



Item: AF: I-1c

AUDIT AND FINANCE COMMITTEE

Wednesday, April 15, 2009

SUBJECT: REVIEW OF AUDITS: REPORT NO. 2009-121, FLORIDA ATLANTIC UNIVERSITY FINANCIAL AUDIT FOR THE FISCAL YEAR ENDED JUNE 30, 2008.

PROPOSED COMMITTEE ACTION

Information only.

BACKGROUND INFORMATION

The audit of the financial statements of Florida Atlantic University for the fiscal year ended June 30, 2008, was conducted pursuant to Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2008. An understanding of the University's environment was obtained, including its internal control and the risk of material misstatement necessary to plan the audit of the financial statements was assessed. Also examined were various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements. An examination of Federal awards administered by the University is included in our Statewide audit of Federal awards administered by the State of Florida.

The following provides a summary of the findings of our audit of the financial statements of the University:

- The audit disclosed that the University's basic financial statements including its aggregate discretely presented component units were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.
- The audit did not identify any in internal control over financial reporting that we consider to be material weaknesses.
- The results of tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller of the United States.

Financial Highlights. The University's assets totaled \$897.6 million at June 30, 2008. This balance reflects a \$165.2 million, or 22.6 percent increase from the 2006-07 fiscal year, resulting primarily from the acquisition of the Harbor Branch Oceanographic Institute. While assets grew, liabilities increased by a lesser amount of \$1.8 million, or 1 percent, totaling \$188 million at June 30, 2008, compared to \$186.1 million at June 30, 2007. As a result, the University's net assets increased by \$163.4 million, reaching a year end balance of \$709.7 million. The University's operating revenues totaled \$176.1 million for the 2007-08 fiscal year, representing a 3.7 percent increase over the 2006-07 fiscal year mainly due to an increase in auxiliary revenue resulting primarily from the acquisition of Harbor Branch Oceanographic Institute. Operating expenses totaled \$388.5 million for the 2007-08 fiscal year, representing an increase of 8 percent over the 2006-07 fiscal year due mainly from a one-time bonus and the accrual for postemployment health care benefits on behalf of the State of Florida.

IMPLEMENTATION PLAN/DATE

Various.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation: Report No. 2009-121, FAU Financial Audit For the Fiscal Year Ended June 30, 2008.

Presented by: Dr. Kenneth Jessell, Senior Vice President-Financial Affairs

Phone: 561-297-3266

FLORIDA ATLANTIC UNIVERSITY

Financial Audit

For the Fiscal Year Ended
June 30, 2008



BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2007-08 fiscal year are listed below:

Nancy W. Blosser, Chair from 4-02-08,
Vice Chair to 4-01-08 (4)
Scott H. Adams, Vice Chair from 5-28-08 (4)
Norman D. Tripp, Chair to 4-01-08 (3)
Anthony Barbar, from 6-19-08 (3)
Dr. William J. Bryant
Abe Cohen from 5-27-08 (2)
David Feder
Armand Grossman
Dr. Rajendra P. Gupta
Lalita M. Janke
Sheridan B. Plymale
Dr. Eric H. Shaw (1)
Robert J. Stillely
Tony Teixeira to 5-26-08 (2)
Thomas Workman, Jr., from 1-07-08
Dr. George Zoley to 1-06-08

Mr. Frank T. Brogan, President

- Notes: (1) Faculty senate chair.
(2) Student body president.
(3) Seat remained vacant from April 2, 2008,
to June 18, 2008.
(4) Vice-Chair position remained vacant from
April 2, 2008, to May 27, 2008.

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

The audit team leader was Ilene R. Gayle, CPA, and the audit was supervised by Ida Marie Westbrook, CPA. For the information technology portion of this audit, the audit team leader was William Allbritton, CPA, CISA, and the supervisor was Nancy Reeder, CPA, CISA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 922-2263.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**FLORIDA ATLANTIC UNIVERSITY
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EXECUTIVE SUMMARY

Summary of Report on Financial Statements

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

Summary of Report on Internal Control and Compliance

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

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

Audit Objectives and Scope

Our audit objectives were to determine whether Florida Atlantic University and its officers with administrative and stewardship responsibilities for University operations had:

- Presented the University'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;
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements; and
- Taken corrective actions for findings included in our report No. 2008-109.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2008. We obtained an understanding of the University's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the financial statements. We also examined various transactions to determine whether they were executed, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University 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 University 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

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Florida Atlantic University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2008, which collectively comprise the University's basic financial statements as shown on pages 10 through 37. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely upon the reports of the other auditors.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of Florida Atlantic University'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 the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 9 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA
February 13, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2008, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's 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 University management.

FINANCIAL HIGHLIGHTS

The University's assets totaled \$897.6 million at June 30, 2008. This balance reflects a \$165.2 million, or 22.6 percent increase from the 2006-07 fiscal year, resulting primarily from the acquisition of the Harbor Branch Oceanographic Institute. While assets grew, liabilities increased by a lesser amount of \$1.8 million, or 1 percent, totaling \$188 million at June 30, 2008, compared to \$186.1 million at June 30, 2007. As a result, the University's net assets increased by \$163.4 million, reaching a year end balance of \$709.7 million.

The University's operating revenues totaled \$176.1 million for the 2007-08 fiscal year, representing a 3.7 percent increase over the 2006-07 fiscal year mainly due to an increase in auxiliary revenue resulting primarily from the acquisition of Harbor Branch Oceanographic Institute. Operating expenses totaled \$388.5 million for the 2007-08 fiscal year, representing an increase of 8 percent over the 2006-07 fiscal year due mainly from a one-time bonus and the accrual for postemployment health care benefits on behalf of the State of Florida.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University'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 and notes thereto, encompass the University and its component units. These component units include: The Florida Atlantic University Foundation, Inc., and the Florida Atlantic University Research Corporation, Inc.

