



**AUDITOR GENERAL**  
WILLIAM O. MONROE, CPA



**FLORIDA ATLANTIC UNIVERSITY**

Financial Audit

For the Fiscal Year Ended June 30, 2006

During the audit period, the President of the University was Mr. Frank T. Brogan. Members of the University's Board of Trustees who served during the audit period are listed below:

**Board Member**

Sheridan Plymale, Chair  
Norman D. Tripp, Vice Chair  
Scott Adams  
Nancy Wood Blosser  
Dr. William Bryant  
David Feder  
Armand Grossman  
Dr. Rajendra P. Gupta  
Lalita M. Janke  
Dr. Roy Levow (1)  
Virginia I. Miller to 1-18-06 (2)  
Robert J. Stillely from 1-24-06 (2)  
Dan Wilson to 5-10-06 (3)  
Dr. George Zoley

Notes: (1) Faculty senate chair.  
(2) Position was vacant from  
January 19, 2006, through  
January 23, 2006.  
(3) Student body president.  
Position was vacant from  
May 11, 2006, through June  
30, 2006.

FLORIDA ATLANTIC UNIVERSITY

TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY .....	v
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS .....	1
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 .....	3
Internal Control Over Financial Reporting .....	3
Compliance and Other Matters .....	4
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	5
FINANCIAL SECTION	
Statement of Net Assets .....	14
Statement of Revenues, Expenses, and Changes in Net Assets .....	16
Statement of Cash Flows .....	17
Notes to Financial Statements .....	19

---

---

**EXECUTIVE SUMMARY**

---

---

The audit of the financial statements of Florida Atlantic University for the fiscal year ended June 30, 2006, 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 financial statements of the University, a component unit of the State of Florida, and a determination as to whether management has complied with applicable laws, administrative rules, regulations, contracts, and grant agreements and other matters that are material to the financial statements. 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:

- We found that the University's financial statements presented fairly, in all material respects, the financial positions of the University and its aggregate discretely presented component units as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended.
- We noted no matters involving the University's internal control over financial reporting and its operation that we considered 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*.

This audit was coordinated by Ilene R. Gayle, CPA, and supervised by Ida Marie Westbrook, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at [tedsauerbeck@aud.state.fl.us](mailto:tedsauerbeck@aud.state.fl.us) or by telephone at (850) 487-4468.

This report, as well as other audit reports prepared by the Auditor General, can be obtained on our Web site (<http://www.state.fl.us/audgen>); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534/SC 278-5534  
Fax: 488-6975/SC 278-6975

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of 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, 2006, as shown on pages 14 through 39. 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 comprise 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 these entities, is based solely upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the financial statements, Federal Family Education Loan program moneys formerly reported in the University's Current Funds – Restricted are now being reported in the Agency Funds beginning with the 2005-06 fiscal year. This affects the comparability of amounts reported as Nongovernmental Grants and Contracts and Operating Expenses (Scholarships and Fellowships) on the statement of revenues, expenses, and changes in net assets for the 2005-06 fiscal year with amounts reported for the 2004-05 fiscal year.

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, administrative 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 5 through 13 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,



William O. Monroe, CPA  
March 16, 2007



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



850/488-5534/SC 278-5534  
Fax: 488-6975/SC 278-6975

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

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

We 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, 2006, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. 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. Our report on the financial statements included disclosures regarding our reference to the reports of other auditors.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the University's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

**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, administrative rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Respectfully submitted,



William O. Monroe, CPA  
March 16, 2007

---

---

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

---

The management's discussion and analysis of Florida Atlantic University's financial statements provides an overview of financial activities for the fiscal year ended June 30, 2006. The financial statements are comprised of the following:

- Basic Financial Statements:
  - Statement of Net Assets
  - Statement of Revenues, Expenses, and Changes in Net Assets
  - Statement of Cash Flows
  - Notes to the Financial Statements

This management's discussion and analysis is designed to focus on current activities, resulting change, and currently known facts, and should be read in conjunction with the basic financial statements and the notes to financial statements. Responsibility for the completeness and fairness of this information rests with the University's management. Comparative analysis of financial data for the University and the component units for the 2005-06 and 2004-05 fiscal years are presented in the management's discussion and analysis.

