



Great Plans For Florida's Future

Preparing Florida's children for the future.

In 1987, the State of Florida created the Florida Prepaid College Board to help Florida families save for college and to prepare Florida's children for the future. And it's working!

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The Florida Prepaid College Plan is financially guaranteed by the State of Florida. Unlike the Florida Prepaid College Plan, investments in the Florida College Investment Plan are not insured or guaranteed, and you could lose all or a portion of your investment. Participation in the Florida College Investment Plan will be sold only by means of a Disclosure Statement and Participation Agreement. A copy of each will be sent to you upon request; you should read them before investing. Nothing in this publication should be construed as financial, investment, legal or tax advice. Consult your own advisors before investing.

The Florida Prepaid College Board is the source of all information included in this Annual Report unless otherwise noted.

THE FLORIDA PREPAID COLLEGE BOARD HAS GREAT PLANS FOR FLORIDA'S FUTURE.

I am proud to present this Annual Report on behalf of the Florida Prepaid College Board.

Florida Prepaid College Board assets climbed to \$5.3 billion in 2003, while total administrative expenses remained low at less than three-tenths of 1 percent of assets. Our outlook for the future continues to be strong.

The Florida Prepaid College Board has great plans for Florida's future. Enrollment in our Florida Prepaid College Plan is expected to reach 1 million plans by 2005. Our newest plan, the Florida College Investment Plan, continues to grow and is providing families another choice and added flexibility to help them reach their college savings goals.

Working together, these two great plans are helping Florida families to save their own money for college and to prepare their children for the future.

FLORIDA PREPAID COLLEGE PLAN Making college affordable.

Florida is one of 19 states that offer a 529 prepaid college program. The Florida Prepaid College Plan is the largest in the country, reaching 895,792 total plans in 2003.

The popularity of the Florida Prepaid College Plan, at times, surprises even me. In 2003, the potential of double-digit college tuition increases was front-page news, and Florida families responded in unprecedented numbers, purchasing a record 159,190 plans in a single year.

The Florida Prepaid College Plan continues to be financially strong. Fueled by record enrollment, program assets, including receivables, topped \$5.3 billion in 2003. The Florida Prepaid College Plan also remains financially sound with an actuarial reserve of \$169 million.

Why is the Florida Prepaid College Plan so popular? The answer is simple. The Florida Prepaid College Plan makes college more affordable for the average Florida family. Of all families enrolled, 63 percent have reported earning less than \$70,000 a year.

Since the program started, 120,000 Florida Prepaid College Plan students have enrolled in college. Many are the first in their families to go to college.

The Florida Prepaid College Plan is working for Florida families by making college affordable.

FLORIDA COLLEGE INVESTMENT PLAN Helping families save more for college.

Most families, including those who already have the Florida Prepaid College Plan, underestimate how much money they will need for college. Tuition is only 18 percent of the total cost of attending a Florida university today. Even with all three Florida Prepaid plans – tuition, local fee, and dormitory, a family only has half of the total cost of college covered.



All the other costs — food, books, off-campus housing, and other college-related expenses — quickly add up. That's why we introduced the Florida College Investment Plan.

The Florida Prepaid College Board developed the Florida College Investment Plan to complement the Florida Prepaid College Plan and to give Florida families an affordable way to save for their other college expenses.

In 2003, we marked the first anniversary of the Florida College Investment Plan with 9,576 active accounts and \$23.7 million invested. Of those families enrolled in the Florida College Investment Plan, 74 percent also have a Florida Prepaid College Plan, proving that we are achieving our goal to encourage Florida families to supplement their college savings.

With the Florida College Investment Plan, families can open an account with as little as \$25, and they save at their own pace. The fees are low. We charge a one-time \$50 application fee and an annual administration fee of just \$7.50 a year for every \$1,000 invested (3/4 of 1 percent or 75 basis points). That's it. There are no sales commissions or other hidden fees. As a result, we have successfully created a 529 college investment plan that is affordable, with 35 percent of the families enrolled earning less than \$70,000 a year.

The Florida College Investment Plan is working for Florida families by helping them save more for college.

Vision And Hope For Florida's Future

It is our vision and our hope that every child in Florida, who wants to go to college, will have the opportunity to go to college. The first step is to make college affordable.

The Florida Prepaid College Board is working toward that goal by giving Florida families the peace of mind that their children's education is secure and that their future is bright.

Cordially yours,

A handwritten signature in black ink, reading "Stanley G. Tate". The signature is written in a cursive style with a large, stylized "S" and "T".

Stanley G. Tate
Chairman, Florida Prepaid College Board

THE BOARD

The Florida Prepaid College Board offers two great plans to help families save for their future college expenses. Together, the Florida Prepaid College Plan and the Florida College Investment Plan are helping make saving for college easier and more affordable for Florida families.

Both plans are sponsored by the State of Florida and are authorized by Section 529 of the Internal Revenue Code, allowing families to save for college tax-free.*

The Prepaid Plan

The Florida Prepaid College Plan is a 529 prepaid program that is financially guaranteed by the State of Florida. The Prepaid Plan makes college more affordable by allowing Florida families to lock in the cost of college tuition, local fees, and dormitory housing today. When the child is ready for college, the Prepaid Plan covers the actual cost at any Florida public college, or the value of the plan may be transferred to most private colleges in Florida, select technical schools, and most out-of-state colleges.

The Investment Plan

The Florida College Investment Plan is a 529 savings program with a range of investment options. The Investment Plan is a new plan that offers families an affordable way to save for any qualified college expense, including those that are not covered by the Prepaid Plan. The Investment Plan is flexible and can be used at colleges in Florida and out of state.

The Foundation

The Florida Prepaid College Foundation is the 501(c)(3) charitable arm of the Florida Prepaid College Board. With funding from the State of Florida and private donors, the Foundation provides college scholarships to low-income children and other children who otherwise could not afford college. Since 1990, the Foundation has funded close to 19,000 scholarships statewide.

ADMINISTRATION

The Florida Prepaid College Board is an agency of Florida government. The seven appointed members of the Board establish program policy and monitor program performance. The Board employs an Executive Director who serves as the chief administrative officer. The staff, only 13 in all, manages the day-to-day operation of the Board and its programs.

Program Support

The Florida Prepaid College Board contracts with various business partners for legal, financial, investment, customer services, marketing, and other professional support.

BLANK, MEENAN & SMITH PA
General Counsel and Legal Services

PRICEWATERHOUSECOOPERS LLP
Auditing and Accounting Services

ERNST & YOUNG LLP
Actuarial Services

WACHOVIA BANK
Banking Services

THE NORTHERN TRUST COMPANY
Trustee and Securities Lending Services

INTUITION SOLUTIONS
Records and Customer Services

FIDELITY SECURITY
LIFE INSURANCE COMPANY
Student Insurance Services

KELLEY SWOFFORD ROY
Advertising and Marketing Services

CLARKE PUBLIC RELATIONS
Media and Community Relations

WATSON WYATT
INVESTMENT CONSULTING
Investment Consultant

DEUTSCHE ASSET MANAGEMENT
Investment Manager

NORTHERN TRUST INVESTMENTS
Investment Manager

STATE STREET RESEARCH
AND MANAGEMENT COMPANY
Investment Manager

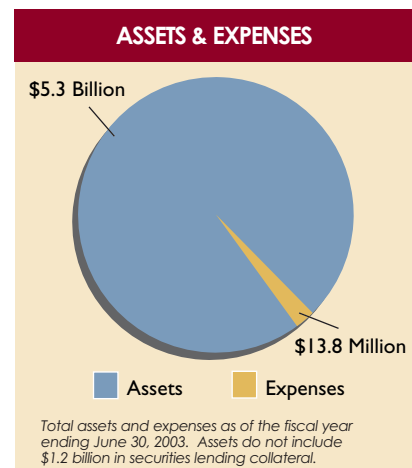
TRUSCO CAPITAL MANAGEMENT
Investment Manager

U.S. TRUST COMPANY OF NEW YORK
Investment Manager



FINANCES

The Florida Prepaid College Board is self-supporting and receives no public funding. The Board is financially strong. Assets grew to \$5.3 billion this year. Administration expenses remained less than three-tenths of 1 percent of assets at just \$13.8 million.



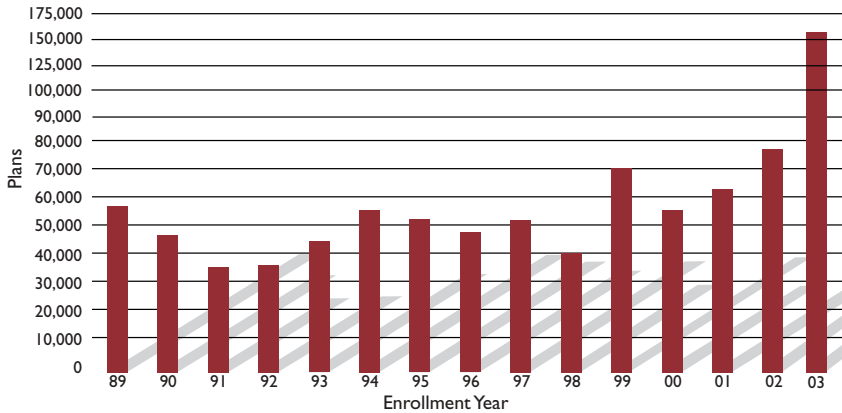
Revenues and expenses for all Board programs are combined under the Florida Prepaid College Trust Fund. The complete Financial Statements start on page 12.

MARKETING

The Florida Prepaid College Plan and the Florida College Investment Plan are separate yet complementary programs that are co-marketed through a combination of advertising, public relations, direct marketing, and grassroots community education. Promotion is focused in Florida among Florida residents with children or grandchildren. The plans are not sold through brokers. Customers may enroll online or call toll-free for information about opening an account.

*The law allowing federal tax-free qualified withdrawals is set to expire on December 31, 2010, and may or may not be extended. If the law is not extended, the earnings will be taxable to the beneficiary (student).

