

**UNIVERSITY OF SOUTH FLORIDA
ST. PETERSBURG**

A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA

Financial Audit

For the Fiscal Year Ended
June 30, 2010



BOARD OF TRUSTEES AND PRESIDENT

During the audit period, the President of the University of South Florida was Dr. Judy L. Genshaft. The University of South Florida St. Petersburg Regional Chancellor was Dr. Margaret Sullivan. The Board members of University of South Florida St. Petersburg and the Board of Trustee members of the University of South Florida who served during the audit period are listed below:

St. Petersburg Regional Institution Board Members

Debbie Nye Sembler, Chair
Roy Binger
Stephanie Goforth
Bill Habermeyer
Susan Hough Henry, Ph.D.

University Board of Trustee Members

John B. Ramil, Vice Chair to 6-23-10, Chair from 6-24-10
Rhea F. Law, Chair to 6-23-10
Harold W. Mullis, Jr., from 1-06-10, Vice Chair from 6-24-10
Lee E. Arnold, Jr.
Dr. Laurence G. Branch (1)
Margarita R. Cancio, M.D.
Gene Engle
Sonja Garcia to 1-05-10 (2)
Cesar Hernandez from 5-04-10 (3)
Brian D. Lamb from 1-06-10
Kiran C. Patel, M.D., to 1-05-10 (2)
Debbie Nye Sembler
Byron E. Shinn from 3-09-10
Juan Soltero to 5-03-10 (3)
Robert L. Soran to 1-05-10
Jan E. Smith to 8-24-09 (4)
Sherrill Tomasino (5)
Jordan B. Zimmerman from 3-09-10

Notes: (1) Faculty Senate chair.
(2) Positions remained vacant from January 6, 2010, to March 8, 2010.
(3) Student body president.
(4) Position remained vacant from August 25, 2009, to December 9, 2009.
(5) Board member resigned her position on December 10, 2009, to complete Jan E. Smith's term. Her position was vacant from December 10, 2009, to January 5, 2010, until Brian D. Lamb was appointed to the Board.

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

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

**UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA**

TABLE OF CONTENTS

| | PAGE NO. |
|---|---------------------|
| EXECUTIVE SUMMARY | i |
| INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS | 1 |
| MANAGEMENT’S DISCUSSION AND ANALYSIS | 3 |
| BASIC FINANCIAL STATEMENTS | |
| Statement of Net Assets | 12 |
| Statement of Revenues, Expenses, and Changes in Net Assets..... | 14 |
| Statement of Cash Flows..... | 15 |
| Notes to Financial Statements..... | 17 |
| OTHER REQUIRED SUPPLEMENTARY INFORMATION | |
| Schedule of Funding Progress – Other Postemployment Benefits Plan | 32 |
| 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 | |
| Internal Control Over Financial Reporting..... | 33 |
| Compliance and Other Matters | 34 |

EXECUTIVE SUMMARY

Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements of the University of South Florida St. Petersburg (Regional Institution), a regional institution of the University of South Florida (a component unit of the State of Florida) 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 the Regional Institution and its officers with administrative and stewardship responsibilities for Regional Institution operations had:

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

The scope of this audit included an examination of the Regional Institution's basic financial statements as of and for the fiscal year ended June 30, 2010. We obtained an understanding of the Regional Institution's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the Regional Institution is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent Regional Institution 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.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the University of South Florida St. Petersburg (Regional Institution), a regional institution of the University of South Florida (a component unit of the State of Florida), as of and for the fiscal year ended June 30, 2010, which collectively comprise the Regional Institution's basic financial statements as shown on pages 12 through 31. These financial statements are the responsibility of Regional Institution management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1 to the financial statements, the financial statements of the Regional Institution have been prepared for use by the Southern Association of Colleges and Schools, and are intended to present only that portion of the financial position and the changes in financial position and cash flows of only that portion of the University of South Florida that is attributable to the transactions of the Regional Institution. They do not purport to, and do not, present fairly the financial position of the University of South Florida as of June 30, 2010, and the changes in financial position and cash flows thereof for the fiscal year ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Regional Institution as of June 30, 2010, 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.

As discussed in note 2 to the financial statements, the Regional Institution discontinued reporting bonds and revenue certificates payable for State University System Capital Improvement Trust Fund Revenue Bonds on the Regional Institution's statement of net assets during the 2009-10 fiscal year. This change affects the comparability of amounts reported for the 2009-10 fiscal year with amounts reported for the 2008-09 fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Regional Institution's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 11 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 32 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,



David W. Martin, CPA
January 24, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) of the University of South Florida St. Petersburg (Regional Institution), a separately accredited institution of the University of South Florida, provides an overview of the financial position and activities of the Regional Institution for the fiscal year ended June 30, 2010, 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 the Regional Institution's management.

FINANCIAL HIGHLIGHTS

The Regional Institution's assets totaled \$88.5 million at June 30, 2010. This balance reflects a \$1.3 million, or 1.4 percent, increase from the 2008-09 fiscal year. Liabilities decreased by \$2.5 million, or 34.2 percent, totaling \$4.9 million at June 30, 2010, compared to \$7.4 million at June 30, 2009. As a result, the Regional Institution's net assets increased by \$3.8 million, reaching a year-end balance of \$83.6 million.

The Regional Institution's operating revenues totaled \$19.8 million for the 2009-10 fiscal year, representing a 15.2 percent increase over the 2008-09 fiscal year due mainly to increases in student tuition and fees. Operating expenses totaled \$46.7 million for the 2009-10 fiscal year, representing a 5.2 percent increase over the 2008-09 fiscal year due mainly to increases in expenditures for services and supplies and scholarships, fellowships, and waivers.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the Regional Institution's financial report includes 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. The financial statements have been prepared for use by the Southern Association of Colleges and Schools, and are intended to present the financial position and the changes in financial position and cash flows that is attributable to the transactions of the Regional Institution.

THE STATEMENT OF NET ASSETS

The statement of net assets presents the assets and liabilities of the Regional Institution, using the accrual basis of accounting, and presents the financial position of the Regional Institution at a specified time. The difference between total assets and total liabilities, net assets, is one indicator of the Regional Institution's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the Regional Institution's financial condition.

