



**Housing System
Financial Statements
June 30, 2010**

FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2010

Our discussion and analysis of Florida Atlantic University's Housing Division's (Housing) financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with Housing's financial statements.

During the 2009-10 fiscal year, one of the University's direct support organizations entered into a ground lease agreement with the University and the funds received from the ground lease will be recognized as revenue over the duration of the lease. As of June 30, 2010, the Housing System reported \$7.3 million of the funds received as deferred revenue.

As of June 30, 2010, the University had \$75.3 million in outstanding capital improvement debt payable associated with the Housing operations. In prior fiscal years, the University reported the liability for its Housing Revenue Bonds issued by the Florida Board of Governors on behalf of the University as bonds payable on the statement of net assets. Pursuant to GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, for the 2009-10 fiscal year, the University began reporting the outstanding liability for these bonds as capital improvement debt payable. This change affects the comparability of amounts reported as bonds payable and capital improvement debt payable on the statement of net assets for the 2009-10 fiscal year with amounts reported for the 2008-09 fiscal year.

The statement of Net Assets and Statement of Revenues, Expenses and Changes in Net Assets report Housing's net assets and changes in net assets respectively. An analysis and review of Housing's net assets – the difference between assets and liabilities is one way to measure the financial health, or financial position of the Division. Over time, increases or decreases in Housing's net assets are one indicator of whether its financial health is improving or deteriorating. We believe that the financial position of Housing is healthy. The University's management has insured its financial strength through comprehension and strategic planning for the future.

Operating revenues for the Housing Department increased by 4% and operating expenses decreased by 5.5% when compared to the previous fiscal year. The increase in revenue is due to an increase in room rates and considerable increase on collections for repair and maintenance due to implementing a housing deposit rather than a prepayment. The deposit is used to pay any balance owed to the University.

The decrease in operating expenses was due mostly to a reduction in major repairs and maintenance from the prior fiscal year. The decrease in Salaries and Benefits is due to personnel turnover and deliberate decisions on whether to fill vacant positions. Reduction in

Utilities of \$160,000 is due to a rebate from Florida Power and Light and continuing efforts of energy conservation. These decreases in expenses were offset by minor increases in the expense lines like freight and postage, printing, insurance and travel. An increase in the freshman class meant more publications to mail, updating publications and printing more pieces, and lastly a “loosening” of the travel freeze meant staff had the ability to attend some professional development events. The Department purchased furniture for 3 residence halls and upgraded network switches in 4 buildings are the cause of the increase of Other Expenses line.

During the 2009-10 fiscal year, the Florida Department of Education remitted \$700,426 to the State Board of Administration of unused 2006A bond interest earnings that was used to pay part of the 2006A bond debt service. That amount is recorded as nonoperating revenue and debt service expense on the Statement of Revenues, Expenses, and Change in Net Assets.

Demand for on campus housing continues as we had our 6th year of a waiting list for the 2009-2010 academic year. The summer of 2009 and 2010 saw waiting lists of 300-400 students. Construction of an additional 1200 bed facility is underway and will open in August 2011 for upper class and graduate students. University management is confident that the continued demand, especially on the Boca Raton campus, along with competitive rates and prudent monitoring of expenditures will generate adequate cash flow to meet the annual debt service requirements of the Housing system.

This Management Discussion and Analysis related to the financial information is designed to provide a general overview of Housing’s financial condition. If you have questions about this report or need additional financial information, please contact Ms. Stacey Semmel CPA, CBM, Master of Accounting, Assistant Vice President for Financial Affairs & University Controller, Florida Atlantic University, 777 Glades Road, Boca Raton, Florida (561) 297-3102.