TOTAL PLANS = 895,792



All tuition, local fee and dormitory plans purchased since the program started, including active, depleted, and cancelled accounts. In 1998, sale of the dormitory plan was temporarily suspended, resulting in a one-year decline in sales. In 1999, sale of the dormitory plan was reinstated and the local fee plan was first introduced, resulting in a spike in sales.

ENROLLMENT

Enrollment for the Florida Prepaid College Plan opens in the fall of each year and continues through January. Customers may apply between enrollment periods but are not officially enrolled until the new plan prices are approved and the next enrollment period begins.

2003 Summary

Prepaid Plan enrollment increased 103 percent in 2003, setting another one-year, all-time-high sales record.

This year, a combined 159,190 tuition, local, and dormitory plans were purchased. Continued popularity of the program and the potential impact of proposed double-digit tuition increases on the program were among the factors that motivated families to enroll in such unprecedented numbers. Total Prepaid Plan sales, since inception, peaked at 895,792 plans in 2003.

There were 104,476 new children enrolled in 2003, more than in any other prior year, and total children enrolled since inception climbed to 642,055 statewide.

2004 Forecast

The Florida Prepaid College Board has a goal to increase Prepaid Plan sales by 15 percent each year over the next five years. Sales are on track to exceed the benchmark in 2004, and the program is projected to reach 1 million plans by 2005.

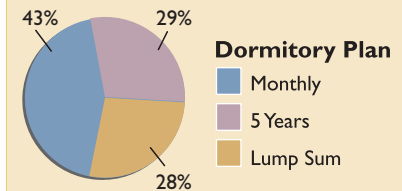
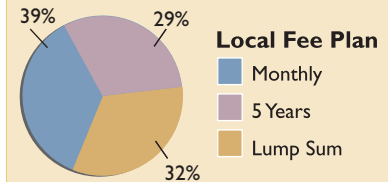
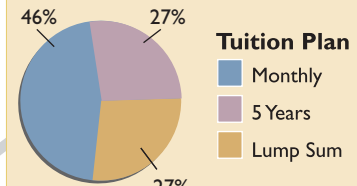
Sales Revenue

Payments can be made in a lump sum, over five years, or monthly until the year the child is projected to start college.

The payment options selected shift slightly from year to year but have not changed much over time. Most customers, whether purchasing a tuition plan, local fee plan or dormitory plan, select the monthly payment option.

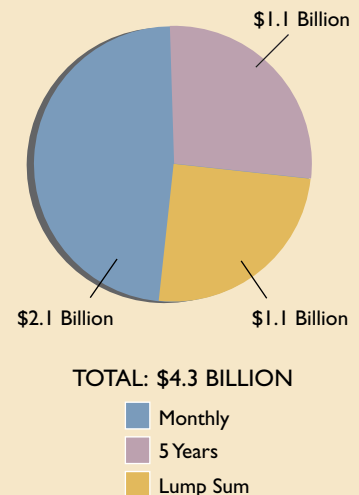
Projected Prepaid Plan revenue for 2003 accounts is \$1.2 billion. Total projected revenue for all plans sold since the program started is now \$4.3 billion.

PAYMENT OPTIONS By Plan Type - Cumulative



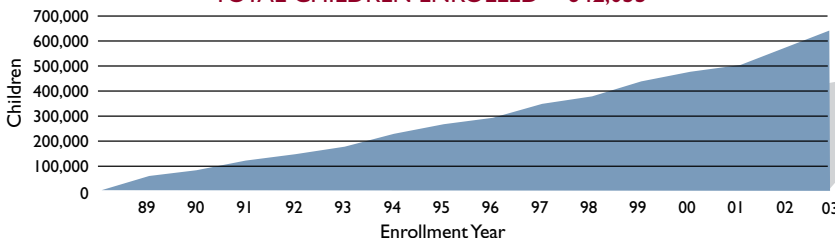
Payment options selected for all plans purchased.

PROJECTED SALES REVENUE By Payment Option - Cumulative



Revenue and receivables at actual payment amounts. Does not include investment income. Does not include cancelled accounts.

TOTAL CHILDREN ENROLLED = 642,055

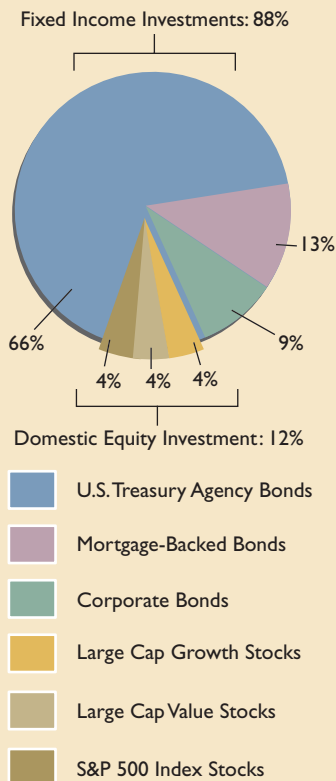


Based on total tuition plans purchased since the program started. Each child may have only one active tuition plan.

INVESTMENT STRATEGY

The Florida Prepaid College Board invests customer payments based on a Comprehensive Investment Plan (CIP). The CIP for the Florida Prepaid College Plan is structured to ensure that the Board's investments keep pace with increases in tuition, local fee, and dormitory costs over time.

COMPREHENSIVE INVESTMENT PLAN



The Prepaid Plan investment strategy is conservative by most industry standards with a target asset allocation of 88 percent fixed income and 12 percent equities in 2003. The Board will shift the target asset allocation to 85 percent fixed income and 15 percent equities in 2004.

The Prepaid Plan investment portfolio has achieved a 10.3 percent annualized return, since inception.

As of December 31, 2003, the market value of the portfolio was \$4 billion.

TUITION PLAN

A record 104,476 new tuition plans were purchased in 2003, more than any other prior year. As a result, total tuition plans since inception climbed to 642,055 this year.

TUITION PLAN – BY YEAR

1989	45,751
1990	36,048
1991	26,172
1992	28,811
1993	34,954
1994	45,255
1995	41,542
1996	39,199
1997	40,968
1998	40,683
1999	39,223
2000	34,813
2001	35,875
2002	48,285
2003	104,476
TOTAL	642,055

New customers purchased 86 percent of all tuition plans this year. Repeat customers, who already had at least one other child enrolled in the program, purchased the remaining 14 percent.

The tuition plan covers the matriculation, capital improvement, building, and financial aid fees charged by Florida's public colleges. There are other fees charged by Florida's public colleges, including local fees, which are not covered by the tuition plan. The tuition plan may be purchased for a child, newborn through the eleventh grade. To qualify, the child or the child's parent must be a Florida resident.

There are three tuition plans:

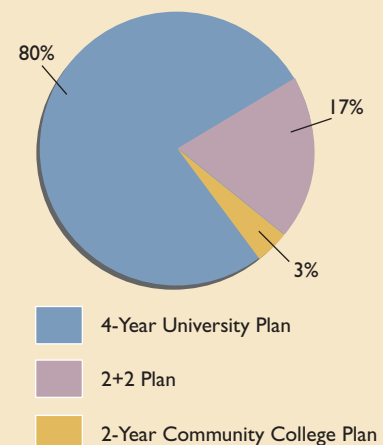
- 4-Year University Plan — Covering 120 undergraduate credit hours at a state university.
- 2+2 Plan — Covering 60 credit hours at a community college and 60 undergraduate credit hours at a state university.
- 2-Year Community College Plan — Covering 60 community college credit hours.



Again in 2003, the four-year university plan was the most popular, representing 80 percent of all new tuition plans. The 2+2 plan made up 17 percent and the two-year community college plan represented 3 percent of all new tuition plans.

Since the program started, 74 percent of all customers have selected the four-year university plan, 21 percent have selected the 2+2 plan, and 5 percent have selected the two-year community college plan.

TUITION PLAN TYPE – 2003



LOCAL FEE PLAN

This year, 36,378 new local fee plans were purchased. Introduced five years ago, 111,709 total local fee plans have already been purchased.

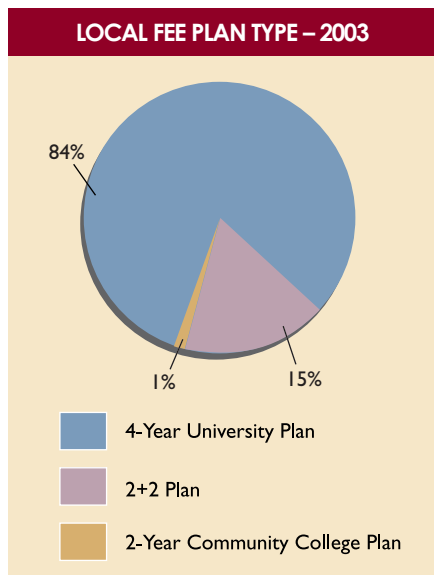
LOCAL FEE PLAN – BY YEAR	
1999	20,545
2000	15,014
2001	19,139
2002	20,633
2003	36,378
TOTAL	111,709

The local fee plan was introduced in 1999.

The local fee plan covers the required student activity and service, health, and athletic fees charged by Florida's public colleges. To qualify for the local fee plan, the child must have a tuition plan and be in the eighth grade or younger.

The local fee plan supplements the tuition plan, and therefore, must be the same type as the corresponding tuition plan. Like the tuition plan, there are three local fee plans: The four-year university plan, the 2+2 plan and the two-year community college plan.

In 2003, the four-year university plan represented 84 percent, the 2+2 plan 15 percent, and the two-year community college plan 1 percent of all new local fee plans purchased.



On average, 35 percent of all new customers purchase the local fee plan.

The local fee plan may be purchased with a new tuition plan or may be added to an existing tuition plan, prior to the child completing the eighth grade. In 2003, 91 percent of all new local fee plans were purchased with a new tuition plan; 9 percent were added to an existing tuition plan.

DORMITORY PLAN

In 2003, 18,336 new dormitory plans were purchased, bringing total dormitory plans sold to 142,028.

DORMITORY PLAN – BY YEAR	
1989	12,900
1990	10,716
1991	8,004
1992	7,692
1993	9,513
1994	11,106
1995	9,721
1996	8,998
1997	10,544
1998	0
1999	10,509
2000	6,736
2001	7,765
2002	9,488
2003	18,336
TOTAL	142,028

The dormitory plan was not offered in 1998 pending clarification of federal legislation impacting the tax status of the plan. The dormitory plan was re-introduced in 1999.

