



AUDITOR GENERAL
DAVID W. MARTIN, CPA



ST. PETERSBURG COLLEGE

Financial Audit

For the Fiscal Year Ended June 30, 2007

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

Board Member

Evelyn M. Bilirakis, Chair from 7-18-06,
Vice-Chair to 7-17-06

W. Richard Johnston, Vice-Chair from 7-18-06

Cecil B. Keene, Chair to 7-17-06

Kenneth P. Burke

Deveron M. Gibbons

ST. PETERSBURG COLLEGE

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EXECUTIVE SUMMARY

The audit of the financial statements of St. Petersburg College for the fiscal year ended June 30, 2007, was conducted pursuant to the provisions of Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

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

- We found that the College's financial statements presented fairly, in all material respects, the financial positions of the College and its discretely presented component units as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended.
- No significant deficiencies are noted in our report of the College's internal control over financial reporting.
- The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This audit was coordinated by Vanessa J. Cellini and supervised by Karen J. Collington, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at tedsauerbeck@aud.state.fl.us or by telephone at (850) 487-4468.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (<http://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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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, 2007, as shown on pages 15 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 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 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 these entities, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the 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, 2007, and the respective changes in financial

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

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of 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 5 through 14 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
March 6, 2008



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

We have audited the financial statements of 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, 2007, 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. 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 purposes 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 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*.

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

Respectfully submitted,



David W. Martin, CPA
March 6, 2008

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 St. Petersburg College for the fiscal year ended June 30, 2007, 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 activities of the College for the fiscal years ended June 30, 2007, and June 30, 2006, and its component units (St. Petersburg College Foundation, Inc., St. Petersburg College Alumni Association, Inc., and the Leepa-Rattner Museum of Art, Inc.) for the fiscal years ended March 31, 2007, and March 31, 2006, and should be read in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

The College's assets totaled \$289.6 million at June 30, 2007. This balance reflects a \$53 million, or 22.4 percent, increase from the 2005-06 fiscal year, primarily resulting from capital construction projects and capital asset gifts of \$17.3 million, increases in short-term investments of \$8.8 million, and the receipt of revenue bond proceeds of \$20.5 million to fund future construction projects. The revenue bonds created an increase in liabilities of \$20.5 million. Total liabilities at June 30, 2007, were \$45.4 million, compared to \$24.8 million at June 30, 2006. As a result, the College's net assets increased by \$32.4 million, reaching a year end balance of \$244.2 million.

The College's revenues totaled \$200.7 million for the 2006-07 fiscal year, representing a 14.1 percent increase over the 2005-06 fiscal year due mainly to increases in State appropriations, capital gifts, grant revenues, and increased investment earnings. Operating expenses totaled \$168.1 million for the 2006-07 fiscal year, representing an increase of 4 percent over the 2005-06 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, 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 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)				
	<u>College</u>		<u>Component Units</u>	
	<u>6-30-07</u>	<u>6-30-06</u>	<u>3-31-07</u>	<u>3-31-06</u>
Assets				
Current Assets	\$ 50,818	\$ 38,004	\$ 15,498	\$ 11,229
Capital Assets, Net	199,368	182,093	722	530
Other Noncurrent Assets	<u>39,425</u>	<u>16,489</u>	<u>20,922</u>	<u>15,717</u>
Total Assets	<u>289,611</u>	<u>236,586</u>	<u>37,142</u>	<u>27,476</u>
Liabilities				
Current Liabilities	14,799	14,498	35	51
Noncurrent Liabilities	<u>30,615</u>	<u>10,299</u>	<u> </u>	<u>9</u>
Total Liabilities	<u>45,414</u>	<u>24,797</u>	<u>35</u>	<u>60</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	195,246	178,058	722	530
Restricted	20,978	9,993	35,760	26,476
Unrestricted	<u>27,973</u>	<u>23,738</u>	<u>625</u>	<u>410</u>
Total Net Assets	<u>\$ 244,197</u>	<u>\$ 211,789</u>	<u>\$ 37,107</u>	<u>\$ 27,416</u>
Increase in Net Assets	<u>\$ 32,408</u>	15.3%	<u>\$ 9,691</u>	35.3%