**Florida Atlantic University
Housing System
Statement of Net Assets
As of June 30, 2010**

Assets

Current Assets:

Cash	\$ 856,323
Investments	18,068,646
Adjustment to fair market value	153,606
Interest and dividends receivable	42,316
Accounts receivable (net)	1,216,000
Deferred fiscal charges	1,670,109
Prepaid items	269

Total Current Assets 22,007,269

Noncurrent Assets:

Buildings	86,881,763
Furniture and equipments	1,184,963
Computer software	52,510
Improvements	405,002
Accumulated depreciation	<u>(12,965,006)</u>

Total Noncurrent Assets 75,559,232

Total Assets 97,566,501

Liabilities

Current Liabilities:

Accounts payable	288,413
Deposit payable	(400)
Deferred revenue	<u>7,344,260</u>

Total Current Liabilities 7,632,273

Noncurrent Liabilities:

Capital improvement debt payable	<u>75,335,000</u>
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Total Noncurrent Liabilities 75,335,000

Total Liabilities 82,967,273

Net Assets:

Unrestricted	14,374,996
Invested in capital assets, net of related debt	<u>224,232</u>

Total Net Assets 14,599,228

Total Liabilities and Net Assets: **\$ 97,566,501**

Florida Atlantic University
Housing System
Statement of Revenues, Expenses, and Change in Net Assets
For the Year Ended June 30, 2010

Revenues

Operating Revenues:

Housing fees	\$ 14,065,604
Rental income	104,398
Repair & maintenance	164,704

Total Operating Revenues 14,334,706

Expenses

Operating Expenses:

Salaries & benefits	2,177,371
Other personal services	502,962
Contractual services	51,428
Telecommunication	450,397
Freight & postage	10,899
Printing	41,476
Repair and maintenance	1,031,708
Travel	22,963
Utilities	1,302,816
Materials & supplies	168,156
Insurance	23,909
Depreciation expense	1,986,640
Other expenses	334,936

Total Operating Expenses 8,105,661

Operating income 6,229,045

Nonoperating Revenues (Expenses)

Debt service-interest & related expenses	(3,448,655)
Investment income	467,302
Other nonoperating revenues	700,426

Net nonoperating revenues (expenses) (2,280,927)

Income Before Transfers 3,948,118

Transfers in (out)

Administrative overhead	(466,736)
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Total transfers in (out) (466,736)

Increase in Net Assets 3,481,382

Net Assets, Beginning of Year 11,117,846

Net Assets, End of Year \$ 14,599,228

**Florida Atlantic University
Housing System
Statement of Cash Flows
For the Year Ended June 30, 2010**

Cash Flows From Operating Activities

Receipt from customers	\$ 21,678,966
Payment to suppliers	(4,220,502)
Payment to Employees	(2,680,333)

Net Cash Provided by Operating Activities 14,778,131

Cash Flows From Capital and Related Financing Activities

Interest paid on capital debt	(2,664,723)
Purchases of capital assets	(1,177,617)
Principal paid on capital debt	(2,405,000)

Net Cash Used By Capital and Related Financing Activities (6,247,340)

Cash Flows From Noncapital Financing Activities

Administrative overhead transfers	(466,736)
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Net Cash Used By Noncapital Financing Activities (466,736)

Cash Flows From Investing Activities

Purchase of Investments	(13,522,548)
Interest and dividends	467,302

Net Cash Used by Investing Activities (13,055,246)

Net Decrease in Cash (4,991,191)

Cash, Beginning of year 5,847,514

Cash, End of Year \$ 856,323

Reconciliation of Operating Income to Net

Cash Provided by Operating Activities

Operating Income	\$ 6,229,045
Adjustments to Reconcile Income to Net Cash Provided by Operating Activities:	
Depreciation expense	1,986,640
Change in Assets and Liabilities:	
Accounts receivables, net	(914,266)
Interest & dividends receivables	(31,617)
Prepaid items	(269)
Accounts payable	175,321
Deposit payable	(10,983)
Deferred revenue	7,344,260

Net Cash Provided by Operating Activities \$ 14,778,131

**FLORIDA ATLANTIC UNIVERSITY
HOUSING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

To enhance the usefulness of the financial statements, the significant accounting policies followed by the housing Division of Florida Atlantic University (“University”) are described below.

REPORTING ENTITY

Florida Atlantic University is a separate public instrumentality that is part of a state university system of public universities. A constitutional amendment effective January 7, 2004 created a Board of Governors to be responsible for the management of the state university system. A separate Board of Trustees administers each university.

Florida Atlantic University Board of Trustees consists 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 each university also are members. The Board of Governors establishes the powers and duties of the Trustees. The trustees are responsible for setting policies for the university, which provides governance in accordance with Florida law and rules of the State Board of Education and the Board of Governors. The Board of trustees selects the university President and the State board of Education must ratify the candidate selected. 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 Board of Trustees.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board’s (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. Application of these criteria determines 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 exclusions 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 of the State of Florida and its financial balances and activities included in these financial statements are reported on the State’s Comprehensive Annual financial Report by discrete presentation.