The following summarizes the Regional Institution's assets, liabilities, and net assets at June 30:

Condensed Statement of Net Assets at June 30
(In Thousands)

| | 2010 | 2009 (1) |
|--|------------------|------------------|
| Assets | | |
| Current Assets | \$ 32,211 | \$ 36,468 |
| Capital Assets, Net | 54,534 | 50,312 |
| Other Noncurrent Assets | 1,753 | 464 |
| Total Assets | 88,498 | 87,244 |
| Liabilities | | |
| Current Liabilities | 1,937 | 4,255 |
| Noncurrent Liabilities | 2,951 | 3,174 |
| Total Liabilities | 4,888 | 7,429 |
| Net Assets | | |
| Invested in Capital Assets, Net of Related Debt | 54,534 | 50,083 |
| Restricted | 4,066 | 7,493 |
| Unrestricted | 25,010 | 22,239 |
| Total Net Assets | \$ 83,610 | \$ 79,815 |

Note: (1) Amounts were obtained from the Regional Institution's unaudited government-wide financial statements because the Regional Institution's financial statements were not required to be audited for the 2008-09 fiscal year.

Assets are what the Regional Institution owns and are measured in current value, except for property and equipment, which are recorded at historical cost less accumulated depreciation. Liabilities are generally considered to be financial obligations of the Regional Institution and may also consist of payments received for services not yet provided (deferred revenue). Both assets and liabilities are classified as either current or noncurrent. This classification is made based on when an asset is expected to be converted to cash or a liability is expected to be paid off. If either of these situations is expected to take place within the upcoming year, then the asset or liability is considered to be current.

The Regional Institution's assets totaled \$88.5 million at June 30, 2010. This balance reflects a \$1.3 million, or 1.4 percent, increase over the 2008-09 fiscal year. This increase is attributable to an increase in capital assets of \$4.2 million, an increase in other noncurrent assets of \$1.3 million offset by a reduction in current assets of \$4.2 million. The increase in capital assets (construction in progress) and decrease in current assets (due from State) is primarily related to the activity related to the construction of the Science & Technology, General Academic Facility building. The increase in noncurrent assets also relates to this activity resulting in an increase in cash and investments in the construction fund.

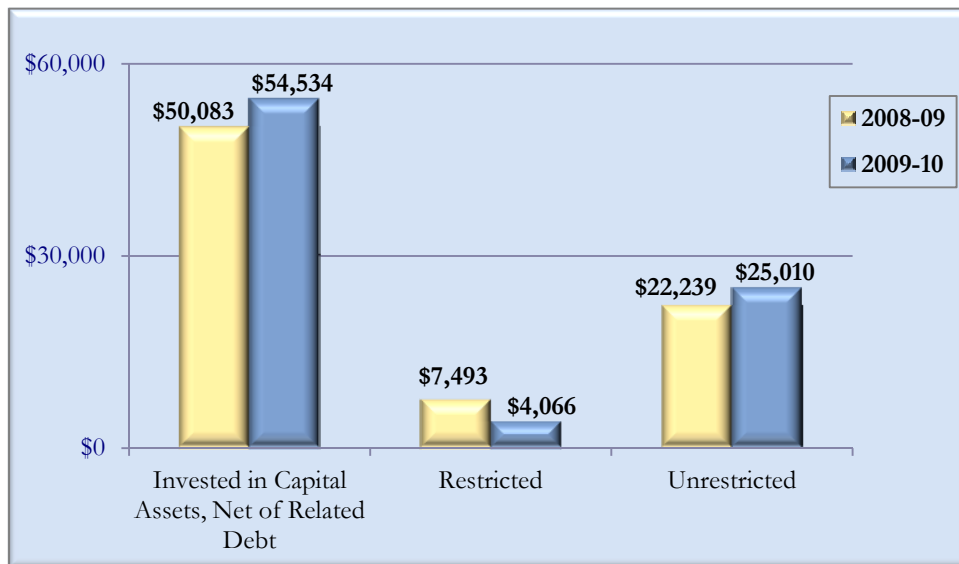
Total liabilities decreased by \$2.5 million, which was primarily due to a decrease in current liabilities of \$2.3 million from a reduction in construction contracts payable and deferred revenue, as well as, a reduction in bonds payable (prior period adjustment, see note 2 to the financial statements).

This combination of changes in both total assets of \$1.3 million and total liabilities of \$2.5 million resulted in a net increase in total net assets of \$3.8 million. This increase in total net assets is attributable to increases in invested in

capital assets, net of related debt of \$4.5 million, decreases in restricted net assets of \$3.4 million, and increases in unrestricted net assets of \$2.8 million.

Net assets are reported in three major categories. The first category, invested in capital assets, net of related debt, provides the Regional Institution’s equity in property, plant, and equipment owned by the Regional Institution. Restricted net assets are another category, which may be further broken down into nonexpendable and expendable. Restricted nonexpendable net assets represent funds that have been donated to the Regional Institution which are required to be invested in perpetuity. These net assets are primarily maintained within the University of South Florida Foundation, Inc., a component unit of the University of South Florida, and are reported in the component unit column of the University of South Florida’s financial statements. Restricted expendable net assets are available for use by the Regional Institution, but must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the Regional Institution for any lawful purpose of the Regional Institution. The following graph illustrates the comparative change in net assets by category for the 2009-10 and 2008-09 fiscal years:

**Net Assets at June 30
(In Thousands)**



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

The statement of revenues, expenses, and changes in net assets presents the Regional Institution’s revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the Regional Institution's activity for the 2009-10 and 2008-09 fiscal years:

**Condensed Statement of Revenues, Expenses,
and Changes in Net Assets
(In Thousands)**

| | <u>2009-10</u> | <u>2008-09 (1)</u> |
|---|------------------|--------------------|
| Operating Revenues | \$ 19,775 | \$ 17,172 |
| Operating Expenses | <u>46,681</u> | <u>44,378</u> |
| Operating Loss | (26,906) | (27,206) |
| Net Nonoperating Revenues | <u>29,619</u> | <u>29,474</u> |
| Income Before Other Revenues, Expenses, Gains, or Losses | 2,713 | 2,268 |
| Other Revenues, Expenses, Gains, or Losses | <u>375</u> | <u>1,915</u> |
| Net Increase In Net Assets | <u>3,088</u> | <u>4,183</u> |
| Net Assets, Beginning of Year | 79,815 | 75,632 |
| Adjustments to Beginning Net Assets (2) | <u>707</u> | <u></u> |
| Net Assets, Beginning of Year, as Restated | <u>80,522</u> | <u>75,632</u> |
| Net Assets, End of Year | <u>\$ 83,610</u> | <u>\$ 79,815</u> |

Notes: (1) Amounts were obtained from the Regional Institution's unaudited government-wide financial statements because the Regional Institution's financial statements were not required to be audited for the 2008-09 fiscal year.

(2) As discussed in note 2 to the financial statements, the Regional Institution's beginning net assets for the 2009-10 fiscal year was increased for a change in reporting bonds and revenue certificates payable.