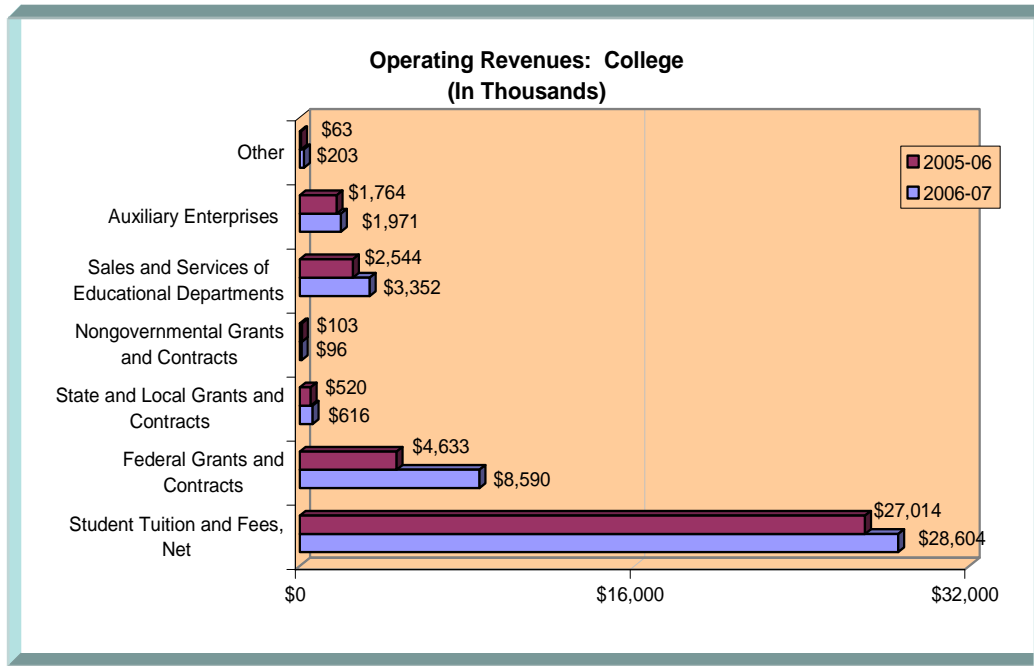
Revenues and expenses of the College and its component units for the respective fiscal years ended are shown in the following table:

Operating Results for the Fiscal Years Ended (In Thousands)				
	<u>College</u>		<u>Component Units</u>	
	<u>6-30-07</u>	<u>6-30-06</u>	<u>3-31-07</u>	<u>3-31-06</u>
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 28,604	\$ 27,014	\$	\$
Federal Grants and Contracts	8,590	4,633		
State and Local Grants and Contracts	616	520		
Nongovernmental Grants and Contracts	96	103		
Sales and Services of Educational Departments	3,352	2,544		
Auxiliary Enterprises	1,971	1,764		
Other Operating Revenues	203	63	7,189	3,123
Total Operating Revenues	43,432	36,641	7,189	3,123
Less, Operating Expenses	168,100	161,645	4,419	4,025
Operating Income (Loss)	(124,668)	(125,004)	2,770	(902)
Nonoperating Revenues (Expenses)				
State Appropriations	70,166	63,626		
Other Nonoperating Revenues	49,241	47,176	2,392	1,833
Interest on Capital Asset – Related Debt	(185)	(196)		
Net Nonoperating Revenues	119,222	110,606	2,392	1,833
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses				
	(5,446)	(14,398)	5,162	931
Capital Appropriations	25,173	20,759		
Capital Grants, Contracts, Gifts, and Fees	12,616	7,573		
Additions to Endowments	65	66	4,529	2,056
Increase in Net Assets	32,408	14,000	9,691	2,987
Net Assets, Beginning of Year	211,789	197,789	27,416	24,429
Net Assets, End of Year	\$ 244,197	\$ 211,789	\$ 37,107	\$ 27,416

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 2006-07 and 2005-06 fiscal years:



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

- Gross student tuition and fee revenue increased by \$1.8 million, or 4.5 percent. This increase was the result of a 2.5 percent increase in tuition and fees and an increase in student enrollment.
- An increase of \$4 million in operating grants and contracts includes additional Federal contracts from the Department of Defense for military defense products and services.
- Sales and services increased \$.8 million, attributable to the use of college facilities by other entities.