Information regarding these component units, including summaries of their separately issued financial statements, is presented in the notes to the financial statements. This MD&A focuses on the University, excluding the component units. MD&A information for the Florida Atlantic University Research Corporation, Inc., is included in its separately issued audit report. The Florida Atlantic Foundation, Inc., reports under Financial Accounting Standards Board standards and, as such, does not include an MD&A in its audit report.

THE STATEMENT OF NET ASSETS

The statement of net assets reflects the assets and liabilities of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. The difference between total assets and

total liabilities, net assets, is one indicator of the University's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the University's financial condition.

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

**Condensed Statement of Net Assets
(In Thousands)**

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets	\$ 244,691	\$ 157,474
Capital Assets, Net	645,988	562,881
Other Noncurrent Assets	<u>6,899</u>	<u>12,008</u>
Total Assets	<u>897,578</u>	<u>732,363</u>
Liabilities		
Current Liabilities	47,750	44,276
Noncurrent Liabilities	<u>140,174</u>	<u>141,844</u>
Total Liabilities	<u>187,924</u>	<u>186,120</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	551,911	464,150
Restricted	84,287	37,592
Unrestricted	<u>73,456</u>	<u>44,501</u>
Total Net Assets	<u>\$ 709,654</u>	<u>\$ 546,243</u>

As of December 31, 2007, Florida Atlantic University acquired the assets of Harbor Branch Oceanographic Institute. Under this acquisition \$92.2 million of assets were transferred to the University.

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

The statement of revenues, expenses, and changes in net assets presents the University'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 University's activity for the 2007-08 and 2006-07 fiscal years:

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

	<u>2007-08</u>	<u>2006-07</u>
Operating Revenues	\$ 176,110	\$ 169,799
Operating Expenses	<u>388,457</u>	<u>359,632</u>
Operating Loss	(212,347)	(189,833)
Net Nonoperating Revenues	<u>222,317</u>	<u>208,352</u>
Income Before Other Revenues, Expenses, Gains, or Losses	9,970	18,519
Other Revenues, Expenses, Gains, or Losses	<u>153,441</u>	<u>59,127</u>
Net Increase In Net Assets	163,411	77,646
Net Assets, Beginning of Year	<u>546,243</u>	<u>468,597</u>
Net Assets, End of Year	<u><u>\$ 709,654</u></u>	<u><u>\$ 546,243</u></u>

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 2007-08 and 2006-07 fiscal years:

**Operating Revenues
(In Thousands)**

	<u>2007-08</u>	<u>2006-07</u>
Net Tuition and Fees	\$ 82,449	\$ 78,148
Grants and Contracts	45,828	49,216
Sales and Services of Educational Departments	395	248
Sales and Services of Auxiliary Enterprises	26,807	18,774
Other	<u>20,631</u>	<u>23,413</u>
Total Operating Revenues	<u><u>\$ 176,110</u></u>	<u><u>\$ 169,799</u></u>

Sales and Service of Auxiliary Enterprises includes \$4 million of revenue related to ship and submarine operations of the newly acquired Harbor Branch Oceanographic Institute.

Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the University'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 University 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 2007-08 and 2006-07 fiscal years:

Operating Expenses (In Thousands)		
	<u>2007-08</u>	<u>2006-07</u>
Compensation and Employee Benefits	\$ 243,891	\$ 219,835
Services and Supplies	80,173	75,589
Utilities and Communications	13,972	11,884
Scholarships, Fellowships, and Waivers	26,513	32,426
Depreciation	<u>23,908</u>	<u>19,898</u>
Total Operating Expenses	<u>\$ 388,457</u>	<u>\$ 359,632</u>

The State Legislature approved a one-time bonus of \$1,000 for all full time employees in good standing amounting to approximately \$2.4 million and the University implemented GASB 45 which required the University to accrue and expense \$2.2 million for other postemployment health care benefits on behalf of the State of Florida. Additionally, the acquisition of Harbor Branch Oceanographic Institute has bought on approximately 160 new employees to the University.

Nonoperating Revenues and Expenses

Certain revenue sources that the University 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 University's nonoperating revenues and expenses for the 2007-08 and 2006-07 fiscal years:

Nonoperating Revenues (Expenses) (In Thousands)		
	<u>2007-08</u>	<u>2006-07</u>
State Appropriations	\$ 189,255	\$ 179,748
Federal and State Student Financial Aid	31,536	25,537
Investment Income	5,702	4,426
Other Nonoperating Revenues	2,141	3,186
Loss on Disposal of Capital Assets	(740)	(637)
Interest on Capital Asset-Related Debt	<u>(5,577)</u>	<u>(3,908)</u>
Net Nonoperating Revenues	<u>\$ 222,317</u>	<u>\$ 208,352</u>

During the 2007-08 fiscal year, the State Legislature approved an increase in state appropriations of approximately 5.3 percent.

Other Revenues, Expenses, Gains, or Losses

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

Other Revenues, Expenses, Gains, or Losses (In Thousands)		
	<u>2007-08</u>	<u>2006-07</u>
Capital Appropriations	\$ 101,051	\$ 51,870
Capital Grants, Contracts, Donations, and Fees	52,350	7,346
Other Revenues (Expenses)	<u>40</u>	<u>(89)</u>
Total	<u>\$ 153,441</u>	<u>\$ 59,127</u>

Capital appropriations increased by \$49.2 million primarily due to \$44.6 million in PECO appropriations related to the acquisition of the Harbor Branch Oceanographic Institute. Capital Grants, Contracts, Donations, and Fees increased by \$45 million primarily due to the University recording donations of \$48.2 million in capital assets from the Harbor Branch Oceanographic Institute acquisition.

THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University'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 University. Cash flows from the capital financing activities include all plant funds and related long-term debt activities. 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 2007-08 and 2006-07 fiscal years:

Condensed Statement of Cash Flows (In Thousands)		
	<u>2007-08</u>	<u>2006-07</u>
Cash Provided (Used) by:		
Operating Activities	\$ (182,072)	\$ (166,834)
Noncapital Financing Activities	222,349	204,231
Capital and Related Financing Activities	(5,147)	(38,440)
Investing Activities	<u>(33,418)</u>	<u>957</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,712	(86)
Cash and Cash Equivalents, Beginning of Year	<u>1,147</u>	<u>1,233</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,859</u>	<u>\$ 1,147</u>

Major sources of funds came from State appropriations (\$189.3 million), capital appropriations (\$97.4 million), net student tuition and fees (\$88.6 million), grants and contracts (\$43.1 million), and sales and services of auxiliary enterprises (\$26.2 million).

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

CAPITAL ASSETS

At June 30, 2008, the University had \$924.8 million in capital assets, less accumulated depreciation of \$278.8 million, for net capital assets of \$646 million. Depreciation charges for the current fiscal year totaled \$23.9 million. The following table summarizes the University’s capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30 (In Thousands)		
	<u>2008</u>	<u>2007</u>
Land	\$ 32,439	\$ 11,204
Buildings	460,139	420,954
Construction in Progress	32,811	27,484
Infrastructure and Other Improvements	42,703	37,151
Furniture and Equipment	49,764	40,153
Library Resources	15,235	12,302
Property Under Capital Lease	10,508	10,774
Works of Art and Historical Treasures	637	666
Computer Software	<u>1,752</u>	<u>2,193</u>
Total Capital Assets, Net	<u>\$ 645,988</u>	<u>\$ 562,881</u>

Additional information about the University’s capital assets is presented in the notes to the financial statements.

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses through June 30, 2008, were incurred on the following projects: College of Engineering and Computer Science, Traditions Lab School, Port St. Lucie Partner Campus Phase II, Recreation/Wellness Center-Boca, and the Alumni Center. A summary of the University’s major capital commitments at June 30, 2008, are as follows:

	<u>Amount (In Thousands)</u>
Total Commitment	\$ 45,779
Completed to Date	<u>(32,811)</u>
Balance Committed	<u>\$ 12,968</u>

Additional information about the University’s capital commitments is presented in the notes to the financial statements.

DEBT ADMINISTRATION

As of June 30, 2008, the University had \$121.8 million in outstanding bonds and capital leases, representing a decrease of \$4.7 million, or 3.7 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

Long-Term Debt, at June 30		
(In Thousands)		
	<u>2008</u>	<u>2007</u>
Bonds	\$ 110,894	\$ 114,932
Capital Leases	<u>10,868</u>	<u>11,519</u>
Total	<u><u>\$ 121,762</u></u>	<u><u>\$ 126,451</u></u>

Additional information about the University's long-term debt is presented in the notes to the financial statements.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The budget that the Florida Legislature adopted for the 2008-09 fiscal year provided a 7.81 percent decrease for State universities. Regarding the University's legislative priorities, the Legislature did not provide for a salary increase or for enrollment growth at Florida Atlantic University. The legislature has approved a 6 percent tuition increase for undergraduate in-state students and the University's Board of Trustees has authorized and approved a 6 percent increase for graduate in-state and undergraduate out-of-state student for fiscal year 2008-09.

REQUESTS FOR INFORMATION

Questions concerning information provided in the MD&A, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Vice-President for Financial Affairs, Florida Atlantic University, 777 Glades Road, Boca Raton, Florida 33431.

BASIC FINANCIAL STATEMENTS

FLORIDA ATLANTIC UNIVERSITY A COMPONENT UNIT OF THE STATE OF FLORIDA STATEMENT OF NET ASSETS As of June 30, 2008

	University	Component Units
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,846,413	\$ 18,385,498
Investments	116,177,283	4,026,021
Accounts Receivable, Net	22,408,268	4,060,029
Loans and Notes Receivable, Net	377,483	
Due from State	100,391,207	
Due from Component Units/University	2,124,693	601,640
Inventories	63,485	
Other Current Assets	302,270	196,424
Total Current Assets	244,691,102	27,269,612
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	13,269	2,762
Restricted Investments	3,101,774	188,433,215
Net Investment in Direct Financing-Type Lease		10,600,000
Loans and Notes Receivable, Net	2,993,513	11,171,583
Depreciable Capital Assets, Net	580,686,216	72,863
Nondepreciable Capital Assets	65,301,698	11,053,038
Other Noncurrent Assets	790,250	
Total Noncurrent Assets	652,886,720	221,333,461
TOTAL ASSETS	\$ 897,577,822	\$ 248,603,073
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 11,350,749	\$ 4,935,501
Construction Contracts Payable	3,381,321	
Salaries and Wages Payable	5,478,245	
Deposits Payable	8,805,878	
Due to Component Units/University	601,640	2,124,693
Deferred Revenue	12,181,410	57,510
Long-Term Liabilities - Current Portion:		
Bonds Payable	4,225,289	
Notes Payable		821,020
Certificates of Participation Payable		290,000
Capital Leases Payable	465,570	
Compensated Absences Payable	1,260,358	
Total Current Liabilities	47,750,460	8,228,724

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET ASSETS (Continued)
As of June 30, 2008

	University	Component Units
LIABILITIES (Continued)		
Noncurrent Liabilities:		
Bonds Payable	\$ 106,668,536	\$
Notes Payable		2,450,105
Capital Leases Payable	10,402,123	
Certificates of Participation Payable		10,310,000
Compensated Absences Payable	20,929,972	
Postemployment Health Care Benefits Payable	2,173,000	
Other Non-Current Liabilities		414,644
Total Noncurrent Liabilities	140,173,631	13,174,749
TOTAL LIABILITIES	187,924,091	21,403,473
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	551,910,570	11,125,901
Restricted for Expendable:		
Loans	4,594,529	
Capital Projects	75,140,153	
Other	4,552,150	201,462,981
Unrestricted	73,456,329	14,610,718
TOTAL NET ASSETS	709,653,731	227,199,600
TOTAL LIABILITIES AND NET ASSETS	\$ 897,577,822	\$ 248,603,073