Listed below are entities that are represented in the management's discussion and analysis:

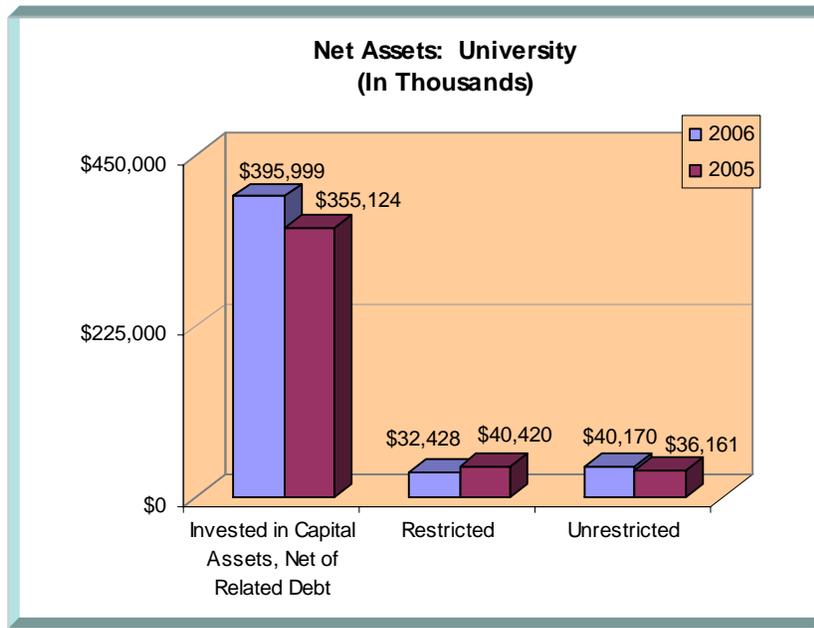
- Florida Atlantic University (Primary Institution) – Reporting financial activities of the University for fiscal year ended June 30, 2006. Most of the programs and services generally associated with the University fall into this category, including instruction, public service, and support services.
- Florida Atlantic University Foundation, Inc. (Foundation), and the Florida Atlantic University Research Corp., Inc. (Corporation) – Reported financial activities of the Foundation and Corporation are for the fiscal year ended June 30, 2006. These two not-for-profit corporations receive, hold, invest, and administer property and make expenditures to or for the benefit of the University or its programs as legally separate but discretely presented component units.

The Governmental Accounting Standards Board (GASB) is the governing entity that issues guidelines under which the University reports financial statements.

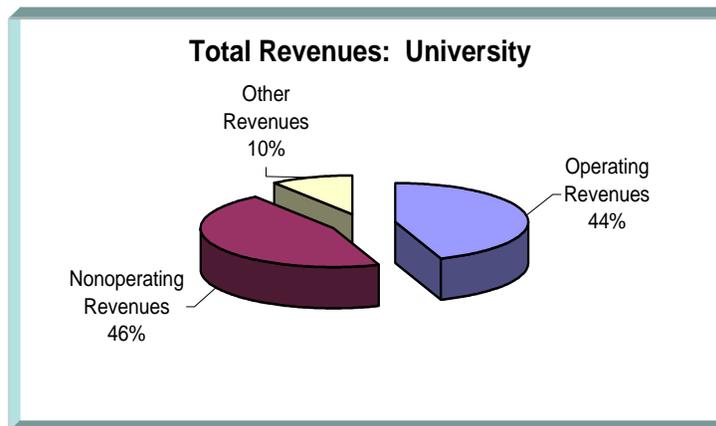
**FINANCIAL HIGHLIGHTS**

The University's financial position improved during the fiscal year ended June 30, 2006, with its net assets now totaling \$468.6 million. The University's revenues and other support exceeded expenses by \$36.9 million, resulting in an 8.5 percent increase in University net assets. Increases in State appropriations, capital appropriations, and Federal grants and contracts are the major items contributing to the increase.

The following graph presents comparative net assets by category of the University for the fiscal years ended June 30, 2006, and June 30, 2005:



The following chart provides a graphical presentation of the University's revenues by category for the 2005-06 fiscal year:



**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements, prepared in accordance with the 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.

One of the most important questions asked about the University's finances is whether the University, as a whole, is better off or worse off as a result of the year's activities. The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the University as a whole and on its activities in a way that help answer this question. These statements present financial information in a form similar to that used by corporations. Examining the University's net assets is one way to evaluate the University's financial health. Over time, increases or decreases in net assets can indicate the improvement or deterioration of the

University's financial condition when considered along with nonfinancial information, such as enrollment levels and the condition of the facilities.

### **THE STATEMENT OF NET ASSETS**

The statement of net assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. The statement of net assets portrays the University's financial condition at only one point in time. The purpose of the statement of net assets is to present to the readers of the financial statements a fiscal snapshot of the Florida Atlantic University. The statement of net assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities).

From the data presented, readers of the statement of net assets are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors and other entities. Finally, the statement of net assets provides a picture of the net assets (assets minus liabilities) and their availability for use by the University.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the University's equity in property, plant, and equipment owned by the University. The next net asset category is restricted net assets. Expendable restricted net assets are available for use by the University, but must be spent for purposes as determined by grantors and external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets, which are net assets available to the University for any lawful purpose.