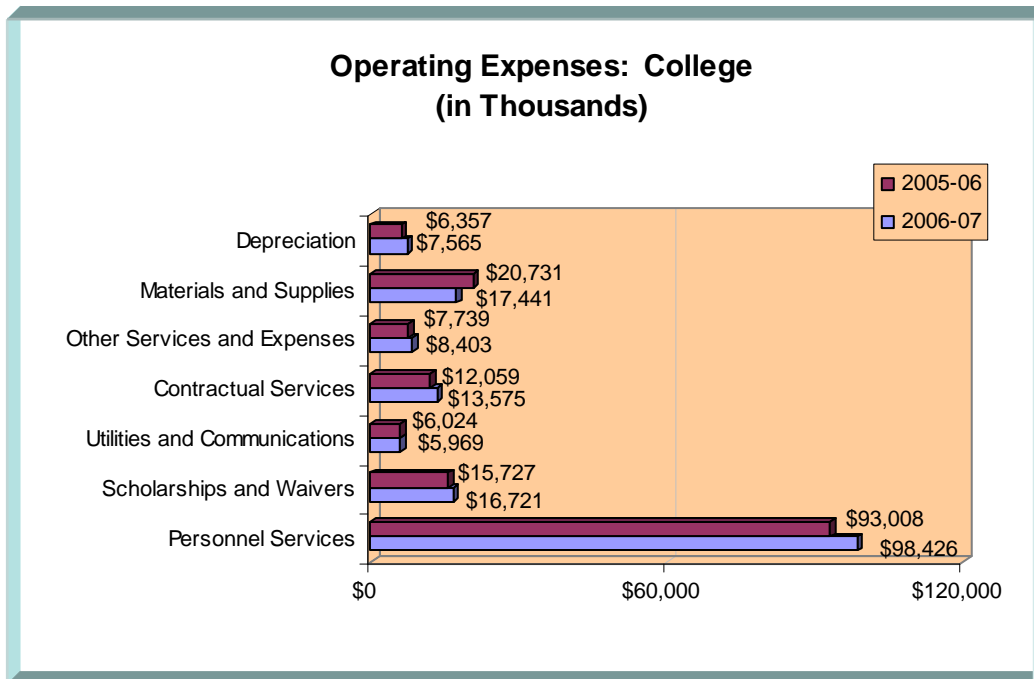
Operating Expenses

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 for the Fiscal Years Ended (In Thousands)				
	College		Component Units	
	6-30-07	6-30-06	3-31-07	3-31-06
Operating Expenses				
Personnel Services	\$ 98,426	\$ 93,008	\$	\$
Scholarships and Waivers	16,721	15,727	2,901	2,638
Utilities and Communications	5,969	6,024		
Contractual Services	13,575	12,059		
Other Services and Expenses	8,403	7,739	1,343	1,385
Materials and Supplies	17,441	20,731	175	2
Depreciation	7,565	6,357		
Total Operating Expenses	\$ 168,100	\$ 161,645	\$ 4,419	\$ 4,025

The following chart presents the College’s operating expenses for the 2006-07 and 2005-06 fiscal years:



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

- There was an increase of personnel services (salaries and benefits) expenditures totaling \$5.4 million, or 5.8 percent. This increase was mainly due to a salary increase with associated benefit increases and equity reclassifications.
- Materials and supplies decreased \$3.3 million, resuming more normal levels than had occurred during the 2005-06 fiscal year, when a higher than normal volume of repairs, maintenance, remodeling, renovation, site improvements, and nondepreciable equipment purchases were made Collegewide.
- Contracted services increased \$1.5 million due to increasing demand for consulting and specialized instructional services by the grants.

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 2006-07 and 2005-06 fiscal years:

	<u>2006-07</u>	<u>2005-06</u>
State Appropriations	\$ 70,166	\$ 63,626
Gifts and Grants	45,639	45,575
Investment Income	3,602	1,580
Other Nonoperating Revenue		21
Interest on Capital Asset-Related Debt	(185)	(196)
Net Nonoperating Revenues	<u>\$ 119,222</u>	<u>\$ 110,606</u>

Nonoperating changes were the result of the following factors:

- State appropriations increased by \$6.5 million, or 10.3 percent.
- Investment income increased by \$2 million, or 128 percent. This increase is a result of market fluctuations and higher interest rates compared to prior fiscal year and an increase of excess funds to invest.

Other Revenues, Expenses, Gains, or Losses

This category is mainly composed of capital appropriations and capital grants, gifts, and fees. The following summarizes the College's other revenues, expenses, gains, or losses for the 2006-07 and 2005-06 fiscal years:

	<u>2006-07</u>	<u>2005-06</u>
Capital Appropriations	\$25,173	\$20,759
Capital Grants, Contracts, Gifts, and Fees	12,616	7,573
Additions to Endowments	65	66
Total	<u>\$ 37,854</u>	<u>\$ 28,398</u>

The College's other revenues increased by \$9.5 million, primarily because of capital gifts and additional 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 2006-07 and 2005-06 fiscal years is presented in the following table:

Condensed Statement of Cash Flows: College (In Thousands)		
	<u>2006-07</u>	<u>2005-06</u>
Cash Provided (Used) by:		
Operating Activities	\$ (117,490)	\$ (113,038)
Noncapital Financing Activities	116,992	108,330
Capital and Related Financing Activities	29,649	(2,042)
Investing Activities	<u>3,536</u>	<u>3,835</u>
Net Increase (Decrease) in Cash and Cash Equivalents	32,687	(2,915)
Cash and Cash Equivalents, Beginning of Year	<u>20,613</u>	<u>23,528</u>
Cash and Cash Equivalents, End of Year	<u>\$ 53,300</u>	<u>\$ 20,613</u>

The College’s overall cash and cash equivalents increased for the 2006-07 fiscal year by \$32.7 million, or 158.6 percent, compared to the prior fiscal year. Changes in cash and cash equivalents were the result of the following factors:

- Operating activities used \$4.5 million more cash compared to the previous fiscal year due to increases in employee wages and benefits and payments for contractual services.
- Noncapital financing activities provided \$8.7 million more compared to the previous fiscal year due to increases in State appropriations and grants and contracts.
- Capital and related financing activities provided \$31.7 million more compared to the previous fiscal year due to the proceeds from revenue bonds, increases in capital appropriations and gifts, and a decrease in purchases of construction services.
- The cash flows from investing activities are the result of interest income, primarily from the College’s investments in the State Board of Administration Local Government Surplus Funds Trust Fund and State Treasury Special Purpose Investment Account (SPIA) investment pools.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2007, the College had \$269.9 million in capital assets, less accumulated depreciation of \$70.5 million, for net capital assets of \$199.4 million. Depreciation charges for the current fiscal year totaled \$7.6 million. The following table summarizes the College's capital assets for the 2006-07 fiscal year:

Capital Assets: College (In Thousands)				
Capital Assets	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 18,394	\$ 4,923	\$	\$ 23,317
Buildings	177,002	21,647		198,649
Other Structures and Improvements	10,702			10,702
Furniture, Machinery, and Equipment	23,726	2,819	1,619	24,926
Construction in Progress	16,818	9,426	13,976	12,268
Total	246,642	38,815	15,595	269,862
Less, Accumulated Depreciation:				
Buildings	35,483	5,089		40,572
Other Structures and Improvements	9,825	178		10,003
Furniture, Machinery, and Equipment	19,240	2,298	1,619	19,919
Total Accumulated Depreciation	64,548	7,565	1,619	70,494
Capital Assets, Net	\$ 182,094	\$ 31,250	\$ 13,976	\$199,368

The College plans \$45.1 million of capital expenditures for the 2007-08 fiscal year. Projects planned include Collegewide general renovations, remodeling of classrooms and labs at the Downtown Center, St. Petersburg/Gibbs Campus and the Health Education Center, and major building renovations at the Clearwater Campus. Included in the approved construction projects will be upgrades for compliance with safety-to-life and the American with Disabilities Act (ADA) requirements. 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 \$24.3 million in long-term debt outstanding. The State Board of Education issues capital outlay bonds and capital improvement revenue bonds on behalf of the College. During the 2006-07 fiscal year, the College participated in a capital improvement revenue bond sale and received \$20.5 million in proceeds from that sale. 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 condition is closely tied to that of the State of Florida. Because of projected shortfalls in State revenue growth and increased demand for State resources, State appropriations to the College may be reduced in the range of 4 percent to 6 percent for fiscal year 2007-08 and by an undetermined amount in fiscal year 2008-09. In the more optimistic event that State revenue growth does recover in the coming months, then only a modest increase in State funding is anticipated in the coming fiscal year. In addition, in response to the Governor's veto of student fee increases, excluding fees for Postsecondary Adult Vocation (PSAV) courses, for the academic year beginning Fall 2007 the Board of Trustees held tuition rates at the prior year levels. The fee for PSAV courses, which was not vetoed, was raised by 5 percent. Because of anticipated continued growth in student enrollment in the Florida Community College System, a mid-year 2007-08 increase in student fee rates was authorized by the October 2007 State Legislature Special Session, partially offsetting decreases in State appropriations due to the projected State revenue shortfalls. The College's current financial and capital plans indicate that some reductions and hold-backs in operating budget plans for fiscal year 2007-08 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, Post Office Box 13489, St. Petersburg, Florida 33733.

FINANCIAL SECTION

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS
As of June 30, 2007

	College	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 17,245,431	\$ 4,751,537
Restricted Cash and Cash Equivalents	9,874,915	
Investments		9,262,091
Accounts Receivable, Net	1,056,238	337,361
Notes Receivable, Net	20,498	1,009,501
Due from Other Governmental Agencies	20,673,140	
Due from Component Units	1,114,339	
Due from College		110,138
Inventories	113,427	21,180
Prepaid Expenses	719,127	
Other Assets	636	6,408
	50,817,751	15,498,216
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	26,180,107	
Investments	4,065,917	
Restricted Investments	9,179,127	
Endowment Investments		19,458,483
Notes Receivable		751,438
Depreciable Capital Assets, Net	163,782,875	
Nondepreciable Capital Assets	35,585,419	722,270
Other Assets		711,920
	238,793,445	21,644,111
	238,793,445	21,644,111
Total Current Assets	50,817,751	15,498,216
	50,817,751	15,498,216
TOTAL ASSETS	\$ 289,611,196	\$ 37,142,327
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,340,793	\$ 11,156
Salary and Payroll Taxes Payable	2,012,800	
Retainage Payable	1,665,428	
Due to College		5,294
Deferred Revenue	567,384	18,750
Estimated Claims Payable	652,571	
Deposits Held for Others	4,799,401	
Long-Term Liabilities - Current Portion:		
Bonds Payable	950,000	
Compensated Absences Payable	810,548	
	14,798,925	35,200
Total Current Liabilities	14,798,925	35,200
Noncurrent Liabilities:		
Bonds Payable	23,320,000	
Compensated Absences Payable	7,294,932	
	30,614,932	30,614,932
Total Noncurrent Liabilities	30,614,932	30,614,932
	30,614,932	30,614,932
TOTAL LIABILITIES	45,413,857	35,200