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

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2008

	University	Component Units
REVENUES		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$32,554,098	\$ 82,449,070	\$
Federal Grants and Contracts	28,489,510	5,635
State and Local Grants and Contracts	10,544,328	
Nongovernmental Grants and Contracts	6,793,970	52,715
Sales and Services of Educational Departments	394,597	
Sales and Services of Auxiliary Enterprises	26,806,973	
Interest on Loans and Notes Receivable	110,209	
Gifts and Donations		12,073,175
Other Operating Revenues	20,521,253	2,233,137
	176,109,910	14,364,662
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	243,891,384	4,857,774
Services and Supplies	80,172,502	3,242,911
Utilities and Communications	13,972,018	
Scholarships, Fellowships, and Waivers	26,513,366	3,152,955
Depreciation	23,908,064	7,086
Other Operating Expenses		5,750,339
	388,457,334	17,011,065
Total Operating Expenses		
	(212,347,424)	(2,646,403)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	189,255,782	
Federal and State Student Financial Aid	31,536,181	
Investment Income	5,701,674	3,798,420
Other Nonoperating Revenues	2,141,010	1,299,965
Loss on Disposal of Capital Assets	(740,224)	
Interest on Capital Asset-Related Debt	(5,576,792)	(166,215)
Net Realized or Unrealized Loss on Investments		(6,830,021)
	222,317,631	(1,897,851)
Net Nonoperating Revenues (Expenses)		
	9,970,207	(4,544,254)
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses		
Capital Appropriations	101,050,584	
Capital Grants, Contracts, Donations, and Fees	52,349,950	
Other Expenses	40,000	
	163,410,741	(4,544,254)
Increase (Decrease) in Net Assets		
Net Assets, Beginning of Year	546,242,990	231,743,854
	\$ 709,653,731	\$ 227,199,600
Net Assets, End of Year		

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

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2008

	<u>University</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and Fees, Net	\$ 88,601,985
Grants and Contracts	43,066,457
Sales and Services of Educational Departments	394,597
Sales and Services of Auxiliary Enterprises	26,195,859
Interest on Loans and Notes Receivable	110,209
Other Operating Receipts	16,005,804
Payments to Employees	(240,976,117)
Payments to Suppliers for Goods and Services	(88,048,458)
Payments to Students for Scholarships and Fellowships	(26,513,366)
Net Loans Issued to Students	<u>(908,904)</u>
Net Cash Used by Operating Activities	<u>(182,071,934)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	189,255,782
Federal and State Student Financial Aid	31,783,427
Net Change in Funds Held for Others	3,104,003
Other Nonoperating Disbursements	<u>(1,793,846)</u>
Net Cash Provided by Noncapital Financing Activities	<u>222,349,366</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Appropriations	97,365,200
Capital Grants, Contracts, Donations, and Fees	1,848,920
Capital Subsidies and Transfers	(31,014,719)
Other Receipts for Capital Projects	1,702,277
Purchase or Construction of Capital Assets	(65,414,467)
Principal Paid on Capital Debt and Leases	(4,288,834)
Interest Paid on Capital Debt and Leases	<u>(5,345,322)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(5,146,945)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Investments, Net	(38,974,551)
Investment Income	<u>5,556,556</u>
Net Cash Used by Investing Activities	<u>(33,417,995)</u>
Net Increase in Cash and Cash Equivalents	1,712,492
Cash and Cash Equivalents, Beginning of Year	<u>1,147,190</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,859,682</u></u>

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (Continued)
For the Fiscal Year Ended June 30, 2008

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (212,347,424)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	23,908,064
Change in Assets and Liabilities:	
Receivables, Net	(5,990,033)
Inventories	8,459
Other Assets	(764,967)
Accounts Payable	888,614
Deposits Payable	4,489,706
Compensated Absences Payable	742,267
Deferred Revenue	4,820,380
Postemployment Health Care Benefits Payable	2,173,000
NET CASH USED BY OPERATING ACTIVITIES	\$ (182,071,934)

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

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. The University is a separate public instrumentality that is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations. The Board of Governors, or the Trustees if designated by the Board of Governors, selects the University President. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees.

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

Discretely Presented Component Units. Based on the application of the criteria for determining component units, the following direct support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 6C-9.011) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- Florida Atlantic University Foundation, Inc. (Foundation), is a separate corporation operating independently from the University, and as such it receives and administers most private support for

**FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

the University. Any person or organization contributing money, stock, or any other item to be used in support of the general or specific support of the University usually does so through the offices of the Foundation.

- Florida Atlantic University Research Corporation, Inc. (Corporation), was established by Florida Atlantic University in 1990. It has been organized to promote and encourage, and to provide assistance to, the research activities of the University's faculty, staff, and students. The Corporation has been granted rights and responsibilities for the development, protection, and commercial application of defined and selected intellectual property. In consideration of its efforts, the corporation is entitled to a portion of the royalties, license fees, or other revenue for the benefit of the University. The corporation also accepts and administers contracts and grants from private industry, foundations, and other agencies whenever it is required by the granting agency, or when it is in the best interest of the University.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's component units, including copies of audit reports, are available by contacting University Controller's Office. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

Basis of Presentation. The University'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 University 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 University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

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

Basis of Accounting. Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to

**FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

the timing of the measurements made, regardless of the measurement focus applied. The University'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 University's discretely presented component units use the accrual basis of accounting whereby revenues are earned and expenses are recognized when incurred. The Florida Atlantic University Foundation, Inc., follows FASB standards of accounting and financial reporting for not-for-profit organizations. Florida Atlantic University Research Corporation, Inc., follows GASB standards of accounting and financial reporting.