On average, 22 percent of all customers have a dormitory plan.

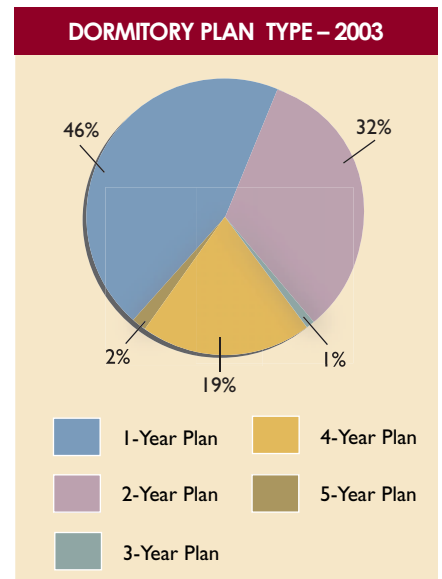
The dormitory plan covers the cost of a standard, double-occupancy, air-conditioned dorm room. The value of the plan may be applied toward the cost of other housing managed or designated by a university, including some fraternity and sorority houses and select community college residence facilities. To qualify for the dormitory plan, the child must have a tuition plan and be in the eighth grade or younger.



Like the local fee plan, the dormitory plan may be purchased with a new tuition plan or may be added to an existing tuition plan, prior to the child completing the eighth grade. In 2003, 89 percent of all new dormitory plans were purchased with a new tuition plan; 11 percent were added to an existing tuition plan.

The dormitory plan may be purchased with a four-year university tuition plan or a 2+2 tuition plan. It is offered in one-year increments up to five years.

The purchasing patterns for the dormitory plan have been consistent over time. Again in 2003, the majority of customers purchased the one-year plan or the two-year plan. Less than one quarter selected the three-year, four-year and five-year plans.



Florida Prepaid College Plan

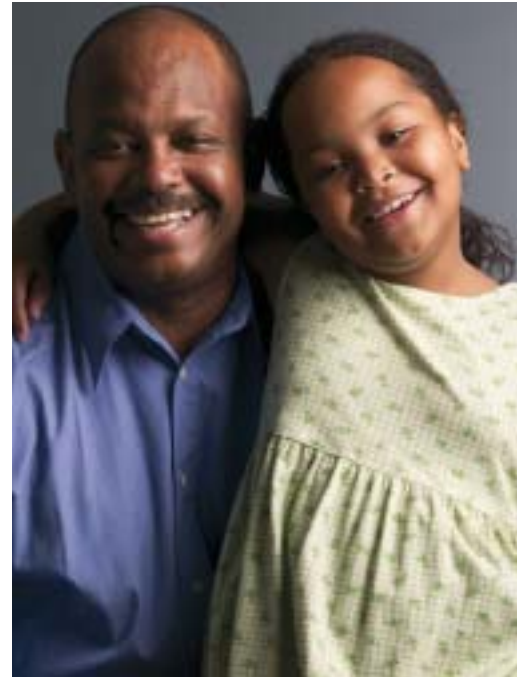
OUR CUSTOMERS

Any person or organization may purchase a Florida Prepaid College Plan, including a parent, grandparent, friend, community group, trust, or business. The Prepaid Plan can be purchased for a child (beneficiary), newborn through the eleventh grade. To qualify, the child or the child's parent must be a Florida resident.

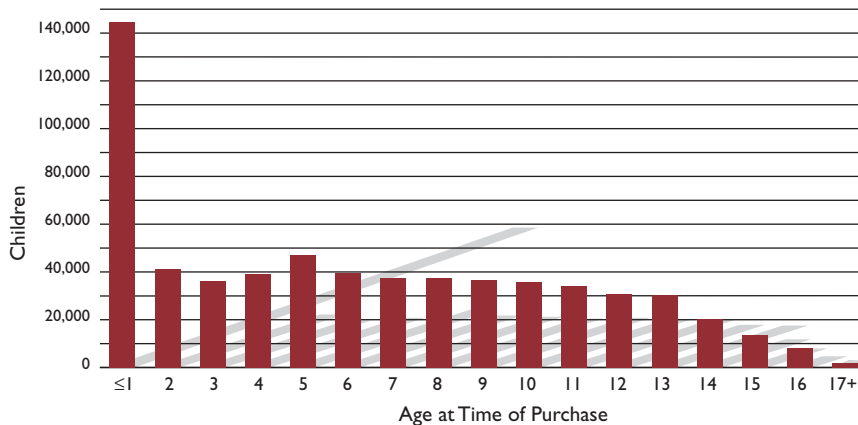
Age of Beneficiary

Research shows that most Prepaid Plan families are getting an early start on saving for college. Enrollment is highest among children who are 1 year old or younger. In 2003, 25 percent of the children enrolled were 1 year old or younger.

Of all the children enrolled in 2003, 82 percent were elementary school age or younger, 13 percent were in middle school, and only 5 percent were in high school. This trend has been constant. Over time, 78 percent of all children when enrolled in the Prepaid Plan were elementary school age or younger, 15 percent were in middle school, and 7 percent were in high school.



BENEFICIARY AGE



Relationship

On average, 88 percent of all plans have been purchased by a parent, 9 percent by a grandparent, and the remaining 3 percent by another relative, a friend, a business, or a foundation.*

* The relationship between the account owner and the child is self-reported at the time of purchase, with 94 percent of all customers responding.

Family Income

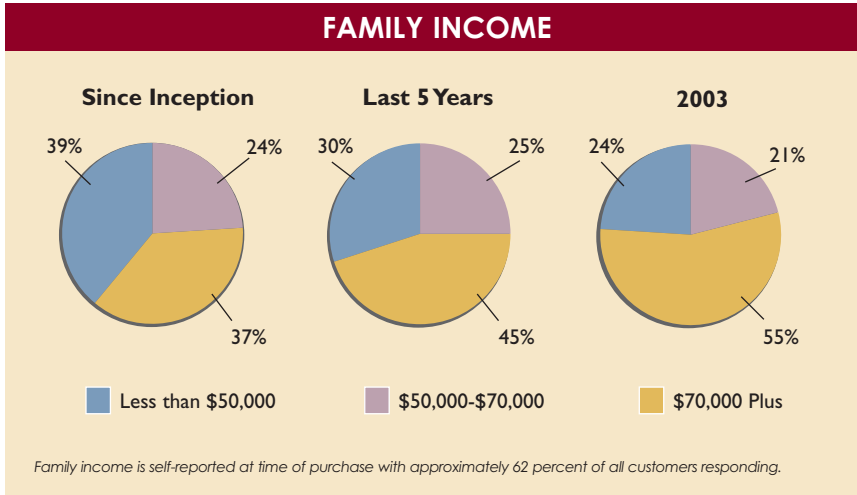
The Prepaid Plan is helping put college within financial reach of the average Florida family.

Of all Prepaid Plan families, 63 percent have reported household income of less than \$70,000 a year, since inception. Among those families who enrolled in 2003, 45 percent earn less than \$70,000 a year.

Prepaid Plan family income parallels the income distribution of all Florida households, except among families with earnings of less than \$20,000 a year.* The Board continues to educate low-income families about the advantages of saving for college; however, saving for college is more difficult for low-income families because of other competing financial needs.

* University of Florida, Bureau of Economic and Business Research, 2003.

FAMILY INCOME



Diversity

The ethnic and racial make-up of Prepaid Plan families reflects the demographics of Florida. More than 16 million people live in Florida today, of which an estimated 78 percent are white and 22 percent are minorities. In comparison, 74 percent of all new Prepaid Plan families in 2003 were white and 26 percent were minorities.

Through advertising, community-based education, and grassroots promotion, minority participation has climbed from only 16 percent in the first 10 years of the program to 27 percent of all new customers enrolled in the last five years. Hispanics represent the fastest-growing minority segment, followed by African Americans. Of all Prepaid Plan families enrolled since inception, 80 percent are white and 20 percent are minorities.



FAMILY RACE — ETHNIC ORIGIN

	2003	PREPAID PLAN			
	FLORIDA	2003	LAST 5 YEARS	EARLY YEARS	SINCE INCEPTION
White Families	78%	74%	73%	84%	80%
Minority Families	22%*	26%	27%	16%	20%
MINORITY FAMILIES					
Hispanic	17%*	15%	15%	8%	11%
African American	15%	6%	7%	5%	5%
Asian	2%	3%	2%	—	1%
Other	5%	2%	3%	3%	3%

PREPAID PLAN: Family race/ethnic origin is self-reported at time of purchase with approximately 80 percent of all customers responding. **2003:** Families enrolled in 2003. **Last 5 Years:** Families enrolled in 1999-2003. **Early Years:** Families enrolled in 1989-1998. **Since Inception:** Families enrolled in 1989-2003. **FLORIDA:** University of Florida, Bureau of Economic and Business Research, 2003.

* Available Florida data includes persons of Hispanic or Latino origin as any race; therefore, the composite of race/ethnic groups in Florida (39%) does not equal the reported total of minority families in Florida (22%).

Where They Live

Participation in the Prepaid Plan continues to grow statewide in communities both large and small. Nearly 46 percent of all Prepaid Plan customers currently live in South Florida, 32 percent in Central Florida, and 14 percent in North Florida.

Florida's six most populous counties — Miami-Dade, Broward, Palm Beach, Hillsborough, Orange and Pinellas — continue to represent the largest concentration of Prepaid Plan families. Of all new customers enrolled in 2003, 62 percent call these counties home.