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2007

	College	Component Units
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	\$ 195,245,916	\$ 722,270
Restricted:		
Nonexpendable:		
Endowment		19,458,483
Expendable:		
Grants and Other	5,339,604	16,301,574
Endowment	1,650,986	
Loans	919,997	
Scholarships	401,879	
Capital Projects	11,972,572	
Debt Service	693,712	
Unrestricted	27,972,673	624,800
Total Net Assets	244,197,339	37,107,127
TOTAL LIABILITIES AND NET ASSETS	\$ 289,611,196	\$ 37,142,327

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, 2007

	College	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship		
Allowances of \$13,725,220	\$ 28,603,410	\$
Federal Grants and Contracts	8,589,514	
State and Local Grants and Contracts	616,009	
Nongovernmental Grants and Contracts	96,229	
Sales and Services of Educational Departments	3,352,408	
Auxiliary Enterprises	1,971,372	
Other Operating Revenues	202,763	7,188,901
	43,431,705	7,188,901
EXPENSES		
Operating Expenses:		
Personnel Services	98,425,479	
Scholarships and Waivers	16,721,445	2,900,520
Utilities and Communications	5,968,755	
Contractual Services	13,574,713	
Other Services and Expenses	8,402,655	1,342,865
Materials and Supplies	17,441,419	175,565
Depreciation	7,565,176	
	168,099,642	4,418,950
Operating Income (Loss)	(124,667,937)	2,769,951
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	70,165,557	
Gifts and Grants	45,639,035	256,748
Investment Income	3,602,601	2,076,358
Other Nonoperating Revenues		58,468
Interest on Capital Asset-Related Debt	(185,425)	
	119,221,768	2,391,574
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	(5,446,169)	5,161,525
Capital Appropriations	25,173,123	
Capital Grants, Contracts, Gifts, and Fees	12,615,499	
Additions to Endowments	65,268	4,529,252
	37,853,890	4,529,252
Increase in Net Assets	32,407,721	9,690,777
Net Assets, Beginning of Year	211,789,618	27,416,350
	\$ 244,197,339	\$ 37,107,127

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, 2007

	College
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 29,681,755
Grants and Contracts	9,802,185
Payments to Suppliers	(40,126,050)
Payments for Utilities and Communications	(5,968,755)
Payments to Employees	(79,178,389)
Payments for Employee Benefits	(20,481,801)
Payments for Scholarships	(16,721,445)
Net Loans Issued to Students	725,009
Collection of Loans to Students	(726,541)
Auxiliary Enterprises	1,948,512
Sales and Service of Educational Departments	3,352,408
Other Receipts	202,763
	(117,490,349)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	70,165,557
Gifts and Grants Received for Other Than Capital or Endowment Purposes	46,760,971
Private Gifts for Endowment Purposes	65,268
	116,991,796
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from Capital Debt	20,500,000
Capital Appropriations	21,138,162
Capital Grants and Gifts	12,371,202
Purchases of Capital Assets	(23,909,522)
Principal Paid on Capital Debt	(265,000)
Interest Paid on Capital Debt	(185,425)
	29,649,417
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sales and Maturities of Investments	5,626,005
Investment Income	3,534,566
Purchase of Investments	(5,623,731)
	3,536,840
Net Increase in Cash and Cash Equivalents	32,687,704
Cash and Cash Equivalents, Beginning of Year	20,612,749
	\$ 53,300,453

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2007

	College
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$(124,667,937)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	7,565,176
Changes in Assets and Liabilities:	
Receivables, Net	312,094
Notes Receivable, Net	(1,532)
Inventories	35,726
Other Assets	(598,391)
Accounts Payable	(2,230,890)
Deferred Revenue	(279)
Deposits Held for Others	1,244,103
Compensated Absences Payable	851,581
	\$ (117,490,349)

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, 2007

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 law 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 is 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.

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, 2007. Additional condensed financial statements for the College's component units are included in a subsequent note.

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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, 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

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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 Non-Expendable Trust Funds*.

Cash and Cash Equivalents. The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, and funds invested with the State Treasury and the State Board of Administration. 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 pools to be cash equivalents. College cash deposits are held in banks qualified as public depositories under Florida law. All such deposits

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

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, 2007, the College reported as cash equivalents at fair value \$30,220,766 of moneys held in the State Treasury SPIA investment pool representing ownership of a share of the pool, not the underlying securities. The State Treasury has taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.21 years at June 30, 2007. 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 investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

At June 30, 2007, the College reported as cash equivalents at fair value \$19,775,430 of moneys held in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration (SBA) pursuant to Section 218.405, Florida Statutes. The College's investments in the Local Government Surplus Funds Trust Fund, a Securities and Exchange Commission Rule 2a7-like external investment pool, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. The SBA has taken the position that participants in the pool are not required to disclose information related to interest rate risk, custodial credit risk, concentration of credit risk, and foreign credit risk. The investment pool was not rated by a nationally recognized statistical rating agency as of June 30, 2007.