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 summarizes the operating revenues by source that were used to fund operating activities during the 2009-10 and 2008-09 fiscal years:

**Operating Revenues
(In Thousands)**

| | <u>2009-10</u> | <u>2008-09 (1)</u> |
|---|------------------|--------------------|
| Net Tuition and Fees | \$ 13,694 | \$ 11,205 |
| Grants and Contracts | 2,479 | 2,434 |
| Sales and Services of Auxiliary Enterprises | 3,590 | 3,454 |
| Interest on Loans and Notes Receivable | <u>12</u> | <u>79</u> |
| Total Operating Revenues | <u>\$ 19,775</u> | <u>\$ 17,172</u> |

Note: (1) Amounts were obtained from the Regional Institution's unaudited government-wide financial statements because the Regional Institution's financial statements were not required to be audited for the 2008-09 fiscal year.

Total operating revenues increased by \$2.6 million. Student tuition and fees (after tuition scholarship allowance) increased by \$2.5 million mainly due to a 15 percent increase in tuition rates, which included a new supplemental fee known as differential tuition, for undergraduate students and a 6.6 percent increase in student credit hours taken over the previous fiscal year.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the Regional Institution’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 Regional Institution 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.

The following summarizes the operating expenses by natural classifications for the 2009-10 and 2008-09 fiscal years:

| Operating Expenses | | |
|--|-------------------------|-------------------------|
| (In Thousands) | | |
| | <u>2009-10</u> | <u>2008-09 (1)</u> |
| Compensation and Employee Benefits | \$ 30,879 | \$ 30,426 |
| Services and Supplies | 5,542 | 4,585 |
| Utilities and Communications | 1,925 | 1,756 |
| Scholarships, Fellowships, and Waivers | 5,594 | 4,485 |
| Depreciation | <u>2,741</u> | <u>3,126</u> |
| Total Operating Expenses | <u>\$ 46,681</u> | <u>\$ 44,378</u> |

Note: (1) Amounts were obtained from the Regional Institution's unaudited government-wide financial statements because the Regional Institution's financial statements were not required to be audited for the 2008-09 fiscal year.

Total operating expenses increased by \$2.3 million mainly attributable to increases in compensation and employee benefits (\$0.5 million), services and supplies (\$1 million) and scholarship, fellowships, and waivers (\$1.1 million). The increase to compensation and employee benefits primarily relates to increased health insurance costs. The increase to services and supplies is the result of renovations to existing buildings, relocation of faculty offices and classrooms, and purchases of computing equipment. The increase in scholarships, fellowships, and waivers are directly related to the increase in funding for student financial assistance.

Nonoperating Revenues and Expenses

Certain revenue sources that the Regional Institution 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 Regional Institution’s nonoperating revenues and expenses for the 2009-10 and 2008-09 fiscal years:

Nonoperating Revenues (Expenses)
(In Thousands)

| | <u>2009-10</u> | <u>2008-09 (1)</u> |
|---|-------------------------|-------------------------|
| State Appropriations | \$ 21,974 | \$ 26,264 |
| Federal and State Student Financial Aid | 7,857 | 5,521 |
| State Appropriated American Recovery and Reinvestment Act Funds | 1,928 | |
| Investment Income | 469 | 421 |
| Other Nonoperating Revenues | 31 | 19 |
| Interest on Capital Asset-Related Debt | | (24) |
| Nonoperating Expenses | <u>(2,640)</u> | <u>(2,727)</u> |
| Net Nonoperating Revenues | <u>\$ 29,619</u> | <u>\$ 29,474</u> |

Note: (1) Amounts were obtained from the Regional Institution's government-wide financial statements because the Regional Institution's financial statements were not required to be audited for the 2008-09 fiscal year.

Total net nonoperating revenues increased by \$0.1 million, due primarily to a 42.3 percent increase in Federal and State student financial aid of \$2.3 million and \$1.9 million received from State Appropriated American Recovery and Reinvestment Act funds. These increases were offset by a 16.3 percent reduction in State appropriations in the amount of \$4.3 million.

Other Revenues, Expenses, Gains, or Losses

This category is composed of capital appropriations; capital grants, contracts, donations, and fees; and transfers to/from other University campuses. The following summarizes the Regional Institution's other revenues, expenses, gains, or losses for the 2009-10 and 2008-09 fiscal years:

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

| | <u>2009-10</u> | <u>2008-09 (1)</u> |
|--|----------------------|------------------------|
| Capital Appropriations | \$ 479 | \$ 2,037 |
| Capital Grants, Contracts, Donations, and Fees | 1,129 | 399 |
| Transfers To/From Other University Campuses, Net | <u>(1,233)</u> | <u>(521)</u> |
| Total | <u>\$ 375</u> | <u>\$ 1,915</u> |

Note: (1) Amounts were obtained from the Regional Institution's government-wide financial statements because the Regional Institution's financial statements were not required to be audited for the 2008-09 fiscal year.

Total other revenues decreased by \$1.5 million. A reduction of \$1.6 million in capital appropriations relates to a reduction in construction funding from the State. This reduction was partially offset by increased capital grants, contracts, donations, and fees in the amount of \$0.7 million for the Seawall and Dolphin Retrofit project. An increase of \$0.7 million in net transfers to/from other university campuses was primarily from interdepartmental activities between other university campuses.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the Regional Institution's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the Regional Institution's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external

financing. Cash flows from operating activities show the net cash used by the operating activities of the Regional Institution. Cash flows from the capital financing activities include all plant funds. Cash flows from the investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from the noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2009-10 and 2008-09 fiscal years:

**Condensed Statement of Cash Flows
(In Thousands)**

| | <u>2009-10</u> | <u>2008-09 (1)</u> |
|---|-----------------|--------------------|
| Cash Provided (Used) by: | | |
| Operating Activities | \$ (24,431) | \$ (24,540) |
| Noncapital Financing Activities | 27,284 | 27,843 |
| Capital and Related Financing Activities | 863 | (885) |
| Investing Activities | <u>490</u> | <u>(16,349)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 4,206 | (13,931) |
| Cash and Cash Equivalents, Beginning of Year | <u>5</u> | <u>13,936</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 4,211</u> | <u>\$ 5</u> |

Note: (1) Amounts were obtained from the Regional Institution's government-wide financial statements because the Regional Institution's financial statements were not required to be audited for the 2008-09 fiscal year.