CUSTOMERS BY COUNTY

NORTH FLORIDA – 14%		CENTRAL FLORIDA – 32%		SOUTH FLORIDA – 46%	
Alachua.....9,150	Jackson.....893	Brevard.....17,125	Broward.....87,751	Charlotte.....2,797	
Baker.....389	Jefferson.....356	Citrus.....2,615	Collier.....7,191	De Soto.....352	
Bay.....3,498	Lafayette.....66	Hernando.....3,305	Glades.....80	Hardee.....377	
Bradford.....447	Leon.....14,882	Hillsborough.....46,513	Hendry.....547	Highlands.....1,501	
Calhoun.....192	Liberty.....159	Indian River.....3,685	Lee.....13,286	Manatee.....6,999	
Clay.....5,956	Madison.....276	Lake.....5,652	Martin.....5,907	Miami-Dade.....91,625	
Columbia.....1,010	Nassau.....1,598	Levy.....554	Monroe.....3,019	Okeechobee.....593	
Dixie.....117	Okaloosa.....4,543	Marion.....5,675	Palm Beach.....55,730	Saint Lucie.....5,722	
Duval.....24,346	Putnam.....1,196	Orange.....28,211	Sarasota.....8,645		
Escambia.....5,700	Saint Johns.....7,442	Osceola.....3,335			
Flagler.....1,360	Santa Rosa.....3,877	Pasco.....11,358			
Franklin.....107	Suwannee.....545	Pinellas.....38,150			
Gadsden.....837	Taylor.....338	Polk.....11,329			
Gilchrist.....169	Union.....221	Seminole.....16,569			
Gulf.....204	Wakulla.....843	Sumter.....652			
Hamilton.....120	Walton.....628	Volusia.....12,124			
Holmes.....188	Washington.....370				
TOTAL.....92,023		TOTAL.....206,852		TOTAL.....292,122	

OTHER 8%: Of the 642,055 children with a tuition plan, 2.5 percent (15,835) are Florida Prepaid College Foundation scholarship students and the remaining 5.5 percent (35,223) have moved.

COLLEGE ENROLLMENT

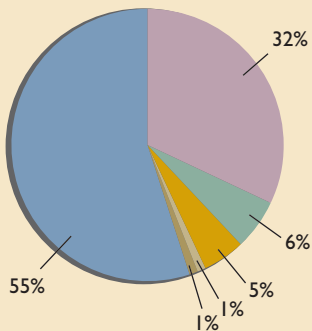
The Florida Prepaid College Plan is helping Florida's children go to college and to prepare for their future. Since the program started, 120,000 Prepaid Plan students have enrolled in college.

In 2003, there were 55,990 students who used their Prepaid Plan, a 13 percent increase over the prior year. Of those students, approximately 27 percent used their Prepaid Plan for the first time.

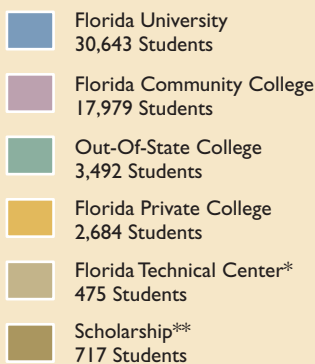
Most Prepaid Plan students go to a public university or community college in Florida. As compared to total enrollment, Prepaid Plan students currently represent 15 percent of undergraduate students at Florida's public universities and 6 percent of Florida community college degree-seeking students.*

* Based on Florida Department of Education data.

PLAN USAGE – FALL 2003



TOTAL: 55,990 STUDENTS



* Includes students enrolled at an approved technical center in Florida and students enrolled in technical education courses at a Florida community college.

** Includes students who qualified for and received a scholarship refund. Scholarship refunds are paid to the account owner, not the college; therefore, the Board does not track where these students are attending college.

In 2003, 87 percent of all Prepaid Plan students attended Florida's public universities and community colleges.

Out-of-state usage has increased in recent years but was proportionally small again this year at 6 percent. Another 5 percent enrolled at a private Florida college in 2003. Close to 1 percent attended an approved technical center in Florida or used their Prepaid Plan for technical education courses at a Florida community college. The remaining 1 percent enrolled at an in-state or out-of-state school and qualified for a Prepaid Plan scholarship refund.

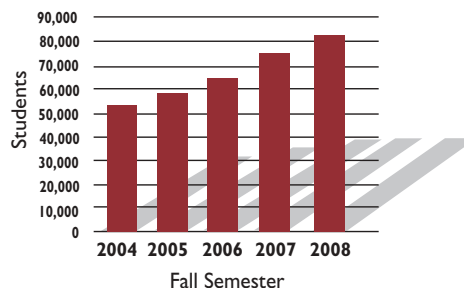
Future Enrollment

The total number of Prepaid Plan students enrolled in college is growing each year. It is estimated that 61,000 Prepaid Plan students will go to college in fall 2004, with 87 percent or 53,000 students expected to enroll at Florida's public universities and community colleges.

Within five years, total annual college enrollment is projected to reach 86,000 Prepaid Plan students, with as many as 82,000 students expected to enroll at Florida's public universities and community colleges.

Annual Prepaid Plan college enrollment is projected to peak at 108,000 students in 2018. Of those students, 103,000 are currently expected to attend Florida's public universities and community colleges.

PROJECTED ENROLLMENT FLORIDA PUBLIC COLLEGES NEXT FIVE YEARS



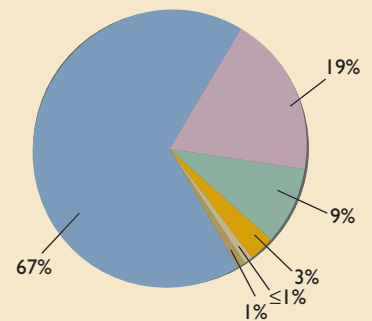
College Payments

Since the Prepaid Plan started, more than \$516.1 million in college tuition, local fee, and dormitory expenses have been paid on behalf of participating students. In fall 2003, \$45.6 million in covered college expenses were paid.

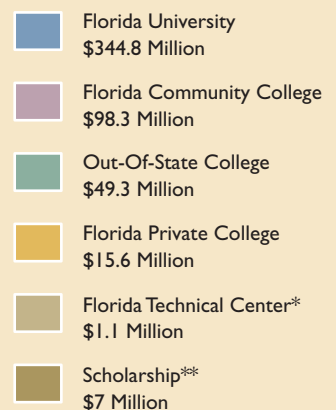
Florida's public universities continue to be the primary financial beneficiary of the program, receiving \$344.8 million or 67 percent of all Prepaid Plan payouts to date. It is estimated that the program will pay Florida's universities a total of \$5.1 billion by 2026.

Florida's community colleges have received \$98.3 million or 19 percent of all Prepaid Plan payouts to date.

TOTAL PAYMENTS By College Type – Cumulative



TOTAL: \$516.1 MILLION



* Payments to approved technical centers in Florida and for technical education courses offered by Florida's community colleges. Authorized for the first time in 2001.

** Includes students who qualified for and received a scholarship refund. Scholarship refunds are paid to the account owner, not the college; therefore, the Board does not track where these students are attending college.

Colleges Of Choice

Prepaid Plan student enrollment grew at most all of Florida's public universities and community colleges in 2003. Again this year, the University of Florida enrolled more Prepaid Plan students than any other college. Among Florida's community colleges, Miami-Dade Community College continued to draw the most Prepaid Plan students.

Prepaid Plan students enrolled in 33 private colleges in Florida this year, with the most, 642 students, attending the University of Miami. Prepaid Plan students also enrolled in 869 different out-of-state colleges, with Auburn University leading the list with 93 Prepaid Plan students.

Approximately 575 Prepaid Plan students attended Historically Black Colleges and Universities (HBCUs) in Florida at Florida A&M University, Bethune-Cookman College and Florida Memorial College, and out of state. Annual Prepaid Plan payments to HBCUs exceeded \$1.2 million this year.

TOTAL PAYMENTS By Plan Type – Cumulative	
Plan Type	Payments
Tuition	\$455.2 million
Local Fee	\$500,000*
Dormitory	\$60.4 million
TOTAL	\$516.1 million

* Most local fee plans since first introduced in 1999 have been purchased for children who have not yet started college.



ENROLLMENT – BY FLORIDA UNIVERSITY

	FALL 2003	FALL 2002	FALL 2001
University of Florida	7,846	7,633	7,248
Florida State University	5,908	5,550	4,946
University of Central Florida	5,709	5,039	4,449
University of South Florida	3,460	3,087	2,722
Florida International University	2,641	2,391	2,087
Florida Atlantic University	1,796	1,583	1,380
University of North Florida	1,551	1,374	1,134
Florida Gulf Coast University	557	408	259
University of West Florida	536	480	425
Florida A&M University	524	432	397
New College of Florida*	115	—	—
TOTAL	30,643	27,977	25,047

* New College of Florida, now a public university, was previously a campus of the University of South Florida.

ENROLLMENT – BY FLORIDA COMMUNITY COLLEGE

	FALL 2003	FALL 2002	FALL 2001
Miami-Dade Community College	1,953	1,772	1,500
Broward Community College	1,667	1,408	1,241
Valencia Community College	1,604	1,514	1,394
Santa Fe Community College	1,549	1,225	1,064
Palm Beach Community College	1,387	1,169	991
Tallahassee Community College	1,221	1,052	1,024
St. Petersburg College	1,190	1,096	963
Hillsborough Community College	1,096	1,011	955
Florida Community College at Jacksonville	1,066	974	787
Brevard Community College	599	511	441
Seminole Community College	590	497	411
Indian River Community College	511	367	297
Daytona Beach Community College	461	410	373
Edison Community College	436	377	348
Manatee Community College	353	336	261
Polk Community College	335	261	245
Pensacola Junior College	331	306	264
Pasco-Hernando Community College	306	230	174
Central Florida Community College	264	269	209
St. Johns River Community College	225	203	150
Gulf Coast Community College	200	143	131
Okaloosa-Walton Community College	177	161	126
Lake-Sumter Community College	153	147	121
Lake City Community College	93	78	69
South Florida Community College	70	50	43
Chipola Junior College	61	55	39
North Florida Community College	51	40	29
Florida Keys Community College	30	28	34
TOTAL	17,979	15,690	13,684



ENROLLMENT

The Florida College Investment Plan provides families an affordable way to supplement their college savings. With the Investment Plan, families can save for any qualified college expense including tuition, fees, room and board, books, supplies, and even graduate

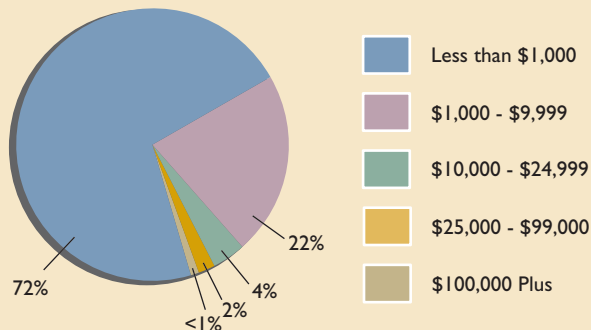
school. The Investment Plan is flexible and can be used at any public or private accredited university, community college, or technical school, in Florida or out of state. Enrollment for the Investment Plan is open year-round.