Capital Assets. College capital assets consist of land; buildings; other structures and improvements; furniture, machinery, and equipment; and construction in progress. 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 - 40 years
- Other Structures and Improvements - 10 years

**ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

- 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

Section 218.415(16), Florida Statutes, authorizes the College to invest in the Local Government Surplus Funds Trust Fund investment pool 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.

The College’s investments at June 30, 2007, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
State Board of Administration Debt Service Accounts	\$ 87,279
Federal Agency Obligations	13,120,000
Money Market and Mutual Funds	<u>37,765</u>
Total College Investments	<u>\$ 13,245,044</u>

State Board of Administration Debt Service Accounts

The College reported investments at fair value totaling \$87,279 at June 30, 2007, 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

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

consist of United States Treasury securities, with maturity dates of more than three months, 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.

Other Investments

The following risks apply to the College's investments in federal agency obligations:

Interest Rate Risk: Interest rate risk is the risk that changing interest rates will adversely affect the fair value of an investment. The College's written investment policy, as a means of managing its exposure to declines in fair values, provides that the average maturity of the investment portfolio (which includes funds invested in the State Treasury and State Board of Administration investment pools) may not exceed two years, and the maturity of any individual holding may not exceed five years. The College's investments in Federal agency obligations at June 30, 2007, had a weighted average maturity of 1.06 years.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's investment policy addresses credit risk by limiting the types of investments the College may hold in its portfolio. Authorized investments include auction rate securities rated "AAA" or better by at least one nationally recognized rating agency, Security and Exchange Commission Rule 2a7 registered money market funds with the highest credit quality rating from a nationally recognized rating agency, and any investment fund regulated or advised by a registered investment advisor under Rule 3c7 if the fund is rated at least 'AAA' by at least one nationally recognized rating agency. The College's Federal agency obligations at June 30, 2007, were rated AAA by Standard & Poor's and Aaa by Moody's Investors Service.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of failure of the counterparty to a transaction, the College will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The College's investments totaling \$13,120,000 in Federal agency obligations are held by the College's custodial agent in the name of the College.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the College's investment in a single issuer. The College's investment policy provides that investments in securities of any single issuer must not exceed 25 percent of the total investment portfolio. U.S. Government agencies and instrumentalities and money market mutual funds are not subject to this limitation.

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Component Unit Investments

Investments held by the College's component unit, St. Petersburg College Foundation, Inc. (Foundation), at March 31, 2007, are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
U.S. Government Obligations	\$ 1,108,976
Federal Agency Obligations	4,104,560
Bonds and Notes	2,291,819
Stocks and Other Equity Securities	19,644,145
Mutual Funds	<u>1,571,074</u>
Total Component Units Investments	<u><u>\$ 28,720,574</u></u>

The Foundation has a written investment policy. The Foundation engages several financial institutions to act as its agents to invest funds in a prudent manner in accordance with the Foundation's investment policy.

Interest Rate and Credit Risk: The Foundation's investments policy limits investment in fixed income securities to maturities of no longer than 30 years. The Foundation has \$5,213,536 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 2007 and July 2035.

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, 2007.

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

Investment Type	Investment Maturities (In Years)					Credit Quality Range (1)
	Fair Value	Less Than 1	1 – 5	6 – 10	More Than 10	
U.S. Government Obligations	\$ 1,108,976	\$ 78,196	\$ 672,676	\$ 262,734	\$ 95,370	(2)
Federal Agency Obligations	4,104,560	281,689	681,963	1,221,357	1,919,551	AAA
Bonds and Notes	2,291,819	40,294	986,736	807,401	457,388	BB+ – AAA
Fixed Income Mutual Funds (3) (6)	106,438				106,438	AAA
Fixed Income Mutual Funds (4) (6)	40,149				40,149	AAA
Fixed Income Mutual Funds (5) (6)	134,572				134,572	AAA
Fixed Income Mutual Funds	561,759			110,778	450,981	BBB – AAA
Equity Mutual Funds	728,156	728,156				Not Rated
Total	\$ 9,076,429	\$ 1,128,335	\$ 2,341,375	\$ 2,402,270	\$ 3,204,449	

- 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.

3. ACCOUNTS RECEIVABLE

Accounts receivable represent amounts for student fee deferrals, 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 an \$885,879 allowance for uncollectible accounts.

4. NOTES RECEIVABLE

Notes receivable represent student loans made under the Federal Perkins Loan Program of \$5,323 and short-term loan program of \$42,365. Notes receivable are reported net of a \$27,190 allowance for uncollectible notes.

ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007

5. DUE FROM OTHER GOVERNMENTAL AGENCIES

This amount primarily consists of \$17,454,839 of Public Education Capital Outlay allocations due from the State to the College for construction of College facilities and \$2,974,749 of grant and contract reimbursements due from third parties.

