization period at June 30, 2008, was 29 years.

11. RETIREMENT PROGRAMS

Florida Retirement System. The Florida Retirement System (FRS) is primarily a State-administered, cost-sharing, multiple-employer, defined-benefit retirement plan (Plan). FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty 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.

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

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The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2007-08 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
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 .05 percent for administrative costs of the Public Employee Optional Retirement Program.
(B) Contribution rates are dependent upon retirement class or plan in which reemployed.

The College's liability for participation 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 for the fiscal years ended June 30, 2006, June 30, 2007, and June 30, 2008, totaled $3,489,705, $4,504,464, and $4,466,633, respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined-contribution plan alternative available to all FRS members in lieu of the FRS defined-benefit plan. College employees already participating in the State Community College System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Benefits in the plan vest at one year of service. There were 253 College participants during the 2007-08 fiscal year. Required contributions made to the PEORP totaled $983,877.

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

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State Community College System Optional Retirement Program. Section 1012.875, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible community college instructors and administrators. The Program is designed to aid community 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 community college contributes, on behalf of the participant, 10.43 percent of the participant's salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the community college to the participant's annuity account.

There were 222 College participants during the 2007-08 fiscal year. Required employer contributions made to the Program totaled $1,474,949.

12. CONSTRUCTION COMMITMENTS

The College's major construction commitments at June 30, 2008, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
Clearwater Campus:			
Natural Science and Math Building	$ 17,704,850	$ 11,478,257	$ 6,226,593
St. Petersburg/Gibbs Campus:			
Joseph H. Lang Student Center Remodeling	10,557,715	5,581,602	4,976,113
Tarpon Springs Center:			
Olympia Building Remodeling	5,063,989	98,017	4,965,972
EpiCenter:			
Annex 2 Remodeling and Roof Replacement	8,534,029	1,958,533	6,575,496
Total	$ 41,860,583	$ 19,116,409	$ 22,744,174

13. OPERATING LEASE COMMITMENTS

The College leased building space, computer equipment, and copiers under operating leases, which expire in 2012. 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

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commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2009	$ 725,627
2010	506,521
2011	271,526
2012	85,249
Total Minimum Payments Required	$ 1,588,923

14. RISK MANAGEMENT PROGRAMS

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College provided coverage for these risks primarily through the Florida Community Colleges Risk Management Consortium, which was created under authority of Section 1001.64(27), Florida Statutes, by the boards of trustees of the Florida public 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 $115 million through February 2008, and $200 million starting March 1, 2008. Insurance coverage obtained through the Consortium included fire and extended property, general and automobile liability, workers' compensation, and other liability coverage. Settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Self-Insured Program. The Board has established an individual self-insured program to provide group health insurance for its employees, retirees, former employees, and their dependents. The College's liability was limited by excess reinsurance to $200,000 per insured person for the 2007-08 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 liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend upon such complex factors as inflation, change in legal doctrines,

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and damage awards, the process used in computing the claims liability does not necessarily result in an exact amount. The College reevaluates claims liabilities periodically and the claims liabilities totaled $704,012 as of June 30, 2008.

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
2006-07	$ 462,951	$ 8,474,669	$ 8,285,049	$ 652,571
2007-08	652,571	9,407,847	9,356,406	704,012

15. LITIGATION

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

16. SCHEDULE OF STATE REVENUE SOURCES

Revenue from State sources for current operations is primarily from the Community College Program Fund administered by the Florida Department of Education under the provisions of Sections 1011.81, Florida Statutes. In accordance with Section 1011.84, Florida Statutes, the Legislature determines each college's apportionment considering the following components: base budget, which includes the State appropriation to the Community College Program Fund in the current year plus the related student tuition and fees assigned in the current General Appropriations Act; the cost-to-continue allocation which consists of incremental changes to the base budget, including salaries, price levels, and other related costs; enrollment workload adjustments; operation costs of new facilities adjustments; and new and improved program enhancements, which shall be determined by the Legislature. Student fees in the base budget plus student fee revenues generated by increases in fee rates are deducted from the sum of these components to determine the net annual State apportionment to each college.

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

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

Source	Amount
Community College Program Fund	$ 61,629,851
Gross Receipts Tax (Public Education Capital Outlay)	37,627,616
Education Enhancement Trust Fund (Lottery)	6,419,247
Baccalaureate Program	6,483,486
Florida Student Assistance Grants	3,335,685
Bright Futures Scholarship Program	3,200,903
Restricted Contracts and Grants	1,701,842
Performance Based Incentives	1,087,230
Motor Vehicle License Tax (Capital Outlay and Debt Service)	698,981
Other State Sources	20,303
Total	$ 122,205,144

17. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

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

Functional Classification	Amount
Instruction	$ 74,696,115
Public Services	1,188,618
Academic Support	24,246,535
Student Services	13,461,383
Institutional Support	16,216,982
Operation and Maintenance of Plant	18,358,863
Scholarships and Fellowships	19,418,253
Depreciation	7,445,898
Auxiliary Enterprises	82,207
Total Operating Expenses	$ 175,114,854

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18. 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:

	St. Petersburg College Foundation, Inc.	St. Petersburg College Alumni Association, Inc.	Leepa-Rattner Museum of Art Art, Inc.	Total
Condensed Statement of Net Assets				
Assets:				
Current Assets	$ 18,330,595	$ 107,514	$ 342,433	$ 18,780,542
Capital Assets, Net			798,637	798,637
Other Noncurrent Assets	24,574,159		21,926	24,596,085
Total Assets	42,904,754	107,514	1,162,996	44,175,264
Liabilities:				
Current Liabilities	4,129		25,001	29,130
Noncurrent Liabilities				
Total Liabilities	4,129		25,001	29,130
Net Assets:				
Invested in Capital Assets, Net of Related Debt			798,637	798,637
Restricted	42,475,020		27,748	42,502,768
Unrestricted	425,605	107,514	311,610	844,729
Total Net Assets	$ 42,900,625	$ 107,514	$ 1,137,995	$ 44,146,134
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	$ 10,201,600	$	$ 964,086	$ 11,165,686
Operating Expenses	(6,334,669)	(64,964)	(953,654)	(7,353,287)
Operating Income (Loss)	3,866,931	(64,964)	10,432	3,812,399
Net Nonoperating Revenues (Expenses)	(747,641)	63,557	67,767	(616,317)
Other Revenues, Expenses, Gains, and Losses	3,766,558		76,367	3,842,925
Increase (Decrease) in Net Assets	6,885,848	(1,407)	154,566	7,039,007
Net Assets, Beginning of Year	36,014,777	108,921	983,429	37,107,127
Net Assets, End of Year	$ 42,900,625	$ 107,514	$ 1,137,995	$ 44,146,134

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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, 2008, 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. The financial statements of the St. Petersburg College Alumni Association, Inc., a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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 opinions 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 *control deficiency* 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 misstatements on a timely basis. A

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significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 operational matters that we reported to College management in our report No. 2009-057, dated November 2008.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report 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
February 27, 2009