2003 Summary

The Investment Plan was introduced in fall 2002 and completed its first full year of operation in 2003. At the end of calendar year 2003, the Investment Plan had 9,576 active accounts, and the total amount invested was \$23.7 million. At the end of calendar year 2003, 94 percent of Investment Plan participants had less than \$10,000 invested.

DOLLARS INVESTED By Customer – December 31, 2003

Average Account Balance: \$2,400



Source: Florida Prepaid College Board. There is a minimum contribution of \$25 required to open an account. The customer decides how often and how much to contribute up to the current maximum account limit of \$287,000.

2004 Forecast

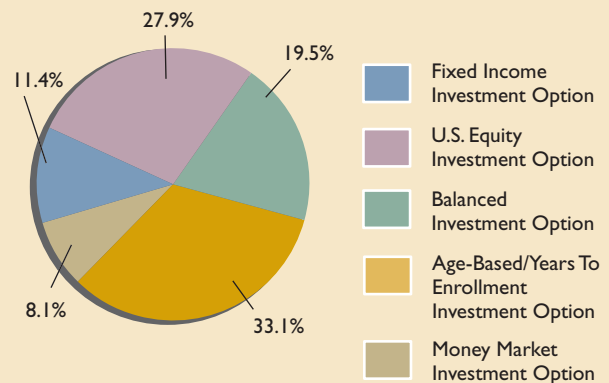
The Florida Prepaid College Board has a goal to increase enrollment in the Investment Plan by at least 20 percent each year over the next five years, and to gradually increase contributions to current accounts.

INVESTMENT OPTIONS

The Florida Prepaid College Board has developed a Comprehensive Investment Plan (CIP) that describes the investment options and policies for the Florida College Investment Plan.

Customers may select one or any combination of the five investment options currently offered by the program. Contributions are pooled and invested in the underlying portfolios for each investment option. The underlying portfolios are customized and are unique to the Florida College Investment Plan.

INVESTMENT OPTION SELECTION Market Value Of Investments – December 31, 2003



Source: Florida Prepaid College Board based on data provided by The Northern Trust Company.

Performance

Actual performance for each investment option was reported for the first time in 2003. Investment performance is reported net of the annual administrative fee, which is 3/4 of 1 percent (75 basis points or 0.0075) of the account balance.

2003 PERFORMANCE SUMMARY

INVESTMENT OPTIONS INVESTMENT RETURNS FOR THE PERIOD ENDED 12/31/03*

Fixed Income Investment Option	2.84 %
U.S. Equity Investment Option	24.98 %
Balanced Investment Option	13.66 %
Age Based/Years to Enrollment Investment Options:	
Age 0 – 4 Years / 14 or More Years to Enrollment	24.98 %
Age 5 – 8 Years / 10 – 13 Years to Enrollment	19.29 %
Age 9 – 12 Years / 6 – 9 Years to Enrollment	13.51 %
Age 13 – 15 Years / 3 – 5 Years to Enrollment	8.27 %
Age 16 & Above / 0 – 2 Years to Enrollment	2.83 %
Money Market Investment Option	1.01 %

*The investment returns for the Investment Options are provided as general information only and are not intended to provide investment or other advice. Past performance is no guarantee of future performance. The investment return shown for each Investment Option reflects the composite returns for the institutional portfolios comprising the investment options. Investment returns shown in the table above were calculated by Watson Wyatt Investment Consulting, Inc., the Board's investment consultant, by computing the percentage change in the trust unit value of each Investment Option. The unit values for the Investment Options were calculated by the plan's custodian, The Northern Trust Company, and provided to Watson Wyatt for computing the investment returns. The investment period covered is from January 1, 2003 through December 31, 2003. Under no circumstances is this information to be used or considered as an offer to sell or a solicitation of an offer to buy a particular investment. Please refer to the Florida College Investment Plan Disclosure Statement for more information.

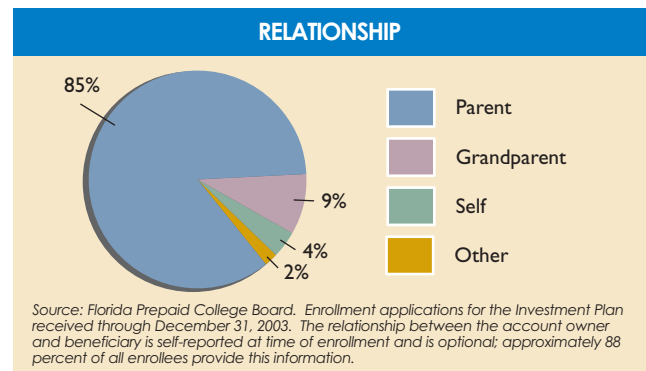
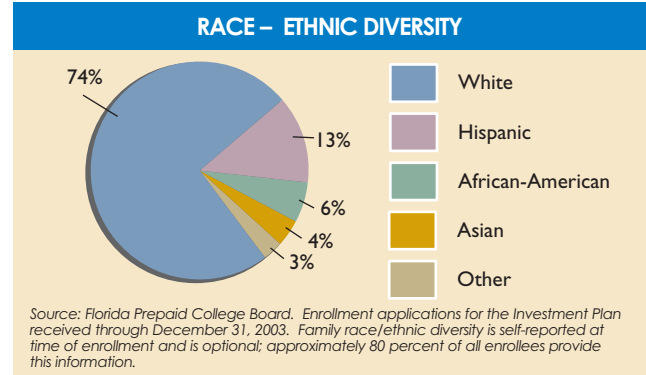
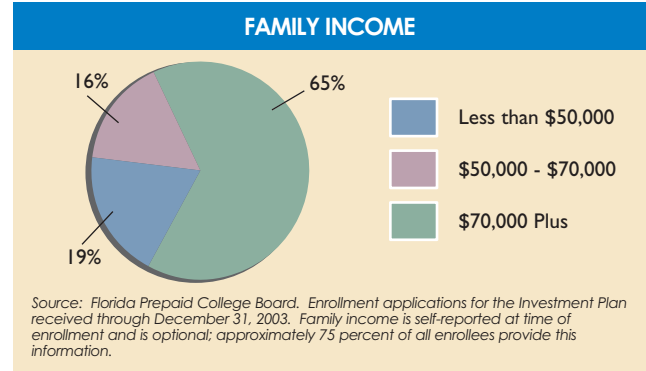
OUR CUSTOMERS

The Florida College Investment Plan was developed to complement the Florida Prepaid College Plan, and as a result, 74 percent of current Investment Plan customers also have a Prepaid Plan.

The Investment Plan requires a minimum contribution of only \$25, has a low annual administration fee, and allows families to save at their own pace. As a result, the Investment Plan is providing another affordable way for families to save for college, with 35 percent of the families enrolled earning less than \$70,000 a year.

Even though customers are not required to live in Florida, the program is designed for Florida residents and, as a result, 97 percent of Investment Plan customers currently live in Florida. Investment Plan customers also reflect the racial and ethnic demographics of Florida, with white families representing 74 percent and minority families 26 percent of those currently enrolled.

Customers may open an Investment Plan to save for college for a child, an adult, or even themselves. A total 94 percent of all Investment Plan accounts have been opened by parents for their children, or by grandparents for their grandchildren.



CUSTOMERS BY COUNTY

NORTH FLORIDA – 14%

Alachua	141	Jackson	10
Baker	0	Jefferson	3
Bay	33	Lafayette	2
Bradford	5	Leon	247
Calhoun	2	Liberty	0
Clay	87	Madison	2
Columbia	8	Nassau	24
Dixie	0	Okaloosa	85
Duval	368	Putnam	6
Escambia	63	Saint Johns	126
Flagler	17	Santa Rosa	62
Franklin	0	Suwannee	8
Gadsden	2	Taylor	2
Gilchrist	0	Union	1
Gulf	1	Wakulla	3
Hamilton	0	Walton	5
Holmes	1	Washington	1
TOTAL		1,315	

CENTRAL FLORIDA – 37%

Brevard	260		
Citrus	35		
Hernando	52		
Hillsborough	1,004		
Indian River	48		
Lake	75		
Levy	5		
Marion	49		
Orange	461		
Osceola	49		
Pasco	183		
Pinellas	763		
Polk	158		
Seminole	239		
Sumter	9		
Volusia	163		
TOTAL		3,553	

SOUTH FLORIDA – 46%

Broward	1,361		
Charlotte	40		
Collier	130		
DeSoto	4		
Glades	1		
Hardee	7		
Hendry	2		
Highlands	23		
Lee	193		
Manatee	93		
Martin	84		
Miami-Dade	1,187		
Monroe	47		
Okeechobee	9		
Palm Beach	963		
Saint Lucie	86		
Sarasota	149		
TOTAL		4,379	

TOTAL OUT-OF-STATE CUSTOMERS: 329 – 3%

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS



Chairman Stanley G. Tate and Members
Florida Prepaid College Board

In our opinion, the accompanying combining statement of fiduciary net assets presents fairly, in all material respects, the financial position of the Florida Prepaid College Board (the "Board"), a component unit of the state of Florida, State Board of Administration at June 30, 2003 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Board's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements 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, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Florida Prepaid College Board in conformity with accounting principles generally accepted in the United States of America, and are not intended to present fairly the financial position and results of operations of the state of Florida.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2003 on our consideration of the Florida Prepaid College Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

August 29, 2003

MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of financial performance for the Florida Prepaid College Board ("the Program") provides an overview of the Board's financial activities for the fiscal year ended June 30, 2003. Please read this information in conjunction with the Program's financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Board presents two basic financial statements: a Combining Statement of Fiduciary Net Assets and a Combining Statement of Changes in Fiduciary Net Assets.