6. DUE FROM AND TO COMPONENT UNITS/COLLEGE

The College's financial statements are reported for the fiscal year ended June 30, 2007. The College's component units' financial statements are reported for the fiscal year ended March 31, 2007. Accordingly, amounts reported due from/payable to component units/College on the statement of net assets do not agree.

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, 2007, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 18,393,765	\$ 4,923,000	\$	\$ 23,316,765
Construction in Progress	16,817,993	9,426,281	13,975,620	12,268,654
Total Nondepreciable Capital Assets	\$ 35,211,758	\$ 14,349,281	\$ 13,975,620	\$ 35,585,419
Depreciable Capital Assets:				
Buildings	\$ 177,001,892	\$ 21,646,717	\$	\$ 198,648,609
Other Structures and Improvements	10,702,473			10,702,473
Furniture, Machinery, and Equipment	23,726,076	2,819,739	1,619,836	24,925,979
Total Depreciable Capital Assets	211,430,441	24,466,456	1,619,836	234,277,061
Less, Accumulated Depreciation:				
Buildings	35,483,272	5,088,621		40,571,893
Other Structures and Improvements	9,825,751	177,561		10,003,312
Furniture, Machinery, and Equipment	19,239,823	2,298,994	1,619,836	19,918,981
Total Accumulated Depreciation	64,548,846	7,565,176	1,619,836	70,494,186
Total Depreciable Capital Assets, Net	\$ 146,881,595	\$ 16,901,280	\$	\$ 163,782,875

**ST. PETERSBURG COLLEGE
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2007**

9. DEFERRED REVENUE

Deferred revenue includes grants and contracts revenue and student tuition and fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2007, the College reported the following amounts as deferred revenue:

<u>Description</u>	<u>Amount</u>
Grants and Contracts	\$ 443,505
Student Tuition and Fees	<u>123,879</u>
Total Deferred Revenue	<u><u>\$ 567,384</u></u>

10. LONG-TERM LIABILITIES

Long-term liabilities of the College at June 30, 2007, include bonds and compensated absences. Long-term liabilities activity for the fiscal year ended June 30, 2007, is shown below:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds Payable	\$ 4,035,000	\$ 20,500,000	\$ 265,000	\$ 24,270,000	\$ 950,000
Compensated Absences Payable	<u>7,253,900</u>	<u>2,010,685</u>	<u>1,159,105</u>	<u>8,105,480</u>	<u>810,548</u>
Total Long-Term Liabilities	<u><u>\$ 11,288,900</u></u>	<u><u>\$ 22,510,685</u></u>	<u><u>\$ 1,424,105</u></u>	<u><u>\$ 32,375,480</u></u>	<u><u>\$ 1,760,548</u></u>

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 2006A.** 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 2006A participating

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community colleges on a parity with any additional bonds issued subsequent to the issuance of the 2006A 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 2006A bonds will share the lien of such additional bonds on the 2006A 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.

The College had the following bonds payable outstanding at June 30, 2007:

Bond Type	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
State Board of Education			
Capital Outlay Bonds:			
Series 2002-B	\$ 870,000	3.375 – 5.375	2014
Series 1999-A	<u>2,900,000</u>	4.40 – 4.75	2019
Total State Board of Education Capital Outlay Bonds	3,770,000		
Community College Revenue			
Bonds Series 2006A	<u>20,500,000</u>	3.50 – 5.00	2027
Total Bonds Payable	<u>\$ 24,270,000</u>		

Annual requirements to amortize all bonded debt outstanding as of June 30, 2007, are as follows:

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<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
State Board of Education			
Capital Outlay Bonds:			
2008	\$ 285,000	\$ 173,719	\$ 458,719
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
2013-2017	1,580,000	365,968	1,945,968
2018-2019	635,000	45,600	680,600
Total State Board of Education Capital Outlay Bonds	3,770,000	1,158,081	4,928,081
Community College Revenue Bonds:			
2008	665,000	909,650	1,574,650
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
2013-2017	4,390,000	3,488,850	7,878,850
2018-2022	5,505,000	2,377,250	7,882,250
2023-2027	6,995,000	878,800	7,873,800
Total Community College Revenue Bonds	20,500,000	11,015,750	31,515,750
Total	\$24,270,000	\$ 12,173,831	\$36,443,831

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, 2007, the estimated liability for compensated absences, which includes the College's share of the Florida Retirement System and FICA contributions, totaled \$8,105,480. Of this amount, \$810,548 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, 2007.

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11. RETIREMENT PROGRAMS

Florida Retirement System. Most employees working in regularly established positions of the College are covered by the Florida Retirement System (FRS). The 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, and 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.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2006-07 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 post-employment 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.

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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, 2005, June 30, 2006, and June 30, 2007, totaled \$3,073,533, \$3,489,705, and \$4,504,464, 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. There were 218 College participants during the 2006-07 fiscal year. Required contributions made to the PEORP totaled \$801,257.

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 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,

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by payroll deduction, an amount not to exceed the percentage contributed by the community college to the participant's annuity account.

There were 219 College participants during the 2006-07 fiscal year. Required employer contributions made to the Program totaled \$1,403,303.