A condensed statement of net assets for the University and its aggregate component units for the fiscal years ended June 30, 2006, and June 30, 2005, are presented in the following table:

<b>Condensed Statement of Net Assets at June 30</b> <b>(In Thousands)</b>				
	University		Component Units	
	2006	2005	2006	2005
<b>Assets</b>				
Current Assets	\$ 134,391	\$ 117,768	\$ 13,585	\$ 14,289
Capital Assets, Net	492,325	453,328	11,226	8,798
Other Noncurrent Assets	<u>6,727</u>	<u>6,332</u>	<u>189,602</u>	<u>167,728</u>
<b>Total Assets</b>	<u>633,443</u>	<u>577,428</u>	<u>214,413</u>	<u>190,815</u>
<b>Liabilities</b>				
Current Liabilities	47,034	33,847	3,080	3,473
Noncurrent Liabilities	<u>117,812</u>	<u>111,876</u>	<u>14,913</u>	<u>16,006</u>
<b>Total Liabilities</b>	<u>164,846</u>	<u>145,723</u>	<u>17,993</u>	<u>19,479</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	395,999	355,124	11,228	8,785
Restricted	32,428	40,420	183,184	151,306
Unrestricted	<u>40,170</u>	<u>36,161</u>	<u>2,008</u>	<u>11,245</u>
<b>Total Net Assets</b>	<u>\$ 468,597</u>	<u>\$ 431,705</u>	<u>\$ 196,420</u>	<u>\$ 171,336</u>
<b>Increase in Net Assets</b>	<u>\$ 36,892</u>	8.5%	<u>\$ 25,084</u>	14.6%

For a more detailed understanding of the University's and its component units' net assets, the reader should review the statement of net assets and the notes to financial statements.

### **THE STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS**

Changes in total net assets are summarized based on the related types of financial activity, and are presented in the statement of revenues, expenses, and changes in net assets. The purpose of the statement is to present the University's revenues and expenses activity, categorized as operating and nonoperating, and to show how the University's net assets changed between fiscal years or accounting periods.

Generally speaking, operating revenues are received for delivering educational goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided. For example, State appropriations, although significant, are considered nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services in return.

As discussed in note 2 to the financial statements, Federal Family Education Loan program moneys formerly reported in the University's Current Funds – Restricted are now being reported in the Agency Funds beginning with the 2005-06 fiscal year. This affects the comparability of amounts reported as Nongovernmental Grants and Contracts and Operating Expenses (Scholarships and Fellowships) on the statement of revenues, expenses, and changes in net assets for the 2005-06 fiscal year with amounts reported for the 2004-05 fiscal year.

A condensed statement of revenues, expenses, and changes in net assets for the University and its aggregate component units for the 2005-06 and 2004-05 fiscal years is shown in the following table:

<b>Operating Results for the Fiscal Years</b>				
<b>(In Thousands)</b>				
	University		Component Units	
	2005-06	2004-05	2005-06	2004-05
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 81,421	\$ 74,705	\$	\$
Federal Grants and Contracts	32,954	22,350	1,908	1,465
State and Local Grants and Contracts	10,951	4,555		
Nongovernmental Grants and Contracts	8,153	60,927	963	564
Sales and Services of Auxiliary Enterprises	16,821	14,192		
Other Operating Revenues	25,487	23,275	66	120
<b>Total Operating Revenues</b>	<b>175,787</b>	<b>200,004</b>	<b>2,937</b>	<b>2,149</b>
Less, Operating Expenses	349,509	397,325	21,374	18,943
<b>Net Operating Loss</b>	<b>(173,722)</b>	<b>(197,321)</b>	<b>(18,437)</b>	<b>(16,794)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	151,457	148,830		
Other Nonoperating Revenues, Net	20,595	25,340	21,098	20,491
<b>Net Nonoperating Revenues</b>	<b>172,052</b>	<b>174,170</b>	<b>21,098</b>	<b>20,491</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>				
Capital Appropriations	37,270	28,966		
Capital Grants, Contracts, and Donations	2,674	10,700	22,423	25,622
Loss on Disposal of Capital Assets	(1,471)			
Fee for Capital Projects	89	(98)		
<b>Increase in Net Assets</b>	<b>36,892</b>	<b>16,417</b>	<b>25,084</b>	<b>29,319</b>
Net Assets, Beginning of Year	431,705	415,288	171,336	142,017
<b>Net Assets, End of Year</b>	<b>\$ 468,597</b>	<b>\$ 431,705</b>	<b>\$ 196,420</b>	<b>\$ 171,336</b>