Our financial position is measured in terms of resources (assets) we own and obligations (liabilities) we owe on a given date. This information is reported on the Combining Statement of Fiduciary Net Assets, which reflects the Board's assets in relation to its obligations. The excess of our assets over liabilities is our net assets.

Information regarding the results of our operations during the year is reported in the Combining Statement of Changes in Fiduciary Net Assets. This statement shows how much our overall net assets increased or decreased during the year as a result of our operations.

FINANCIAL SUMMARY

Financial Position

A summary of the Board's Statement of Fiduciary Net Assets is presented below.

Condensed statement of fiduciary net assets		2003
Unrestricted assets	\$	1,041,460
Restricted assets		6,737,836,670
Total assets		6,738,878,130
Current liabilities		1,710,801,094
Long-term liabilities		4,844,560,049
Total liabilities		6,555,361,143
Total net assets	\$	183,516,987

Changes in Net Assets

A summary of the Board's Statement of Changes in Fiduciary Net Assets is presented below.

Condensed statement of changes in fiduciary net assets	
Total revenues	\$ 1,517,700,540
Total expenses	1,714,014,603
Change in net assets	(196,314,063)
Net assets	
Beginning of year	379,831,050
End of year	\$ 183,516,987

Financial Highlights – Florida Prepaid College Program

- Total assets under management at June 30, 2003 were \$3.994 billion compared to \$ 3.145 billion at June 30, 2002.
- Projected value of assets exceeds the projected value of liabilities by \$169 million per June 30, 2003 actuarial report. The actuarial surplus was determined by deducting future contract benefits and expenses from the sum of investments, future contract payments receivable, and fees. Key assumptions used in the actuarial assessment are as follows:

Yield on investments	4.35% per annum
University tuition increases	8.5% per annum for year 1-3
.....	6.8% per annum thereafter
Community college tuition increases	6.0% per annum
Dormitory fee increases	6.0% per annum
Local fee increases	6.0% per annum

The yield on investments represents the average annual yield based on annualized liability cash flows, adjusted for the current spot yield curve and any risk associated with the underlying portfolio.

- Net assets decreased \$196.3 million, due primarily to an increase in actuarial liabilities.
- Contract benefits and expenses payable increased from \$3.556 billion at June 30, 2002 to \$5.105 billion at June 30, 2003 due primarily to new contract sales and increases in tuition, dormitory, and local fee rates.
- Total number of contracts sold for the 2002–2003 enrollment period as of June 30, 2003 were 158,653 (103,988 Tuition, 18,323 Dormitory, 36,342 Local Fee). Total number of contracts sold since the inception of the program in 1988, were 895,255 (641,567 Tuition, 142,015 Dormitory, 111,673 Local Fee).
- Total gross investment portfolio return for the Prepaid Program for 2002–2003 was 15.9%. The fixed income segment of the portfolio returned 17.1% and constitutes 95.0% of the portfolio. The equities portion of the portfolio returned (2.6)% and constitutes 5.0% of the portfolio. The gross portfolio return for 2001-2002 was 7.9%. In 2001-2002 the fixed income and equities portfolio returned 10.2% and (16.3)% respectively.
- Total administrative expenditures for the Prepaid Program and Savings Program were \$13.8 million.

Financial Highlights – Florida College Savings Program

- Total assets under management at June 30, 2003 were \$13,244,728.
- Total contracts from inception through June 30, 2003 were 8,273.

Financial Statements

COMBINING STATEMENT OF FIDUCIARY NET ASSETS AS OF JUNE 30, 2003

	Private-Purpose Trust Funds			
	Florida Prepaid Trust Fund		Florida Prepaid College Board Direct Support Organization	
	Prepaid Fund	Savings Fund	Florida Prepaid Tuition Scholarship Program	Private-Purpose Trust Fund Total
	Florida Prepaid College Program (Primary Government)	Florida College Savings Program (Primary Government)	Florida Prepaid College Foundation, Inc. (Component Unit)	
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 1,041,460	\$ 1,041,460
Restricted assets				
Cash and cash equivalents	2,566,170	320,881	3,039,579	5,926,630
Investments	5,398,992,324	14,866,754	-	5,413,859,078
Accounts receivable	6,461,836	25,000	-	6,486,836
Investment trades receivable	15,272,943	6,913	-	15,279,856
Tuition and housing payments receivable	1,282,438,078	-	-	1,282,438,078
Accrued interest receivable	13,778,079	60,723	-	13,838,802
Equipment, net of depreciation	3,577	3,813	-	7,390
Total assets	\$ 6,719,513,007	\$ 15,284,084	\$ 4,081,039	\$ 6,738,878,130
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	\$ 3,014,253	\$ 275,497	\$ -	\$ 3,289,750
Due to beneficiaries			3,039,579	3,039,579
Obligations under securities lending	1,231,816,223	1,268,709	-	1,233,084,932
Investment trades payable	205,139,230	153,374	-	205,292,604
Tuition and housing benefits payable	260,571,407	-	-	260,571,407
Refunds payable	5,492,800	-	-	5,492,800
Compensated absences	28,745	1,277	-	30,022
Long-term liabilities				-
Tuition and housing benefits payable	4,844,415,233	-	-	4,844,415,233
Compensated absences	143,464	1,352	-	144,816
Total liabilities	6,550,621,355	1,700,209	3,039,579	6,555,361,143
NET ASSETS	168,891,652	13,583,875	1,041,460	183,516,987
Total liabilities and net assets	\$ 6,719,513,007	\$ 15,284,084	\$ 4,081,039	\$ 6,738,878,130

The accompanying notes are an integral part of these financial statements.

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003**

Private-Purpose Trust Funds

	Private-Purpose Trust Funds			Private-Purpose Trust Fund Total
	Florida Prepaid Trust Fund		Florida Prepaid College Board Direct Support Organization	
	Prepaid Fund	Savings Fund	Florida Prepaid Tuition Scholarship Program	
	Florida Prepaid College Program (Primary Government)	Florida Prepaid Savings Program (Primary Government)	Florida Prepaid College Foundation, Inc. (Component Unit)	
REVENUES				
Prepaid tuition and housing	\$ 976,827,094	\$ -	\$ -	\$ 976,827,094
Contributions for savings plan	-	12,969,262	-	12,969,262
Investment income	499,029,537	611,575	75,004	499,716,116
Securities lending income	17,976,527	5,154	-	17,981,681
Application and other fees	9,764,179	349,842	92,366	10,206,387
Total revenues	\$ 1,503,597,337	\$ 13,935,833	\$ 167,370	\$ 1,517,700,540
EXPENSES				
Tuition and housing	\$ 1,640,379,543	\$ -	\$ -	\$ 1,640,379,543
Refunds	43,809,881	-	-	43,809,881
Withdrawals from savings plan	-	60,867	-	60,867
Administration	11,416,609	2,347,806	252,473	14,016,888
Securities lending	15,742,870	4,554	-	15,747,424
Total expenses	1,711,348,903	2,413,227	252,473	1,714,014,603
Changes in net assets	(207,751,566)	11,522,606	(85,103)	(196,314,063)
Operating transfers	(1,955,000)	1,955,000		
NET ASSETS				
Beginning of year	378,598,218	106,269	1,126,563	379,831,050
End of year	\$ 168,891,652	\$ 13,583,875	\$ 1,041,460	\$ 183,516,987

The accompanying notes are an integral part of these financial statements.

I. ACCOUNTING POLICIES

Description of the Reporting Entity

The Florida Prepaid College Program (the "Program"), formerly the Florida Prepaid Postsecondary Education Expense Program, is administered by the Florida Prepaid College Board (the "Board"). The Program was created in 1987 to provide a medium through which the cost of State postsecondary education may be paid in advance of enrollment at a rate lower than the projected corresponding costs at the time of enrollment. The Program is authorized by Chapter 1009.98 of the Florida Statutes and governed by Board Rules. The State of Florida (the "State") guarantees to meet the obligations of the Program to qualified beneficiaries if funds in the Program are insufficient. In the event that the State determines the Program to be financially infeasible, the State may discontinue the provisions of the Program. If discontinued, any qualified beneficiary who has been accepted by and is enrolled or is within 5 years of enrollment at a state college, university or postsecondary institution, (or other institution as specified in the contract), shall be entitled to exercise the complete benefits. All other contract holders shall receive a refund with an additional amount for interest at prevailing rates.

Effective July 1, 2000, Florida College Savings Plan (the "Savings Plan") was created as a supplement to the existing Florida Prepaid College Program. The Savings Plan is authorized by Chapter 1009.981 of the Florida Statutes and governed by Board Rules. The Savings Plan provides a vehicle whereby participants can save for supplemental post secondary education costs not covered by the traditional plan. Such costs include books, off-campus housing, food and graduate studies. Participant contributions are collected and invested in accordance with participant agreements. Participant agreements clearly state that the participant contributions are solely the debt of the Savings Plan and not the debt of the State. Participants retain ownership of all amounts on deposit with the Savings Plan, up to the dates of distribution on behalf of designated beneficiaries. Participant contributions and the earnings derived from such contributions are held in trust. As of June 30, 2003, \$13.2 million in contributions were made to the Savings Plan.

The Savings Plan will continue in existence until it is terminated by law. Upon termination of the Savings Plan, all deposits shall be returned to the participants and any unclaimed assets in the Savings Plan will revert to the State in accordance with general laws regarding unclaimed property.

Florida Prepaid College Foundation, Inc. (the "Foundation") was created in 1989 to administer the Florida Prepaid Tuition Scholarship Program, on behalf of the Board. The program provides prepaid tuition scholarships to economically disadvantaged at-risk, students. The Foundation is a direct-support organization of the Board and is authorized by Section 1009.984 of the Florida Statutes and incorporated under the provisions of chapter 617 and approved by the Secretary of State.