The above condensed statement of cash flows represents the four major cash flow activities. Major sources of operating activities included net student tuition and fees (\$13.2 million), grants and contracts (\$2 million), and sales and services of auxiliary enterprises (\$3.6 million). Included in the calculation of net cash used for operating activities are payments to employees (\$30.2 million), payments to suppliers (\$7.5 million) and payments to students for scholarships and fellowships (\$5.6 million). The net cash used for operating activities decreased by \$0.1 million, primarily due to increases in payments to suppliers of \$1.3 million, and payments to students for scholarships and fellowships \$1.1 million, offset by increases in tuition and fees collections of \$2.3 million.

The net cash provided by noncapital financing activities consists primarily of \$22 million of State appropriations, \$1.9 million of American Recovery and Reinvestment Act funds, and \$7.9 million of Federal and State student financial aid.

Cash provided by capital and related financing activities increased by \$1.7 million. This was mainly due to decreases in proceeds of capital debt in the amount of \$0.5 million, purchases or construction of capital assets of \$1.8 million, and capital subsidies and transfers of \$5.4 million offset by increases in capital appropriations of \$5.3 million.

Cash provided by investing activities increased by \$16.8 million. The increase was mainly due to a change in investment strategy and activities in prior years.

**CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS,
AND DEBT ADMINISTRATION**

CAPITAL ASSETS

At June 30, 2010, the Regional Institution had \$85.1 million in capital assets, less accumulated depreciation of \$30.6 million, for net capital assets of \$54.5 million. Depreciation charges for the current fiscal year totaled \$2.7 million. The following table summarizes the Regional Institution's capital assets, net of accumulated depreciation at June 30:

**Capital Assets, Net at June 30
(In Thousands)**

| | <u>2010</u> | <u>2009 (1)</u> |
|---------------------------------------|-------------------------|-------------------------|
| Land | \$ 6,228 | \$ 6,228 |
| Buildings | 24,236 | 25,042 |
| Construction in Progress | 18,301 | 13,018 |
| Infrastructure and Other Improvements | 1,388 | 1,481 |
| Furniture and Equipment | 2,954 | 2,538 |
| Library Resources | 1,045 | 1,628 |
| Works of Art and Historical Treasures | 188 | 188 |
| Other Capital Assets | <u>194</u> | <u>189</u> |
| Capital Assets, Net | <u>\$ 54,534</u> | <u>\$ 50,312</u> |

Note: (1) Amounts were obtained from the Regional Institution's government-wide financial statements because the Regional Institution's financial statements were not required to be audited for the 2008-09 fiscal year.

CAPITAL EXPENSES AND COMMITMENTS

The following table summarizes the Regional Institution's major capital commitments as of June 30, 2010:

| | <u>Amount (In Thousands)</u> |
|-----------------------------|----------------------------------|
| Current Commitment Expenses | <u>\$ 21,643 18,301</u> |
| Balance Committed | <u>\$ 3,342</u> |

DEBT ADMINISTRATION

The Regional Institution's beginning net assets was increased by \$0.7 million to correct an error in reporting bonds and revenue certificates payable for State University System Capital Improvement Trust Fund Revenue Bonds. In prior fiscal years the liability for these bonds was reported on the Regional Institution's statement of net assets. It has subsequently been determined that these bonds are not debt of the Regional Institution. Although proceeds from the bonds were provided to the Regional Institution for capital projects, the Regional Institution is not responsible for the repayment of the bonds. Repayment of the bonds is the responsibility of the Florida Board of Governors to be paid from capital improvement fees collected by all universities and remitted in total to the Florida Department of Education. After the recording of this adjustment the Regional Institution has no bonds or revenue certificates payable.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The economic downturn has impacted Florida tax revenues and as a result, appropriations to University of South Florida St. Petersburg and State appropriations have declined. To partially offset these reductions, the Florida Legislature has authorized tuition increases over the past few years combined with technology and distance learning fees that provide additional resources to support a balanced budget and expansion of academic programs and services to support students.

The American Recovery and Reinvestment Act (ARRA) has generated a positive fiscal impact on Regional Institution funding. Although the ARRA funding is nonrecurring, it has helped offset the reduced State general revenue appropriations by \$1.9 million in Federal stimulus funds for the 2009-10 fiscal year and \$1.8 million for the 2010-11

fiscal year. These funds will need to be replaced in the 2011-12 fiscal year with a new funding source or from further reductions in operating expenses.

It is expected that the State will make additional funding reductions in State appropriations for the 2011-12 fiscal year in response to increased expenses associated with programs such as Medicaid. As a result, tuition and fees will become a larger share of the general revenue budget. Management continues to look for and implement means to conserve resources and cut operational costs to offset reductions and to maintain access and quality for students.

The University of South Florida St. Petersburg is committed to meet its enrollment growth plan to increase the student full-time equivalent (FTE) of 2,759 in the 2010-11 fiscal year to 2,854 FTE in the 2015-16 fiscal year. Legislatively approved tuition increases of 8 percent for in-state undergraduates and 10 percent for in-state graduates, combined with a differential tuition increase, will generate \$1.4 million in additional revenue during the 2010-11 fiscal year.

University of South Florida St. Petersburg is also focused on development activities through the *USF: Unstoppable* Campaign and expects associated increases in fund raising. To date, \$8.8 million has been raised toward a goal of \$14 million. Funds from these efforts are supporting scholarships and programming enhancements throughout the institution.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A or other required supplementary information, and financial statements and notes thereto, or requests for additional financial information should be addressed to Linda Peterson, University Controller, 4202 East Fowler Avenue, Tampa, Florida 33620-5800.

BASIC FINANCIAL STATEMENTS

UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
STATEMENT OF NET ASSETS
June 30, 2010

ASSETS

Current Assets:

| | |
|---------------------------------|------------------|
| Cash and Cash Equivalents | \$ 4,022,978 |
| Investments | 24,679,231 |
| Accounts Receivable, Net | 1,359,285 |
| Loans and Notes Receivable, Net | 158,178 |
| Due from State | <u>1,991,332</u> |

Total Current Assets 32,211,004

Noncurrent Assets:

| | |
|--------------------------------------|-------------------|
| Restricted Cash and Cash Equivalents | 188,086 |
| Restricted Investments | 1,155,225 |
| Loans and Notes Receivable, Net | 410,053 |
| Depreciable Capital Assets, Net | 29,816,518 |
| Nondepreciable Capital Assets | <u>24,717,158</u> |

Total Noncurrent Assets 56,287,040

TOTAL ASSETS \$ 88,498,044

LIABILITIES

Current Liabilities:

| | |
|--|----------------|
| Accounts Payable | \$ 303,100 |
| Construction Contracts Payable | 142,528 |
| Salaries and Wages Payable | 1,036,050 |
| Deposits Payable | 247,719 |
| Deferred Revenue | 57,156 |
| Long-Term Liabilities - Current Portion: | |
| Compensated Absences Payable | <u>150,500</u> |