The University follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

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

The University'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 capital 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. Interest on capital asset-related debt is a nonoperating expense.

The statement of net assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University'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 University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

scholarship allowances. Under this method, the University 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 for Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Property under Capital Lease – 5 to 20 years or the term of the lease, whichever is greater
- Works of Art and Historical Treasures – 50 years
- Computer Software – 3 to 7 years

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of bonds payable, capital leases payable, compensated absences payable, and postemployment health care benefits payable that are not scheduled to be paid within the next fiscal year. Bonds payable are reported net of unamortized premium or discount and deferred losses on refundings. The University amortizes bond premiums and discounts over the life of the bonds using the straight-line method. Deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Issuance cost paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the bonds using the straight-line method.

**FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

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 investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University 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's Board of Trustees, as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

External Investment Pools

The University reported investments at fair value totaling \$119,279,057 at June 30, 2008, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 3.31 years at June 30, 2008. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool.

Component Units Investments

Investments reported for the University's component units at June 30, 2008, are those held by Florida Atlantic University Foundation, Inc., and are reported at fair market value as follows:

**FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

<u>Investment Type</u>	<u>Amount</u>
United States Stocks	\$ 50,696,681
International Stocks	39,713,715
Fixed Income Securities	47,585,901
Other Investments	<u>51,291,216</u>
Subtotal	189,287,513
Funds Held in Trust by Others	<u>3,171,723</u>
Total Investments	<u><u>\$ 192,459,236</u></u>

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 investments and loans receivable. As of June 30, 2008, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Contracts and Grants	\$ 9,151,773
Student Tuition and Fees	12,782,791
Other	<u>473,704</u>
Total Accounts Receivable	<u><u>\$ 22,408,268</u></u>

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 \$3,736,117 and \$233,183, respectively, at June 30, 2008. No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

**FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

5. DUE FROM STATE

This amount consists of \$100,391,207 of Public Education Capital Outlay, Alec P. Courtelis Capital Facility Matching Trust Fund, Capital Improvement Fee Trust Fund, or other allocations due from the State to the University for construction of University facilities.

6. DUE FROM AND TO COMPONENT UNITS/UNIVERSITY

The \$601,640 reported as due to component units consists of amounts owed by the University to the Foundation pursuant to an agreement to support the Foundation's operations. The \$2,124,693 due from component units primarily consists of amounts owed to the University by the Foundation for scholarships, student aid, and to support the activities of Harbor Branch Oceanographic Institute, Inc. (HBOI). The Foundation received funds from the Harbor Branch Oceanographic Institute Foundation, Inc., to support the activities of HBOI after the University acquired HBOI. The University and its component unit's financial statements are reported for the fiscal year ended June 30, 2008.

7. INVENTORIES

Inventories have been categorized into the following two types:

- Departmental Inventories – Those inventories maintained by departments and not available for resale. Departmental inventories are comprised of such items as classroom and laboratory supplies, teaching materials, and office supply items, which are consumed in the teaching and work process. These inventories are normally expensed when purchased and therefore are not reported on the statement of net assets.
- Merchandise Inventory – Those inventories maintained which are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories are reported on the statement of net assets, and are valued at cost using either the moving average method or the first-in, first-out, method.

8. CAPITAL ASSETS

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

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	\$ 11,203,803	\$	\$ 21,235,431	\$	\$ 32,439,234
Works of Art and Historical Treasures	43,140		8,410		51,550
Construction in Progress	27,484,521		26,445,140	21,118,747	32,810,914
Total Nondepreciable Capital Assets	\$ 38,731,464	\$	\$ 47,688,981	\$ 21,118,747	\$ 65,301,698
Depreciable Capital Assets:					
Buildings	\$ 527,881,908	\$	\$ 63,008,054	\$ 22,180	\$ 590,867,782
Infrastructure and Other Improvements	48,505,434		14,095,649	93,008	62,508,075
Furniture and Equipment	81,462,802		43,147,992	6,717,025	117,893,769
Library Resources	63,100,398		5,205,766	286,430	68,019,734
Property Under Capital Lease	15,286,035		128,045		15,414,080
Works of Art and Historical Treasures	650,645		5,000	22,312	633,333
Computer Software	4,003,900		361,109	227,564	4,137,445
Total Depreciable Capital Assets	740,891,122		125,951,615	7,368,519	859,474,218
Less, Accumulated Depreciation:					
Buildings	106,927,611	11,911,893	11,906,081	16,599	130,728,986
Infrastructure and Other Improvements	11,354,659	7,108,492	1,341,885		19,805,036
Furniture and Equipment	41,309,726	24,845,775	7,542,534	5,568,575	68,129,460
Library Resources	50,798,485		1,986,357		52,784,842
Property Under Capital Lease	4,512,239	32,935	361,479		4,906,653
Works of Art and Historical Treasures	27,736	4,250	15,558		47,544
Computer Software	1,810,938	22,920	754,170	202,547	2,385,481
Total Accumulated Depreciation	216,741,394	43,926,265	23,908,064	5,787,721	278,788,002
Total Depreciable Capital Assets, Net	\$ 524,149,728	\$ (43,926,265)	\$ 102,043,551	\$ 1,580,798	\$ 580,686,216

Note: (1) Adjustments were made to record prior year accumulated depreciation on capital assets obtained through the acquisition of Harbor Branch Oceanographic Institute.