The Board is a body corporate assigned to and administratively housed within the State of Florida, State Board of Administration.

In evaluating the Board as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Board may or may not be financially accountable and, as such, be includable in the Board's financial statements.

The accompanying combining fiduciary fund financial statements present the net assets and changes in net assets of the Program, the Savings Plan and the Foundation. The Program, the Savings Plan and the Foundation are legally separate organizations for which the Board is financially accountable. In accordance with governmental accounting standards, the Board (the primary government) is financially accountable if it appoints a majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the Board. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Component Unit	Justification for Inclusion in the Reporting Entity	Separate Financial Statements
Foundation	The Program appoints a majority of the Foundation's board and is able to impose its will, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, on the Foundation.	Available upon request P.O. Box 1117 Tallahassee, Florida 32302 (850) 922-6740

The financial statements include the funds and accounts of the Board and its component unit. The financial statements do not include the funds and accounts of the State of Florida, and therefore, are not intended to present the financial position and the results of operations of the State of Florida in conformity with generally accepted accounting principles.

2. BASIS OF PRESENTATION

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, agency funds and private-purpose trust funds. The three trust funds are used to report resources held and administered by the reporting government when it is acting in a fiduciary capacity for individuals, private organizations, or other governments.

Private-purpose trust funds are used to report all trust arrangements, excluding those recognized in pension, investment trust or agency funds, under which principal and income benefit individuals, private organizations, or other governments. In determining the basis of presentation, management considered the definitions of each of the four fiduciary fund types as presented in Statement No. 34 of the Governmental Accounting Standards Board, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and determined the private-purpose trust fund category to be most definitive of the funds representing the reporting entity.

The required financial statements for fiduciary funds are the statement of fiduciary net assets and the statement of changes in fiduciary net assets. The combining fiduciary fund financial statements include information about all fiduciary funds of the primary government, as well as its component units that are fiduciary in nature. The combining statements provide a separate column for each fund.

The combining statement of fiduciary net assets includes information about the assets, liabilities, and net assets for each fiduciary fund. The combining statement of changes in fiduciary net assets includes information about the additions to, deductions from, and net increase (or decrease) for the year in net assets for each fiduciary fund. The statement serves to provide information about significant year-to-year changes in net assets.

3. BASIS OF ACCOUNTING

These combining fiduciary financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

These combining fiduciary fund financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting.

The Foundation receives scholarship funds from donor organizations with instructions to purchase contracts from the Program for specified third-party beneficiaries. The Foundation has no discretion in determining the parties to be benefited and it must deliver the contracts to the specified beneficiaries. Receipt of those scholarship funds is not a contribution to the Foundation, nor is the delivery of the contracts an expense of the Foundation. The unexpended funds from the donors are classified as restricted assets and amounts due to beneficiaries in the combining statement of fiduciary net assets, and totaled \$3,039,579 at June 30, 2003.

Private-purpose trust funds are used to account for the combined net assets held by the Program, the Savings Plan and the Foundation on behalf of the participants. The accounts of the Foundation are maintained in accordance with the principles of not-for-profit accounting.

Equipment

Equipment is reported at historical cost and depreciated using the double declining balance method over the estimated useful lives of the related assets, which range from three to five years.

Budget

The budgetary basis of accounting used by the Program and the Savings Plan as required by State law differs materially from the basis used to report revenues and expenses in accordance with accounting principles generally accepted in the United States of America. Budgetary basis revenues are essentially on the cash basis. Budgetary basis expenditures include disbursements plus current year payables and encumbrances which are certified forward into the next fiscal year and exclude prior year certified forwards. State law requires prior year payables and encumbrances not certified forward to be paid from the current year budget. All revenues and other financing uses are not formally budgeted. These appear on the income statement but are not part of the operating budget. The total appropriations for those expenditure items which are budgeted was \$15,681,854 and total actual expenditures for these items were \$13,764,415 for the year ended June 30, 2003.

Investments

Investments are recorded at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Quoted market prices are used to determine fair value.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

The liability for compensated absences reported in the fiduciary fund financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Revenue Recognition

Prepaid tuition and housing payments are comprised of the following plans:

1. A lump-sum plan;
2. A five-year installment plan; and
3. A monthly payment plan.

The lump-sum plan is a one-time payment when the child is enrolled in the Program. The five-year installment plan provides for 55 equal monthly payments. The monthly payment plan provides for equal payments each month until the child enters college. Revenues from the three payment plans are recognized as earned when due in accordance with contract provisions.

Income Taxes

The Foundation is a non-profit organization, exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is shown in the financial statements.

4. CASH, INVESTMENTS AND SECURITIES LENDING

Cash and cash equivalents include certain investments in highly liquid instruments with original maturities of three months or less. The Board routinely invests its surplus operating funds in money market funds. Amounts reserved for program expenditures are excluded from cash and cash equivalents. All cash demand accounts are entirely insured by federal depository insurance or by the multiple financial institution collateral pool pursuant to the Public Depository Security Act of the State of Florida.

Section 1009.981(1)(e), Florida Statutes, authorizes the Board to invest in the authorized investment vehicles defined in the Comprehensive Investment Plan (the "Plan"). The Plan, established by the Board and approved by the State Board of Administration, specifies the authorized investment vehicles, which include certificates of deposit in banks, U.S. Treasury obligations and other U.S. Government Agency obligations, certain grades of commercial paper, bankers acceptances, annuities, certain repurchase agreements, corporate and equity securities as well as money market and mutual funds. The Plan also specifies the portfolio allocation which is intended to meet the Board's specified goals of safety, liquidity and yield. At June 30, 2003, the cost and fair value of investments held in accordance with the Plan was as follows:

	COST	FAIR VALUE
Short-term investment funds	\$ 394,278,687	\$ 394,399,661
Fixed income securities	2,945,506,064	3,593,650,982
Equity securities	213,113,501	192,723,503
Securities lending cash collateral	1,233,084,932	1,233,084,932
	<u>\$ 4,785,983,184</u>	<u>\$ 5,413,859,078</u>

Under the provisions of the Plan, the Board lends securities to broker-dealers and other entities (borrowers) for collateral that will be returned for the same securities in the future. The Board's investment trustee manages the securities lending program and receives cash, certain governmental securities or irrevocable bank letters of credit as collateral. The collateral securities cannot be pledged or sold by the Board unless the borrower defaults. Collateral cash, securities and letters of credit are initially pledged at 102 percent of the market value of the securities lent for U.S. securities, and additional collateral has to be provided by the next business day if its value falls to less than 100.5 percent of the market value of the securities lent.

Investments at June 30, 2003 are recorded at fair value and are categorized in the following table to give an indication of the level of risk assumed. Securities on loan at June 30, 2003 are classified in the following schedule of credit risk according to the category for the collateral received on the securities lent. At June 30, 2003, the Board has no credit risk exposure to borrowers because the amounts the Board owes the borrowers does not exceed the amounts the borrowers owe the Board. Category 1 includes investments that are insured or registered for which the securities are held by the Board or its agent in the Board's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Board's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agency, but not in the Board's name.

Changes in fair value are reported as increases and decreases to investment income.

	RISK CATEGORY	FAIR VALUE
U.S. Treasury Obligations		
Not on securities loan	1	\$ 850,007,702
On securities loan for securities collateral	1	329,244,236
On securities loan for cash collateral	-	1,131,576,957
		<u>2,310,828,895</u>
Temporary Investments		
Not on securities loan	1	130,904,718
Not on securities loan	2	8,769,607
Not on securities loan	-	170,065,007
		<u>309,739,332</u>
U.S. Agency Obligations		
Not on securities loan	1	551,788,768
On securities loan for securities collateral	1	53,333,869
On securities loan for cash collateral	-	1,320,913
		<u>606,443,550</u>
Corporate Bonds		
Not on securities loan	1	627,277,061
On securities loan for securities collateral	1	14,442,540
On securities loan for cash collateral	-	56,788,975
		<u>698,508,576</u>
Common Stock		
Not on securities loan	1	179,469,574
On securities loan for securities collateral	1	340,256
On securities loan for cash collateral	-	12,913,673
		<u>192,723,503</u>
Florida State Board of Administration Repurchase Agreements	1	29,243,950
Florida State Board of Administration Repurchase Agreements	2	33,286,340
		<u>62,530,290</u>
Securities Lending Cash Collateral	-	1,233,084,932
Total Board Investments		\$5,413,859,078

5. TUITION AND HOUSING BENEFITS PAYABLE

The Program's tuition and housing benefits payable represent the actuarially determined present value of future program obligations. The following is a summary of changes in long-term tuition and housing benefits payable:

Net present value of tuition and housing benefits payable at June 30, 2002	\$3,556,093,283
Tuition and housing benefits paid for the year	(1,640,379,543)
Increase in tuition and housing benefits payable	<u>3,189,272,900</u>
Net present value of tuition and housing benefits payable at June 30, 2003	\$5,104,986,640
Less: current portion	<u>(260,571,407)</u>
Long-term tuition and housing benefits payable	<u>\$4,844,415,233</u>

Presented below is the total tuition benefits obligation of the Program. The standard measurement is the actuarial present value (APV) of the future tuition obligation. The valuation method reflects the present value of estimated tuition benefits that will be paid in future years and is adjusted for the effects of projected tuition and housing increases and termination of contracts.

The net assets available represent assets in trust at market value and the future discounted contract payments adjusted for estimated cancellations.

APV of future benefits payable	\$4,844,415,233
Net assets available	\$5,013,306,885
Net assets as a percentage of tuition and housing benefits obligation	103%

The following assumptions were used in the actuarial evaluations:

- Rate of return: 4.35% per annum.
- Projected tuition increase: 6% compounded annually for community colleges and 8.5% for the first 3 years, 6.8% thereafter for universities.
- Projected dormitory fee increase: 6% compounded annually.
- Projected local fee increase: 6% compounded annually for universities and community colleges.