Total Current Liabilities 1,937,053

UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
STATEMENT OF NET ASSETS (Continued)
June 30, 2010

LIABILITIES (Continued)

Noncurrent Liabilities:

| | |
|---------------------------------------|----------------|
| Federal Advance Payable | \$ 418,153 |
| Compensated Absences Payable | 1,683,680 |
| Other Postemployment Benefits Payable | <u>848,838</u> |

Total Noncurrent Liabilities 2,950,671

TOTAL LIABILITIES 4,887,724

NET ASSETS

| | |
|----------------------------|-------------------|
| Invested in Capital Assets | 54,533,676 |
| Restricted for Expendable: | |
| Loans | 156,920 |
| Capital Projects | 3,029,084 |
| Other | 880,805 |
| Unrestricted | <u>25,009,835</u> |

TOTAL NET ASSETS 83,610,320

TOTAL LIABILITIES AND NET ASSETS \$ 88,498,044

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

UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2010

REVENUES

Operating Revenues:

| | |
|--|---------------|
| Student Tuition and Fees, Net of Scholarship Allowances of \$3,604,654 | \$ 13,693,745 |
| Federal Grants and Contracts | 1,837,180 |
| Nongovernmental Grants and Contracts | 642,170 |
| Sales and Services of Auxiliary Enterprises | 3,589,763 |
| Interest on Loans and Notes Receivable | <u>11,679</u> |

Total Operating Revenues 19,774,537

EXPENSES

Operating Expenses:

| | |
|--|------------------|
| Compensation and Employee Benefits | 30,879,444 |
| Services and Supplies | 5,542,232 |
| Utilities and Communications | 1,924,781 |
| Scholarships, Fellowships, and Waivers | 5,594,355 |
| Depreciation | <u>2,740,714</u> |

Total Operating Expenses 46,681,526

Operating Loss (26,906,989)

NONOPERATING REVENUES (EXPENSES)

| | |
|---|--------------------|
| State Appropriations | 21,974,169 |
| Federal and State Student Financial Aid | 7,857,517 |
| State Appropriated American Recovery and Reinvestment Act Funds | 1,928,313 |
| Investment Income | 468,617 |
| Other Nonoperating Revenues | 30,940 |
| Nonoperating Expenses | <u>(2,640,266)</u> |

Net Nonoperating Revenues 29,619,290

Income Before Other Revenues, Expenses, Gains, or Losses

| | |
|--|--------------------|
| Capital Appropriations | 2,712,301 |
| Capital Grants, Contracts, Donations, and Fees | 479,167 |
| Transfers To/From Other University Campuses, Net | 1,129,267 |
| | <u>(1,232,882)</u> |

Increase in Net Assets 3,087,853

| | |
|------------------------------------|----------------|
| Net Assets, Beginning of Year | 79,814,954 |
| Adjustment to Beginning Net Assets | <u>707,513</u> |

Net Assets, Beginning of Year, as Restated 80,522,467

Net Assets, End of Year \$ 83,610,320

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

UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2010

| | |
|--|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Tuition and Fees, Net | \$ 13,206,182 |
| Grants and Contracts | 1,997,635 |
| Sales and Services of Auxiliary Enterprises | 3,552,647 |
| Interest on Loans and Notes Receivable | 10,087 |
| Payments to Employees | (30,188,852) |
| Payments to Suppliers for Goods and Services | (7,461,355) |
| Payments to Students for Scholarships and Fellowships | (5,594,355) |
| Net Collections on Student Loans | 57,295 |
| Other Operating Expenses | <u>(10,309)</u> |
| Net Cash Used by Operating Activities | <u>(24,431,025)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| State Appropriations | 21,974,169 |
| Federal and State Student Financial Aid | 7,857,517 |
| State Appropriated American Recovery and Reinvestment Act Funds | 1,928,313 |
| Operating Subsidies and Transfers | (2,423,696) |
| Net Change in Funds Held for Others | 46,519 |
| Other Nonoperating Receipts | 30,940 |
| Other Nonoperating Expenses | <u>(2,129,109)</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>27,284,653</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Capital Appropriations | 7,394,983 |
| Capital Grants and Contracts | 793,106 |
| Purchase or Construction of Capital Assets | <u>(7,325,336)</u> |
| Net Cash Provided by Capital and Related Financing Activities | <u>862,753</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase or Sale of Investments, Net | 486,814 |
| Investment Income | <u>3,228</u> |
| Net Cash Provided by Investing Activities | <u>490,042</u> |
| Net Increase in Cash and Cash Equivalents | 4,206,423 |
| Cash and Cash Equivalents, Beginning of Year | <u>4,641</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 4,211,064</u> |

UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2010

| | |
|---|-------------------------------|
| RECONCILIATION OF OPERATING LOSS | |
| TO NET CASH USED BY OPERATING ACTIVITIES | |
| Operating Loss | \$ (26,906,989) |
| Adjustments to Reconcile Operating Loss | |
| to Net Cash Used by Operating Activities: | |
| Depreciation Expense | 2,740,714 |
| Change in Assets and Liabilities: | |
| Receivables, Net | 43,069 |
| Accounts Payable | 5,659 |
| Salaries and Wages Payable | 172,224 |
| Deposits Payable | (10,307) |
| Deferred Revenue | (993,762) |
| Compensated Absences Payable | 93,205 |
| Other Postemployment Benefits Payable | <u>425,162</u> |
| NET CASH USED BY OPERATING ACTIVITIES | <u>\$ (24,431,025)</u> |

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

UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. Effective July 1, 2001, Chapter 2001-170, Laws of Florida, designated that the St. Petersburg campus of the University of South Florida be established and should be known as the University of South Florida St. Petersburg. This law further stated that the University of South Florida St. Petersburg was to be fiscally autonomous, operated and maintained as a separate organizational and budget entity of the University of South Florida (a component unit of the State of Florida), and should have its own Board of Trustees and Executive Officer. The University Board of Trustees has designated the University of South Florida St. Petersburg campus as a Regional Institution. Members of the Regional Institution Board of Trustees are appointed by the University of South Florida (University) Board of Trustees upon recommendation by the University of South Florida President. One member of the Regional Institution's Board serves jointly on the University Board of Trustees. The Regional Institution has a governing board of five members residing in Pinellas County that has specific budget authority over the Regional Institution. Regional Institution Board members serve four-year staggered terms.