9. DEFERRED REVENUE

Deferred revenue includes Public Education Capital Outlay and Alec P. Courtelis Matching Trust Fund appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2008, to spend the funds, and student tuition and fees received prior to fiscal year end related to subsequent accounting periods. Deferred revenue also includes Contracts and Grants receipts and Athletic ticket sales that have not yet been earned. As of June 30, 2008, the University reported the following amounts as deferred revenue:

Description	Amount
Capital Appropriations	\$ 229,344
Student Tuition and Fees	5,268,060
Contracts and Grants	6,538,242
Athletic Ticket Sales	145,764
Total Deferred Revenue	\$ 12,181,410

FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008

10. LONG-TERM LIABILITIES

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

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 114,932,435	\$	\$ 4,038,610	\$ 110,893,825	\$ 4,225,289
Capital Leases Payable	11,518,762	111,757	762,826	10,867,693	465,570
Compensated Absences Payable	21,448,063	2,267,255	1,524,988	22,190,330	1,260,358
Postemployment Health Care Benefits Payable		3,569,000	1,396,000	2,173,000	
Total Long-Term Liabilities	\$ 147,899,260	\$ 5,948,012	\$ 7,722,424	\$ 146,124,848	\$ 5,951,217

11. REVENUE BONDS PAYABLE

The University had the following bonds payable outstanding at June 30, 2008:

Bond Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Auxiliary Revenue Bonds:				
2000 Student Housing	\$ 24,400,000	\$ 1,115,000	4.4 - 5.4	2010
2001 Parking Facility	7,990,000	5,895,000	3.0 - 4.8	2021
2002 Parking Facility	8,995,000	7,175,570	2.5 - 4.35	2023
2003 Student Housing	35,285,000	29,894,009	3.0 - 4.875	2033
2006A Student Housing	27,640,000	26,624,715	4.0 - 4.625	2036
2006B Student Housing	21,775,000	20,465,887	3.5 - 4.375	2030
Total Auxiliary Revenue Bonds	126,085,000	91,170,181		
State University System Revenue Bonds:				
1997A Series	5,601,098	4,162,076	3.85 - 5.0	2016
1998 Series	2,761,595	1,967,329	4.0 - 5.0	2023
2001 Series	5,610,730	4,583,372	4.0 - 5.0	2026
2003A Series	3,534,098	1,756,396	4.5 - 5.375	2013
2005A Series	491,349	437,570	3.625 - 4.125	2022
2006A Series	6,940,534	6,816,901	4.0 - 5.0	2030
Total State University System Revenue Bonds	24,939,404	19,723,644		
Total	\$ 151,024,404	\$ 110,893,825		

Note: (1) Amount outstanding includes unamortized bond discounts and premiums, and deferred losses on refunding issues.

**FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

Auxiliary revenue bonds were issued to construct student parking garages and student housing facilities. Auxiliary revenue bonds outstanding, which include both term and serial bonds, are secured by a pledge of parking fees and housing rental revenues.

State University System revenue bonds were issued to acquire and construct various University facilities. These bonds are secured and payable from capital improvement and building fees, which are remitted to the State Board of Education to be used to retire the bonds. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements.

In a prior fiscal year, a portion of the Housing Facility Revenue Bonds, Series 2000, was refunded and considered defeased in-substance by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. The defeased bonds are not reported as outstanding debt on the University’s statement of net assets. Debt considered defeased at June 30, 2008, totaled \$20,060,000.

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 4,225,289	\$ 4,901,157	\$ 9,126,446
2010	4,407,374	4,740,063	9,147,437
2011	4,571,935	4,567,325	9,139,260
2012	4,757,031	4,390,908	9,147,939
2013	4,984,129	4,198,722	9,182,851
2014-2018	24,914,461	17,886,280	42,800,741
2019-2023	24,798,803	12,369,073	37,167,876
2024-2028	19,224,771	7,486,003	26,710,774
2029-2033	16,180,326	3,141,071	19,321,397
2034-2036	4,710,000	442,150	5,152,150
Subtotal	112,774,119	64,122,752	176,896,871
Less: Net Bond Discounts, Premiums, and Losses on Bond Refundings	(1,880,294)		(1,880,294)
Total	<u>\$ 110,893,825</u>	<u>\$ 64,122,752</u>	<u>\$ 175,016,577</u>

**FLORIDA ATLANTIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2008**

12. NOTES PAYABLE - COMPONENT UNIT

Notes Payable at June 30, 2008, for the Florida Atlantic University Foundation, Inc., are as follows:

<u>Description</u>	<u>Amount</u>
Notes Payable to a bank in semiannual installments of \$400,000 plus interest at 4.20 percent until May 2012.	\$ 3,200,000
Notes Payable to a bank in quarterly installments of \$3,793 plus interest at 3.15 percent until October 2012.	63,437
Notes Payable to an individual in quarterly installments of \$7,772 including interest at 4.47 percent until December 2008.	<u>7,688</u>
Total	<u><u>\$ 3,271,125</u></u>

Future debt principal payments in the aggregate are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 821,020	\$ 129,746	\$ 950,766
2010	813,759	95,170	908,929
2011	814,197	60,665	874,862
2012	814,650	26,192	840,842
2013	<u>7,499</u>	<u>89</u>	<u>7,588</u>
Total	<u><u>\$ 3,271,125</u></u>	<u><u>\$ 311,862</u></u>	<u><u>\$ 3,582,987</u></u>

13. CAPITAL LEASES PAYABLE

Computer, communications and image scanning equipment in the amount of \$2,380,245 is being acquired under capital lease agreements. The stated interest rates range from 0.0 to 3.33 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2008, are as follows:

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Fiscal Year Ending June 30	Amount
2009	\$ 182,220
2010	48,219
2011	23,958
2012	19,151
2013	7,980
Total Minimum Payments	281,528
Less, Amount Representing Interest	(13,835)
Present Value of Minimum Payments	\$ 267,693

The University entered into a capital lease agreement in connection with Certificates of Participation issued by Florida Atlantic University Foundation, Inc., to build dormitory buildings on the John D. MacArthur campus in Jupiter, Florida. The University, in exchange for use of the buildings, makes lease payments sufficient to cover all amounts due under the Certificates of Participation. At June 30, the amount reported by the University as capital leases payable included \$10,600,000, representing the total future minimum payments remaining under the Certificates of Participation (see note 14).