6. DUE TO BENEFICIARIES

The Foundation receives scholarship funds from donors and purchases contracts for the donor's designated beneficiaries. The unexpended funds from these donors are classified as due to beneficiaries. The receipts and disbursements of the funds received are as follows:

Balance, June 30, 2002	\$ 6,613,261
Add: Donations	8,504,291
Less: Payments on behalf of donors	<u>(12,077,973)</u>
Balance, June 30, 2003	<u>\$3,039,579</u>

7. EQUIPMENT

A summary of the changes in equipment held within the fiduciary funds is as follows:

Equipment, at cost, June 30, 2002	\$79,273
Sales or other disposition	-
Equipment, at cost, June 30, 2003	79,273
Less accumulated depreciation	<u>(71,883)</u>
Net equipment, at June 30, 2003	<u>\$7,390</u>

At June 30, 2003, there were no capital assets which were not being depreciated. Depreciation expense totaled \$8,023 for the year ended June 30, 2003.

8. RETIREMENT

All permanent full-time employees of the Board participate in the Florida Retirement System (FRS), a multiple employer cost sharing defined benefit retirement system, administered by the State. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The State issues a publicly available report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing to Florida Retirement System, State of Florida, Tallahassee, Florida 32399-1590.

The FRS provides vesting after six years of creditable service. Normal retirement age is attained at the earlier of thirty years of creditable service regardless of age or retirement at age sixty-two with at least six years of creditable service. Early retirement may be taken anytime; however, there is a five percent benefit reduction for each year prior to normal retirement age. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled or unable to work. Benefits are computed on the basis of age, average final compensation and service credit. The contribution requirements of the Board are established by Florida Statutes, Chapter 21 and may be amended by FRS. The plan is non-contributory for employees with all contributions being the obligation of the Program. The Board's contributions to FRS for the year ended June 30, 2003 were \$33,702, and equal to the required contributions.

9. RELATED-PARTY TRANSACTIONS

The Foundation purchases prepaid tuition contracts from the Program on behalf of selected scholarship recipients. Prepaid tuition contracts at a cost of approximately \$12,056,871 were purchased during the year ended June 30, 2003.

ERNST & YOUNG LLP

*Chairman Stanley G. Tate
and Members*

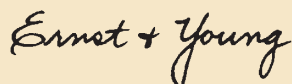
Florida Prepaid College Board

We have completed our analysis of the Trust Fund (the "Fund") for the Florida Prepaid College Program (the "Program") as of June 30, 2003. This report presents our findings in the following areas of actuarial analysis: adequacy of the Fund, projection of the Fund's cash flows, analysis of the duration of the Fund's liability, and sensitivity analysis of the Fund's actuarial reserve and selected contract prices.

The analysis of the Program's funding was prepared for the Florida Prepaid College Board ("the Board") for the sole purpose of assessing the adequacy of the Fund. The analysis have been prepared in accordance with generally accepted actuarial principles and practices applicable to similar types of arrangements.

The Fund is actuarially sound, that is, the expected value of assets exceeds the expected value of liabilities by \$169 million, based on assumptions determined by the Board.

In preparing this report we have relied on the asset and contract information provided by the Board for the enrollment periods 1988/89-2002/2003 and on unaudited financial information, also provided by the Board.



August 29, 2003

ADEQUACY OF THE FUND

The Fund is actuarially sound, that is, the expected value of assets exceeds the expected value of liabilities. We define this excess to be the Actuarial Reserve. The assumptions used to determine the actuarial status of the Fund are those set by the Board. The key results are shown below.

Present Value as of June 30, 2003	(Millions)
Assets	
Investments*	\$3,991
Future Contract Payments	1,277
Other **	6
Total Assets	\$5,274
Liabilities and Actuarial Reserves	
Future Contract Benefits and Expenses	\$5,105
Actuarial Reserves	169
Total Liabilities and Reserves	\$5,274

* Invested assets are shown at market value.

** Future revenue receivable from late payment charges, not sufficient funds charges and cancellation charges.

ECONOMIC ASSUMPTIONS

Yield on Investments.....	Weighted average yield 4.35%
	Using a spot rate curve based on the June 30, 2003 U.S. Treasury curve.
University Tuition Increases.....	8.5% per annum in years 1 – 3
	6.8% per annum thereafter
Community College Tuition Increases.....	6.0% per annum
Dormitory Fee Increases.....	6.0% per annum
Local Fee Increases.....	6.0% per annum

The weighted average yield on investments represents an average annual yield, based on annualized liability cash flows and the June 30, 2003 U.S. Treasury Spot Curve. The Spot Curve is adjusted for any risk associated with the underlying portfolio, including additional return pick up generated by the portion of equities supporting the actuarial liabilities.

EXPECTED CASH FLOWS

For existing contracts, cash flows to the Fund are expected to be positive through fiscal year 2004/2005 and negative from fiscal year 2005/2006 until 2025/2026, and positive from then until all liabilities are satisfied. A positive cash flow occurs when contract payments and investment income exceed tuition payments, dormitory payments and expenses. When negative cash flows occur, asset sales and maturities will provide the necessary cash.

INVESTMENT STRATEGY

The investment strategy of the Fund is designed to enable the Board to meet the actuarially determined program liabilities. The sole purpose of the Board's Comprehensive Investment Plan is to meet the projected liabilities.

The Board has selected United States Trust Company of New York ("U.S. Trust") and State Street Research and Management Company ("State Street") to provide fixed income investment services. The Board's long-term strategy is to immunize the Fund against interest rate fluctuations. The Board employs an enhanced structured immunization strategy to control interest rate risk while providing higher portfolio returns. We have not reviewed the strategies in detail and we are not expressing an opinion on the immunization strategies. We note that an immunization strategy is not inconsistent with the stated goals of the Comprehensive Investment Plan.

In June 1994, the Program began investing in equities. The purpose of this change in investments was to increase the total return to the Fund over the long term, and provide additional assurance to contract purchasers. In fiscal year 2002/2003 the equity investment managers were Trusco (large capitalization growth equities), Deutsche Asset Management (large capitalization value equities), and Florida State Board Administration (S&P 500 Index Fund). In October 2002, the Florida State Board Administration equity manager was replaced by Northern Trust Investments, Inc. ("Northern Trust").

The Florida Prepaid College Board has seven members including the Chief Financial Officer of Florida; the Attorney General of Florida; the Deputy Commissioner of the Florida Department of Education, Division of Colleges and Universities; the Deputy Commissioner of the Florida Department of Education, Division of Community Colleges, or their designee; and three members appointed by the Governor and subject to confirmation by the Florida Senate. Members of the Board serve without compensation.



Chairman Stanley G. Tate – Mr. Tate is the founding and current chairman of the Florida Prepaid College Board, serving 16 years at the appointment of four Florida governors. Mr. Tate is president of Tate Enterprises, a holding company for various corporations with business interests in real estate development, construction, investment and consulting. He is on the board of directors for several publicly held companies and numerous professional, community and charitable organizations. Mr. Tate received a bachelor's degree from the University of Florida and later attended graduate school at Columbia University.



Vice Chairman Edward L. Cisek – Mr. Cisek was appointed in 1990 as the designee for the Deputy Commissioner of the Florida Department of Education, Division of Community Colleges and has served as Vice Chairman of the Florida Prepaid College Board since 1995. As a Vice Chancellor for the Division of Community Colleges, Mr. Cisek coordinates the legislative budget request, prepares legislation and supervises data collection for Florida's community college system. Mr. Cisek has a bachelor's degree in business administration from Ohio State University and a master's degree in business administration from Florida State University.



Michael J. Agganis – Mr. Agganis was appointed to the Florida Prepaid College Board in 2003 as the designee for Florida Attorney General Charlie Crist. Mr. Agganis is the owner of the Akron Aeros, the Cleveland Indians Double-A Minor League affiliate. He started the Agganis Educational Foundation, which has donated \$1 million to support numerous educational, athletic and community programs. Mr. Agganis holds a bachelor's degree in education from Salem State College in Massachusetts, a master's degree in education from Boston University and a master's degree in business administration from Suffolk University in Boston.



Christyne B. Hamilton – Ms. Hamilton was appointed to the Florida Prepaid College Board by Governor Jeb Bush in 2002. Ms. Hamilton currently works as an independent higher education consultant and serves as the president and treasurer of the Albert L. Brown Foundation, a family trust. Ms. Hamilton recently retired as Vice President of Administrative and Business Services for Seminole Community College. Ms. Hamilton is a graduate of Florida's community college system. She has a bachelor's degree in business administration from Rollins College and a master's degree in accounting from the University of South Florida.



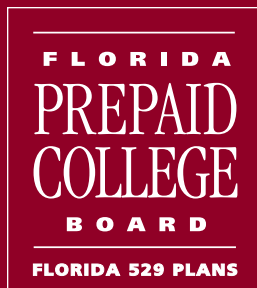
Robert D. Henker – Mr. Henker was appointed to the Florida Prepaid College Board in 1991 as the designee for the Deputy Commissioner of the Florida Department of Education, Division of Colleges and Universities. As an Associate Vice Chancellor for the Division of Colleges and Universities, Mr. Henker is responsible for fiscal and facility planning for Florida's state university system. Mr. Henker has served in numerous policy and budget positions for the State University System, Florida Department of Education and Governor's Office for 30 years. Mr. Henker has a bachelor's degree in finance from Florida State University.



Bruce W. McNeilage – Mr. McNeilage was appointed to the Florida Prepaid College Board by Governor Jeb Bush in 2002. Mr. McNeilage is president and managing partner of Wealth Management Group of Florida, a private financial planning and investment management firm headquartered in South Florida. He is a nationally published financial planning author and lecturer and is actively involved in industry organizations including the Florida Association of Insurance and Financial Advisors. Mr. McNeilage has a bachelor's degree in economics from Florida State University.



Duane L. Offenstroer – Mr. Offenstroer was appointed to the Florida Prepaid College Board in 2001 by Florida Chief Financial Officer Tom Gallagher. Mr. Offenstroer serves on numerous corporate, charitable and community boards, including the St. Johns River Water Management District. He is actively involved in higher education policy as a board member for Jacksonville University and the University of Minnesota Carlson School of Management. Mr. Offenstroer has a bachelor's degree in business from the University of Minnesota.



P.O. Box 6567 • Tallahassee, FL 32314-6567
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