For financial reporting purposes, the Regional Institution is a part of the University of South Florida. Accordingly, the financial statements of the Regional Institution are combined and reported in the financial statements of the University of South Florida for the fiscal year ended June 30, 2010. The financial statements of the Regional Institution have been prepared for use by the Southern Association of Colleges and Schools, and are intended to present the financial position and the changes in financial position and cash flows as of and for the fiscal year ended June 30, 2010, of only that portion of the University of South Florida that is attributable to the transactions of the Regional Institution.

Basis of Presentation. The Regional Institution'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 Regional Institution with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The Regional Institution 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

UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

➤ Other Required Supplementary Information

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The Regional Institution'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 Regional Institution applies all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, has elected to apply only those FASB pronouncements issued on or before November 30, 1989, not in conflict with GASB standards.

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

The Regional Institution's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of plant assets, and depreciation on 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.

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 Regional Institution'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 Regional Institution and the amount that is actually paid by a student or a third party making payment on behalf of the student. The Regional Institution applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the Regional Institution computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

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

UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

Cash and Cash Equivalents. Cash and cash equivalents consist of cash on hand and cash in demand accounts. Regional Institution 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 purchase or construct capital or other restricted net assets, are classified as restricted.

Capital Assets. Regional Institution capital assets consist of land; construction in progress; works of art and historical treasures; buildings; infrastructure and other improvements; furniture and equipment; library resources; and other capital assets. 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 Regional Institution has a capitalization threshold of \$1,000 for tangible personal property and \$100,000 for buildings and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 25 to 40 years, depending on construction
- Infrastructure and Other Improvements – 20 years
- Furniture and Equipment – 5 to 20 years
- Library Resources – 10 years
- Other Capital Assets – 3 to 20 years

Noncurrent Liabilities. Noncurrent liabilities include Federal advance payable, compensated absences payable, and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year.

2. PRIOR PERIOD ADJUSTMENTS

The Regional Institution's beginning net assets was increased by \$707,513 to record a change in reporting bonds and revenue certificates payable for State University System Capital Improvement Trust Fund Revenue Bonds. In prior fiscal years, the liability for these bonds was reported on the Regional Institution's statement of net assets. It has subsequently been determined that these bonds are not debt of the Regional Institution. Although proceeds from the bonds were provided to the Regional Institution for capital projects, the Regional Institution is not responsible for the repayment of the bonds. Repayment of the bonds is the responsibility of the Florida Board of Governors to be paid from capital improvement fees collected by all Florida universities and remitted in total to the Florida Department of Education.

3. INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing

UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The University of South Florida's Board of Trustees has adopted a written investment policy providing that surplus funds of the Regional Institution shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the Regional Institution is authorized 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 in 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 University of South Florida's Board of Trustees as authorized by law. During the 2009-10 fiscal year, the University of South Florida's Board of Trustees Investment Committee authorized the Regional Institution to invest in Hedge Funds, a new class of assets. Investments set aside to purchase or construct capital assets are classified as restricted.

The Regional Institution's investments at June 30, 2010, are reported at fair value, as follows:

| <u>Investment Type</u> | <u>Amount</u> |
|--|------------------------------------|
| Bond Index Mutual Funds | \$ 22,517,361 |
| Hedge Funds | 1,539,865 |
| Equity Mutual Fund | 342,243 |
| Money Market Mutual Fund | 1,434,987 |
| Total Regional Campus Investments | <u><u>\$ 25,834,456</u></u> |

The Regional Institution's investments consisted of various bond, foreign equity, money market mutual funds, and hedge funds. The investment policy allows investments in pooled funds which are professionally managed and registered with the Securities and Exchange Commission, fixed-income investments, and hedge funds. The following risks apply to the Regional Institution's investments.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy limits the fixed-income portfolio (United States Treasury securities, United States government agency obligations, mortgage-based securities, corporate debt, State, and municipal securities investments) to a weighted-average duration of less than five years. The investment policy provides for interest rate risk. The risk varies depending on the type of investment.

Credit Risk: Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The investment policy provides for credit risk. The risk varies depending on the type of investment.

The following interest rate and credit risks apply to the Regional Institution's investments in bond and money market mutual funds and hedge funds at June 30, 2010:

**UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

| Investment Type | Weighted or Effective Average Maturities | Credit Quality Rating | Fair Value |
|--|--|-----------------------------|----------------------|
| Bond Index Mutual Funds | 2.737 Years (1) | Not Rated | \$ 22,517,361 |
| Hedge Funds | (2) | Not Rated | 1,539,865 |
| Money Market Mutual Fund | 54 Days (3) | Not Rated | 1,434,987 |
| Total Regional Campus Investments | | | \$ 25,492,213 |

Notes: (1) Weighted-average maturity.
 (2) Information not available.
 (3) Effective average maturity.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the Regional Institution’s investment in a single issuer. The investment policy provides that the maximum amount that may be invested in the securities of an individual issuer not backed by the full faith and credit of the United States Government shall not exceed five percent of the market value of the assets of the investment portfolio, and no single corporate bond issuer shall exceed five percent of the market value of the investment portfolio. Direct investments in securities of the United States Government, Government agencies and State of Florida Investment Pools, or Pooled Funds comprised solely of United States Government Securities are not subject to these restrictions.

4. RECEIVABLES

Accounts Receivable. Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on loans receivable. As of June 30, 2010, the Regional Institution reported the following amounts as accounts receivable:

| <u>Description</u> | <u>Amount</u> |
|---------------------------------------|---------------------|
| Student Tuition and Fees | \$ 821,006 |
| Contracts and Grants | 328,517 |
| Other | 209,762 |
| Total Accounts Receivable, Net | \$ 1,359,285 |

Loans and Notes Receivable. Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs.

Allowance for Uncollectible Receivables. Allowances for uncollectible accounts, and loans and notes receivable, are reported based upon management’s best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of \$450,867 and \$212,429, respectively, at June 30, 2010.

**UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

No allowance has been accrued for contracts and grants receivable. Regional Institution management considers these to be fully collectible.

5. DUE FROM STATE

This is the amount of Public Education Capital Outlay allocations and Lottery Appropriations due to the Regional Institution for construction of Regional Institution facilities and operations, respectively.