14. CERTIFICATES OF PARTICIPATION PAYABLE – COMPONENT UNIT

The Florida Atlantic University Foundation, Inc., issued in 1999 and 2001, the 1999 and 2000 Certificates of Participation (the Certificates) for \$6,230,000 and \$6,300,000, respectively. These funds were used to build dormitory buildings on the John D. MacArthur campus in Jupiter, Florida. The stated interest rates on the 1999 certificates range from 3.5 to 5 percent, while interest rates on the 2000 Certificates range from 4.7 to 5.875 percent. At June 30, 2008, certificates of participation payable are as follows:

COP Series	Amount of Issue	Total Retired	Outstanding Principal	Outstanding Interest	Interest Rates	Maturity Date
1999	\$ 6,230,000	\$ 1,160,000	\$ 5,070,000	\$ 3,054,673	4.3 - 5.0	2028
2000	6,300,000	770,000	5,530,000	4,329,525	4.875 - 5.875	2030
Total	\$ 12,530,000	\$ 1,930,000	\$ 10,600,000	\$ 7,384,198		

The Foundation entered into Master Lease agreements with the former Board of Regents (the Board) whereby they are obligated to pay the Board \$1 per year for each property. The Foundation also entered into agreements with the University, whereby the University was allowed use of the buildings in exchange for the University paying all amounts due under the Certificates (see note 13).

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15. 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' Regulation 6C-5.920 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 University 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 University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2008, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$22,190,330. The current portion of the compensated absences liability (\$1,260,358) is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability.

16. POSTEMPLOYMENT HEALTH CARE BENEFITS PAYABLE

Effective for the 2007-08 fiscal year, the University implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment health care benefits administered by the State Group Health Insurance Program. The requirements of this Statement are being implemented prospectively, with the actuarially determined liability of \$48,429,000 at the July 1, 2007, the date of transition amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the postemployment health care benefits liability at the date of transition.

Plan Description. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined-benefit plan. The University 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 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 annual report of a public employee retirement system or another entity.

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Funding Policy. Benefit provisions are pursuant to provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. For the 2007-08 fiscal year, 206 retirees received postemployment health care benefits. The University provided required contributions of \$1,396,000 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, and net of interest totaling \$27,000. Retiree contributions totaled \$1,962,000.

Annual OPEB Cost and Net OPEB Obligation. The University’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 Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University’s net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 1,762,000
Amortization of Unfunded Actuarial Accrued Liability	1,670,000
Interest on Normal Cost and Amortization	<u>137,000</u>
Annual Required Contribution	3,569,000
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	<u>-</u>
Annual OPEB Cost (Expense)	3,569,000
Contribution Toward the OPEB Cost	<u>(1,396,000)</u>
Increase in Net OPEB Obligation	2,173,000
Net OPEB Obligation, Beginning of Year	<u>-</u>
Net OPEB Obligation, End of Year	<u><u>\$ 2,173,000</u></u>

The University’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2008 (the year of implementation), was as follows:

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Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	3,569,000	39.1%	2,173,000

Funded Status and Funding Progress. As of July 1, 2007, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$48,429,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$48,429,000. The covered payroll (annual payroll of active participating employees) was \$159.4 million for the 2007-08 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 30.4 percent.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's initial OPEB actuarial valuation as of July 1, 2007, used the entry age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2008, and the estimated 2007-08 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, which is the University's expectation of investment returns under its investment policy. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial health care cost trend rates used for employees not covered by Medicare was 9.6 percent, grading to 5.5 percent in half percent steps after nine years and for employees covered by Medicare was 9.1 percent grading to 5.5 percent in half percent steps after eight years. The unfunded

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actuarial accrued liability is being amortized over 30 years as a level percentage of projected payroll on an open 30 year period. The remaining amortization period at June 30, 2008, was 29 years.

17. RETIREMENT PROGRAMS

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

Benefits in the Plan vest at 6 years of service. All members are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, which may include up to 4 years of credit for military service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

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

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

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Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plan	0.00	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

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

The University'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 University. The University's contributions for the fiscal years ended June 30, 2006, June 30, 2007, and June 30, 2008, totaled \$4,192,247, \$5,272,310, and \$5,312,849, respectively, which were equal to the required contributions for each fiscal year.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. There were 315 University participants during the 2007-08 fiscal year. Required contributions made to the PEORP totaled \$964,902.

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

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State 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 1,570 University participants during the 2007-08 fiscal year. Required employer contributions made to the Program totaled \$10,091,804, and employee contributions totaled \$5,143,469.

18. CONSTRUCTION COMMITMENTS

The University’s major construction commitments at June 30, 2008, are as follows:

Project Description	Total Commitment	Completed to Date	Balance Committed
College of Engineering and Computer Science	\$ 3,066,989	\$ 1,283,069	\$ 1,783,920
Port St. Lucie Partner Campus Phase II	7,636,246	4,247,969	3,388,277
FAU-UF Joint Use Facilities - Davie Campus	1,848,025	96,236	1,751,789
Traditions Lab School	15,000,000	13,594,775	1,405,225
FAU Roadway and Parking Project - MacArthur Campus	1,794,125	1,262,293	531,832
Recreation/ Wellness Center - Boca Alumni Center	8,303,281	4,564,297	3,738,984
	<u>3,842,708</u>	<u>3,474,454</u>	<u>368,254</u>
Subtotal	41,491,374	28,523,093	12,968,281
Other Project Expenses (1)	<u>4,287,821</u>	<u>4,287,821</u>	
Total	<u>\$ 45,779,195</u>	<u>\$ 32,810,914</u>	<u>\$ 12,968,281</u>

Note: (1) Other project expenses represent costs associated with construction projects that do not have contractual agreements.