BASIS OF PRESENTATION

The University’s accounting policies conform with generally accepted accounting principles applicable to colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provide the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB).

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In November 1999, GASB issued Statement No. 35 “Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities”. This Statement includes public colleges and universities within the financial reporting guidelines of GASB Statement No. 34 “Basic Financial Statements and Management Discussion and Analysis for State and Local Governments.” GASB Statement No. 35 allows public colleges and universities the option of reporting as a special-purpose government either engaged in only business-type activities, engaged in only governmental activities, or engaged in both governmental and business-type activities. The universities of the state university system, including Florida Atlantic University, elected to report as entities engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide reporting including the following components:

- Management’s Discussion and Analysis (MD&A)
- Basic Financial Statements:
 - Statement of Net Assets
 - Statement of Revenues, Expenses, and Changes in Net Assets
 - Statement of Cash Flows
- Notes to Financial Statements
- Required Supplementary Information (RSI) Other Than MD&A

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. 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, include time requirements, are met. Auxiliary service departments account for interdepartmental transactions as reductions of expenditures 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 plus administration, operation and maintenance of capital assets, and depreciation on capital

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assets. Included in nonoperating revenues are State appropriations, investment income and revenues for capital construction projects. Interest on asset-related debts is a nonoperating expense.

The University follows FASB statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

CASH AND CASH EQUIVALENTS

The amount reported as cash and cash equivalents consist of cash on hand and cash in demand accounts. Cash set aside to make debt service payments, maintain sinking fund reserves, and to purchase or construct capital assets is classified as restricted. Banks qualified as public depositories under Florida law hold cash deposits of the University. Cash in demand accounts are held in banks qualified in accordance with the provisions of Chapter 280, Florida Statutes, as a public depository. Deposits are fully insured by Federal depository insurance or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

INVESTMENTS

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds awaiting clearing 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 Government; 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. Section 17.61(1), Florida Statutes, also provides for University funds to be invested with the State Treasury. The University's investments at June 30, 2010 are reported at fair value, as follows:

External Investment Pools

The University reported investments at fair value totaling \$186,422,448 at June 30, 2010, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The State Treasury has taken

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the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of A+f by Standard and Poor's and had an effective duration of 1.84 years at June 30, 2010. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report. Of the University's investments reported above, The Housing System's investments at fair value totaled \$18,222,252.

ACCOUNTS RECEIVABLE

Accounts receivable reported in the Statement of Net Assets represent amounts due from students for services provided by the Housing division. Accounts Receivable over one year old are considered as doubtful accounts. That amount as of June 30, 2010 is \$1,216,000.

CAPITAL ASSETS

Capital Assets consist of buildings that are capitalized and recorded at cost at the date of acquisition. 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. Depreciation is computed on the straight-line basis over the estimated useful life of the related assets.

DEFERRED REVENUE

Deferred revenue includes funds received from a ground lease that will be recognized over the duration of the lease. As of June 30, 2010, the Housing System reported \$7,372,270 as deferred revenue.

LONG-TERM LIABILITES

Reporting Changes

In prior fiscal years, the University reported the liability for its Housing Revenue Bonds issued by the Florida Board of Governors on behalf of the University as bonds payable on the statement of net assets. The Florida Board of Governors loaned the bond proceeds to the University for the stated capital improvement projects. Pursuant to an agreement with the Florida Board of Governors, revenues to be generated from the constructed facilities were pledged by the University to repay the bonds. Pursuant to GASB Statement No. 48, *Sales*

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and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, the liability for the Capital Improvement Revenue Bonds should be reported as collateralized borrowing. Accordingly, for the 2009-10 fiscal year, the University began reporting the outstanding liability for these bonds as capital improvement debt payable. This change affects the comparability of amounts reported as bonds payable and capital improvement debt payable on the statement of net assets for the 2009-10 fiscal year with amounts reported for the 2008-09 fiscal year.

As of June 30, 2010, the Housing System's noncurrent liabilities reported on the Statement of Net Assets amounted to \$75,335,000.