6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, is shown below:

| Description | Beginning Balance | Additions | Reductions | Ending Balance |
|--|----------------------|---------------------|-------------------|----------------------|
| Nondepreciable Capital Assets: | | | | |
| Land | \$ 6,228,323 | \$ | \$ | \$ 6,228,323 |
| Construction in Progress | 13,018,461 | 5,282,160 | | 18,300,621 |
| Works of Art and Historical Treasures | 188,214 | | | 188,214 |
| Total Nondepreciable Capital Assets | \$ 19,434,998 | \$ 5,282,160 | \$ | \$ 24,717,158 |
| Depreciable Capital Assets: | | | | |
| Buildings | \$ 45,450,109 | \$ 1,153,947 | \$ 543,311 | \$ 46,060,745 |
| Infrastructure and Other Improvements | 3,404,157 | 10,613 | 11,696 | 3,403,074 |
| Furniture and Equipment | 5,904,873 | 1,004,430 | 302,418 | 6,606,885 |
| Library Resources | 4,164,248 | 39,404 | 503,971 | 3,699,681 |
| Other Capital Assets | 607,874 | 34,497 | | 642,371 |
| Total Depreciable Capital Assets | 59,531,261 | 2,242,891 | 1,361,396 | 60,412,756 |
| Less, Accumulated Depreciation: | | | | |
| Buildings | 20,408,939 | 1,698,638 | 282,869 | 21,824,708 |
| Infrastructure and Other Improvements | 1,923,068 | 99,366 | 7,369 | 2,015,065 |
| Furniture and Equipment | 3,367,291 | 569,453 | 283,622 | 3,653,122 |
| Library Resources | 2,536,482 | 343,653 | 224,921 | 2,655,214 |
| Other Capital Assets | 418,525 | 29,604 | | 448,129 |
| Total Accumulated Depreciation | 28,654,305 | 2,740,714 | 798,781 | 30,596,238 |
| Total Depreciable Capital Assets, Net | \$ 30,876,956 | \$ (497,823) | \$ 562,615 | \$ 29,816,518 |

7. DEFERRED REVENUE

The \$57,156 amount reported as deferred revenue includes amounts received from contracts and grants prior to fiscal year end related to subsequent accounting periods.

8. LONG-TERM LIABILITIES

Long-term liabilities of the Regional Institution at June 30, 2010, include Federal advance payable, compensated absences, and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2010, is shown below:

UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

| Description | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|--|----------------------|-------------------|---------------------|---------------------|--------------------|
| Bonds Payable (1) | \$ 708,885 | \$ | \$ 708,885 | \$ | \$ |
| Federal Advance Payable | 473,002 | | 54,849 | 418,153 | |
| Compensated Absences Payable | 1,740,975 | 233,732 | 140,527 | 1,834,180 | 150,500 |
| Other Postemployment Benefits Payable | 423,676 | 606,522 | 181,360 | 848,838 | |
| Total Long-Term Liabilities | \$ 3,346,538 | \$ 840,254 | \$ 1,085,621 | \$ 3,101,171 | \$ 150,500 |

Note: (1) The University recorded an adjustment to beginning net assets to record a change in reporting bonds and revenue certificates payable for State University System Capital Improvement Trust Fund Revenue Bonds. See Note 2.

Federal Advance Payable. Represents the Regional Institution's liability for the Federal Capital Contribution (advance) provided to fund the Regional Institution's Federal Perkins Loan program. This amount will ultimately be returned to the Federal government should the Regional Institution cease making Federal Perkins Loans or has excess cash in the loan program.

Compensated Absences Payable. Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors regulations, University of South Florida regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The Regional Institution 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 Regional Institution 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, 2010, the estimated liability for compensated absences, which includes the Regional Institution's share of the Florida Retirement System and FICA contributions, totaled \$1,834,180. The current portion of the compensated absences liability for the Regional Institution is based on a proportionate percentage of the current liability reported by the University of South Florida.

Other Postemployment Benefits Payable. The Regional Institution follows Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the State Group Health Insurance Program.

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the Regional Institution, are eligible to participate in the State Group Health Insurance Program, an agent, multiple-employer, defined-benefit plan (Plan). The Regional Institution 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. Retirees are required to enroll in the Federal Medicare

**UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

Funding Policy. Plan benefits are pursuant to Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The Regional Institution has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 40 retirees received postemployment healthcare benefits. The Regional Institution provided required contributions of \$171,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$275,641.

Annual OPEB Cost and Net OPEB Obligation. The Regional Institution’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. 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 Regional Institution’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Regional Institution’s net OPEB obligation:

| <u>Description</u> | <u>Amount</u> |
|---|--------------------------|
| Normal Cost (Service Cost for One Year) | \$ 306,000 |
| Amortization of Unfunded Actuarial Accrued Liability | 275,000 |
| Interest on Normal Cost and Amortization | <u>23,000</u> |
| Annual Required Contribution | 604,000 |
| Interest on Net OPEB Obligation | 16,000 |
| Adjustment to Annual Required Contribution | <u>(13,478)</u> |
| Annual OPEB Cost (Expense) | 606,522 |
| Contribution Toward the OPEB Cost | <u>(171,000)</u> |
| Increase in Net OPEB Obligation | 435,522 |
| Net OPEB Obligation, Beginning of Year | 423,676 |
| Actuarial Adjustment to Beginning of Year | <u>(10,360)</u> |
| Net OPEB Obligation, End of Year | <u><u>\$ 848,838</u></u> |

The Regional Institution’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010, and for the transition and preceding years, were as follows:

UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

| Fiscal Year | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------------------|---------------------|---|------------------------|
| Beginning Balance, July 1, 2007 | | | |
| 2007-08 | \$ 417,586 | 43.7% | \$ 235,217 |
| 2008-09 | 358,806 | 49.1% | 423,676 |
| 2009-10 | 606,522 | 28.2% | 848,838 |

Funded Status and Funding Progress. As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$8,243,554, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$8,243,554 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$20,217,361 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 40.8 percent.

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

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

The Regional Institution's OPEB actuarial valuation as of July 1, 2009, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the Regional Institution's 2009-10 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial healthcare cost trend rates for the PPO plan was 10.32 and 8.84 percent for the first two years, followed by 7 percent in the third year, grading to 5.1 percent over 70 years. Initial healthcare cost trend rates for the HMO plan was 10 percent for the first two years, 7 percent in the third year, grading to 5.1 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was 27 years.

**UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010**

9. RETIREMENT PROGRAMS

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

Employees in the Plan vest at six years of service. All vested 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; however, there is a benefit reduction 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.

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 2009-10 fiscal year were as follows:

| Class | 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 |
| Florida Retirement System, Special Risk | 0.00 | 20.92 |
| Deferred Retirement Option Program - Applicable to Members from All of the Above Classes | 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 in which reemployed.

UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

The Regional Institution'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 Regional Institution. The Regional Institution's contributions for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$717,250, \$789,302, and \$795,602, respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. Regional Institution employees already participating in the State 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, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 37 Regional Institution participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$120,725.