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19. OPERATING LEASE COMMITMENTS

The University leased the facilities at its Dania Beach Campus, Center for Environmental Studies, and Biomed Research and Development Park under operating leases, which expire in 2046, 2009, and 2011, respectively. In addition, the University also leased various copiers under operating leases with terms of 60 months. These leased assets and the related commitments are not reported on the University's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for noncancelable operating leases are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2009	\$ 283,610
2010	247,703
2011	177,104
2012	47,660
2013	27,000
2014-2018	135,000
2019-2023	135,000
2024-2028	135,000
2029-2033	135,000
2034-2038	135,000
2039-2043	135,000
2044-2046	81,000
Total Minimum Payments Required	<u><u>\$1,674,077</u></u>

20. RISK MANAGEMENT PROGRAMS

The University 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(3), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2007-08 fiscal year, 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 \$50 million for named wind and flood. 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

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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 years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain health care 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.

21. LITIGATION

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

22. 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:

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<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 135,092,265
Research	27,792,335
Public Service	8,803,646
Academic Support	35,556,796
Student Services	16,060,939
Institutional Support	41,612,823
Operation and Maintenance of Plant	21,421,604
Scholarships and Fellowships	22,671,411
Depreciation	23,908,064
Auxiliary Enterprises	55,537,451
Total Operating Expenses	<u><u>\$ 388,457,334</u></u>

23. SEGMENT INFORMATION

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, and liabilities are required to be accounted for separately. The following financial information for the University's Housing and Traffic and Parking Services Center facilities represents identifiable activities for which one or more bonds are outstanding:

Condensed Statement of Net Assets

	<u>Housing</u>	<u>Traffic and Parking Services</u>
Assets		
Current Assets	\$ 14,913,312	\$ 5,972,494
Capital Assets, Net	88,371,298	17,685,998
Total Assets	<u>103,284,610</u>	<u>23,658,492</u>
Liabilities		
Current Liabilities	457,603	15,004
Noncurrent Liabilities	90,660,000	13,140,000
Total Liabilities	<u>91,117,603</u>	<u>13,155,004</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	(2,288,702)	4,545,999
Unrestricted	14,455,709	5,957,489
Total Net Assets	<u><u>\$ 12,167,007</u></u>	<u><u>\$ 10,503,488</u></u>

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**Condensed Statement of Revenues, Expenses,
and Changes in Net Assets**

	Housing	Traffic and Parking Services
	<u> </u>	<u> </u>
Operating Revenues	\$ 15,599,672	\$ 5,176,971
Depreciation Expense	(1,526,086)	(391,969)
Other Operating Expenses	<u>(7,032,666)</u>	<u>(2,259,294)</u>
Operating Income	<u>7,040,920</u>	<u>2,525,708</u>
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	379,915	311,813
Interest Expense	(4,109,906)	(546,850)
Other Nonoperating Expense	<u>(413,308)</u>	<u>(161,831)</u>
Net Nonoperating Expenses	<u>(4,143,299)</u>	<u>(396,868)</u>
Increase in Net Assets	2,897,621	2,128,840
Net Assets, Beginning of Year	<u>9,269,386</u>	<u>8,374,648</u>
Net Assets, End of Year	<u><u>\$ 12,167,007</u></u>	<u><u>\$ 10,503,488</u></u>

Condensed Statement of Cash Flows

	Housing	Traffic and Parking Services
	<u> </u>	<u> </u>
Net Cash Provided (Used) by:		
Operating Activities	\$ 8,188,649	\$ 2,581,651
Noncapital Financing Activities	(413,308)	(161,831)
Capital and Related Financing Activities	(6,759,313)	(1,111,783)
Investing Activities	<u>(1,132,201)</u>	<u> </u>
Net Increase (Decrease) in Cash and Cash Equivalents	(116,173)	1,308,037
Cash and Cash Equivalents, Beginning of Year	<u>6,878,069</u>	<u>1,000</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 6,761,896</u></u>	<u><u>\$ 1,309,037</u></u>

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24. COMPONENT UNITS

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

	Direct-Support Organizations		Total
	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	
Condensed Statement of Net Assets			
Assets:			
Current Assets	\$ 26,627,255	\$ 642,357	\$ 27,269,612
Capital Assets, Net	11,120,800	5,101	11,125,901
Other Noncurrent Assets	210,207,560		210,207,560
Total Assets	247,955,615	647,458	248,603,073
Liabilities:			
Current Liabilities	7,954,950	273,774	8,228,724
Noncurrent Liabilities	13,174,749		13,174,749
Total Liabilities	21,129,699	273,774	21,403,473
Net Assets:			
Investment in Capital Assets, Net of Related Debt	11,120,800	5,101	11,125,901
Restricted	201,462,981		201,462,981
Unrestricted	14,242,135	368,583	14,610,718
Total Net Assets	\$ 226,825,916	\$ 373,684	\$ 227,199,600
Condensed Statement of Revenues, Expenses, and Changes in Net Assets			
Operating Revenues	\$ 12,819,776	\$ 1,544,886	\$ 14,364,662
Operating Expenses	15,598,883	1,412,182	17,011,065
Operating Income (Loss)	(2,779,107)	132,704	(2,646,403)
Net Nonoperating Revenues (Expenses)	(2,040,495)	142,644	(1,897,851)
Increase (Decrease) in Net Assets	(4,819,602)	275,348	(4,544,254)
Net Assets, Beginning of Year	231,645,518	98,336	231,743,854
Net Assets, End of Year	\$ 226,825,916	\$ 373,684	\$ 227,199,600

Note: (1) See note 3 to the financial statements.



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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 audited the financial statements of Florida Atlantic University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2008, which collectively comprise the University's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the

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

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

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

Compliance and Other Matters

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

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA
February 13, 2009

PRIOR AUDIT FOLLOW-UP

The University had taken corrective actions for the finding included in our report No. 2008-109.