12. CONSTRUCTION COMMITMENTS

The College’s major construction commitments at June 30, 2007, are as follows:

<u>Project Description</u>	<u>Total Commitment</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Health Education Center:			
Orthotics and Prosthetics Building	\$ 9,759,450	\$ 5,416,037	\$ 4,343,413
SPC Downtown Center:			
Expansion and Site Acquisition	<u>5,035,179</u>	<u>1,337,339</u>	<u>3,697,840</u>
Total	<u>\$ 14,794,629</u>	<u>\$ 6,753,376</u>	<u>\$ 8,041,253</u>

13. OPERATING LEASE COMMITMENTS

The College leased building space, computer equipment, and copiers under operating leases, which expire in 2011. 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 noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2008	\$ 590,762
2009	404,808
2010	202,347
2011	<u>65,269</u>
Total Minimum Payments Required	<u>\$ 1,263,186</u>

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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 community colleges for the purpose of joining a cooperative effort to develop, implement, and participate in a coordinated Statewide community college risk management program. The Consortium is self-sustaining through member assessments (premiums) and is reinsured through commercial companies for claims in excess of specified amounts. Reinsurance from commercial companies provided excess coverage of up to \$115 million. Insurance coverage obtained through the Consortium included life, 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 2006-07 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, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. The College reevaluates claims liabilities periodically and the claims liabilities totaled \$652,571 as of June 30, 2007.

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
2005-06	\$ 308,479	\$ 7,712,954	\$ 7,558,482	\$ 462,951
2006-07	462,951	8,474,669	8,285,049	652,571

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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 Section 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 are 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.

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

<u>Source</u>	<u>Amount</u>
Community College Program Fund	\$ 55,657,601
Gross Receipts Tax (Public Education Capital Outlay)	24,601,725
Baccalaureate Program	6,783,305
Education Enhancement Trust Fund (Lottery)	6,690,942
Florida Student Assistance Grants	3,213,888
Bright Futures Scholarship Program	2,656,115
Restricted Contracts and Grants	1,692,589
Performance Based Incentives	898,709
Motor Vehicle License Tax (Capital Outlay and Debt Service)	571,398
Other State Sources	17,298
Total	<u><u>\$ 102,783,570</u></u>

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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:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 71,637,641
Public Services	847,647
Academic Support	23,718,379
Student Services	14,720,022
Institutional Support	15,847,468
Operation and Maintenance of Plant	16,402,191
Scholarships and Fellowships	17,269,172
Depreciation	7,565,176
Auxiliary Enterprises	91,946
Total Operating Expenses	<u><u>\$ 168,099,642</u></u>

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:

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	St. Petersburg College Foundation, Inc.	St. Petersburg College Alumni Association, Inc.	Leepa-Rattner Museum of Art, Inc.	Total
Condensed Statement of Net Assets				
Assets:				
Current Assets	\$ 15,124,278	\$ 110,138	\$ 263,800	\$ 15,498,216
Capital Assets, Net			722,270	722,270
Other Noncurrent Assets	20,904,341		17,500	20,921,841
Total Assets	36,028,619	110,138	1,003,570	37,142,327
Liabilities:				
Current Liabilities	13,842	1,217	20,141	35,200
Noncurrent Liabilities				
Total Liabilities	13,842	1,217	20,141	35,200
Net Assets:				
Invested in Capital Assets, Net of Related Debt			722,270	722,270
Restricted	35,750,322		9,735	35,760,057
Unrestricted	264,455	108,921	251,424	624,800
Total Net Assets	\$ 36,014,777	\$ 108,921	\$ 983,429	\$ 37,107,127
Condensed Statement of Revenues, Expenses, and Changes in Net Assets				
Operating Revenues	\$ 6,417,023	\$	\$ 771,878	\$ 7,188,901
Operating Expenses	(3,610,360)	(54,279)	(754,311)	(4,418,950)
Operating Income (Loss)	2,806,663	(54,279)	17,567	2,769,951
Net Nonoperating Revenues	2,072,691	58,468	260,415	2,391,574
Other Revenues, Expenses, Gains, and Losses	4,529,252			4,529,252
Increase in Net Assets	9,408,606	4,189	277,982	9,690,777
Net Assets, Beginning of Year	26,606,171	104,732	705,447	27,416,350
Net Assets, End of Year	\$ 36,014,777	\$ 108,921	\$ 983,429	\$ 37,107,127

19. SUBSEQUENT EVENT

As discussed in note 1, at June 30, 2007, the College had \$19,775,430 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On December 4, 2007, the State Board of Administration restructured the Pool and implemented temporary restrictions on the withdrawal of moneys that were on deposit including the requirement that a redemption fee be paid for withdrawals in excess of amounts to be periodically set by the State Board of Administration. Information regarding the restructuring and withdrawal restrictions is available from the College and the State Board of Administration. The College had \$12,650,927 invested in the Pool as of March 6, 2008.