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 University System Optional Retirement Program. Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities 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 university 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 university to the participant's annuity account.

There were 156 Regional Institution participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled \$1,095,063 and employee contributions totaled \$638,091.

UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

10. CONSTRUCTION COMMITMENTS

The Regional Institution's major construction commitments at June 30, 2010, are as follows:

| Project Name | Total Commitment | Complete to Date | Commitment Balance |
|--|----------------------|----------------------|-----------------------|
| Science and Technology, General Academic Facility | \$ 11,574,416 | \$ 10,948,224 | \$ 626,192 |
| Utilities/Infrastructure/Minor Projects | 10,069,027 | 7,352,397 | 2,716,630 |
| Total | \$ 21,643,443 | \$ 18,300,621 | \$ 3,342,822 |

11. RISK MANAGEMENT PROGRAMS

The Regional Institution 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. Pursuant to Section 1001.72(2), Florida Statutes, the Regional Institution participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2009-10 fiscal year, for property losses, the State retained the first \$2 million of losses for each occurrence with an annual aggregate retention of \$40 million for named wind and flood losses and no annual aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$40 million for named wind and flood through February 14, 2010, and increased to \$58.75 million starting February 15, 2010. For perils other than named wind and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$100,000 per person, and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past three fiscal years.

Pursuant to Section 110.123, Florida Statutes, Regional Institution employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

12. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of an operating expense (instruction, research, 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 academic departments for which the primary departmental function is instruction may include some activities other than direct instruction such as research and 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 | \$ 13,903,473 |
| Research | 1,941,753 |
| Academic Support | 7,929,294 |
| Student Services | 3,549,242 |
| Institutional Support | 4,482,720 |
| Operation and Maintenance of Plant | 4,718,472 |
| Scholarships and Fellowships | 5,725,172 |
| Depreciation | 2,740,714 |
| Auxiliary Enterprises | 1,658,288 |
| Loan Operations | <u>32,398</u> |
| Total Operating Expenses | <u>\$ 46,681,526</u> |

13. CURRENT UNRESTRICTED FUNDS

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

UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
 A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2010

Statement of Current Unrestricted Funds Net Assets

Assets

Current Assets:

| | |
|---------------------------|----------------|
| Cash and Cash Equivalents | \$ 3,251,585 |
| Investments | 24,679,231 |
| Accounts Receivable, Net | 985,120 |
| Due from State | 163,031 |
| | <u>163,031</u> |

Total Assets

29,078,967

Liabilities

Current Liabilities:

| | |
|------------------------------|----------------|
| Accounts Payable | 259,167 |
| Salaries and Wages Payable | 1,036,050 |
| Deposits Payable | 90,869 |
| Deferred Revenue | 28 |
| Compensated Absences Payable | 150,500 |
| | <u>150,500</u> |

Total Current Liabilities

1,536,614

Noncurrent Liabilities:

| | |
|---------------------------------------|----------------|
| Compensated Absences Payable | 1,683,680 |
| Other Postemployment Benefits Payable | 848,838 |
| | <u>848,838</u> |

Total Noncurrent Liabilities

2,532,518

Total Liabilities

4,069,132

Total Net Assets

\$ 25,009,835

UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2010

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

Revenues

Operating Revenues:

| | |
|--|---------------|
| Student Tuition and Fees, Net of Scholarship Allowances of \$3,604,654 | \$ 11,869,909 |
| Sales and Services of Auxiliary Enterprises | 3,589,763 |

| | |
|---------------------------------|-------------------|
| Total Operating Revenues | <u>15,459,672</u> |
|---------------------------------|-------------------|

Expenses

Operating Expenses:

| | |
|--|------------|
| Compensation and Employee Benefits | 28,826,957 |
| Services and Supplies | 4,836,881 |
| Utilities and Communications | 1,921,472 |
| Scholarships, Fellowships, and Waivers | 202,077 |

| | |
|---------------------------------|-------------------|
| Total Operating Expenses | <u>35,787,387</u> |
|---------------------------------|-------------------|

| | |
|-----------------------|---------------------|
| Operating Loss | <u>(20,327,715)</u> |
|-----------------------|---------------------|

Nonoperating Revenues (Expenses)

| | |
|---|-------------|
| State Appropriations | 21,974,169 |
| State Appropriated American Recovery and Reinvestment Act Funds | 1,928,313 |
| Investment Income | 448,504 |
| Nonoperating Expenses | (2,074,260) |

| | |
|----------------------------------|-------------------|
| Net Nonoperating Revenues | <u>22,276,726</u> |
|----------------------------------|-------------------|

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

| | |
|--|-----------|
| | 1,949,011 |
| Transfers to/from Other University Campuses, Net | 821,745 |

| | |
|-------------------------------|------------------|
| Increase in Net Assets | <u>2,770,756</u> |
|-------------------------------|------------------|

| | |
|-------------------------------|-------------------|
| Net Assets, Beginning of Year | <u>22,239,079</u> |
|-------------------------------|-------------------|

| | |
|--------------------------------|----------------------|
| Net Assets, End of Year | <u>\$ 25,009,835</u> |
|--------------------------------|----------------------|

**UNIVERSITY OF SOUTH FLORIDA ST. PETERSBURG
A REGIONAL INSTITUTION OF THE UNIVERSITY OF SOUTH FLORIDA
OTHER REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS –
OTHER POSTEMPLOYMENT BENEFITS PLAN**

| Actuarial Valuation Date (1) | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) (1) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|------------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| 7/1/2007 | \$ - | \$ 6,119,930 | \$ 6,119,930 | 0% | \$ 21,800,420 | 28.1% |
| 7/1/2009 | - | 8,243,554 | 8,243,554 | 0% | 20,217,361 | 40.8% |

Note: (1) Entry-Age Cost Actuarial Method used to estimate.



DAVID W. MARTIN, CPA
AUDITOR GENERAL

AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534
FAX: 850-488-6975

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

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

We have audited the financial statements of the University of South Florida St. Petersburg (Regional Institution), a regional institution of the University of South Florida (a component unit of the State of Florida) as of and for the fiscal year ended June 30, 2010, which collectively comprise the Regional Institution's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. As discussed in note 1 of the financial statements, the financial statements of the Regional Institution are intended to present the financial position and the changes of financial position and cash flows of the University of South Florida that are attributable to the transactions of the Regional Institution. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Regional Institution'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 Regional Institution's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Regional Institution's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting

that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional Institution'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, with which noncompliance 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*.

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
January 24, 2011