For the 2005-06 fiscal year, the University's net assets increased by \$36.9 million and the aggregate component unit's net assets increased by \$25.1 million. For a more detailed understanding of the University and its component units' financial activities, the reader should review the statement of revenues, expense, and changes in net assets and the notes to financial statements. Some highlights of the information presented on the University's statement of revenues, expenses, and changes in net assets are as follows:

- Operating revenues were \$175.8 million, including \$81.4 million in net student tuition and fees revenues, \$33 million in Federal contracts and grants, \$11 million in State and Local contracts and grants, \$8.2 million in nongovernmental grants and contracts and \$16.8 million in sales and services of auxiliary enterprises, comprised in a large part from delivery of services by the Open University Continuing Education.
- Operating expenses were \$349.5 million, including \$213.2 million for personnel service, \$29.7 million for scholarships and waivers, \$19 million for depreciation, \$75.6 million for services and supplies, and \$12 million for utilities. For additional analysis, the function distribution of expenses has been shown in the

notes to the financial statements using the classifications as recommended by the National Association of College and University Business Officers.

- Net nonoperating revenues totaled \$172.1 million. This included \$26.5 million in Federal and State nonexchange support for University operations. State appropriations for operations increased by approximately \$2.6 million when compared to the prior fiscal year.
- Capital contributions were \$39.9 million, representing Public Education Capital Outlay (PECO) encumbrance authorizations received during the fiscal year and other miscellaneous capital grants and contracts.

Because operating expenses are one of the most significant items above, additional information for the University and its aggregate component units is presented in the following table:

<b>Operating Expenses (In Thousands)</b>				
	University		Component Units	
	2005-06	2004-05	2005-06	2004-05
<b>Operating Expenses</b>				
Compensation and Employee Benefits	\$213,208	\$209,672	\$ 5,997	\$
Services and Supplies	75,636	84,063	1,514	3,676
Utilities	12,033	9,075		
Scholarships and Fellowships	29,659	76,602	2,444	
Depreciation	18,973	17,913	5	6
Other Operating Expenses			11,414	15,261
<b>Total Operating Expenses</b>	<b>\$349,509</b>	<b>\$397,325</b>	<b>\$21,374</b>	<b>\$18,943</b>

**THE STATEMENT OF CASH FLOWS**

The primary purpose of the statement of cash flows is to provide an understanding of the University's cash activity and its relationships to its various financial activities, operations, and overall changes in cash balances. Analyzing the statement is another way to assess the University's financial health. The statement of cash flows presents detailed information about the cash activity of the University during the year.

The statement of cash flows also helps users assess:

- The University's ability to generate cash in the future.
- Its ability to meet obligations as they come due.
- Its potential needs for external financing.

A condensed statement of the University's cash flows for the 2005-06 and 2004-05 fiscal years is shown in the following table:

<b>Condensed Statement of Cash Flows: University</b>		
<b>(In Thousands)</b>		
	2005-06	2004-05
Cash Provided (Used) by:		
Operating Activities	\$ (153,080)	\$ (177,545)
Noncapital Financing Activities	177,461	174,799
Capital and Related Financing Activities	(23,094)	5,388
Investing Activities	(633)	(2,583)
<b>Net Increase in Cash and Cash Equivalents</b>	654	59
Cash and Cash Equivalents, Beginning of Year	579	520
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,233</b>	<b>\$ 579</b>

Cash and cash equivalents are fully explained in notes to the financial statements and for a more detailed understanding of University's cash activity, the reader should review the statement of cash flows. This statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities and shows the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities, such cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows net investments purchased and interest received from investing activities, which is followed by a summary of the overall change in cash and cash equivalents for the year. The fifth section reconciles the net operating revenues (expenses) to net cash used by operating activities.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **CAPITAL ASSETS**

At June 30, 2006, the University and its component units had \$492.3 million and \$11.2 million of capital assets, net of depreciation, respectively. A summary of capital assets and accumulated depreciation is shown in the following table for the fiscal years ended June 30, 2006, and June 30, 2005:

<b>Net Capital Assets at June 30</b>				
<b>(In Thousands)</b>				
	University		Component Units	
	2006	2005	2006	2005
<b>Capital Assets</b>				
Land	\$ 9,304	\$ 9,304	\$ 4,933	\$ 4,933
Buildings	459,028	415,815	237	237
Other Structures and Other Improvements	38,064	35,811		
Furniture and Equipment	78,520	76,387	21	14
Library Resources	59,469	57,447	670	670
Property Under Capital Lease	16,477	12,530		
Other Capital Assets	3,407	1,921	5,535	3,100
Construction in Progress	28,682	30,426		
<b>Total</b>	<b>692,951</b>	<b>639,641</b>	<b>11,396</b>	<b>8,954</b>
Less, Accumulated Depreciation:				
Buildings	96,169	87,421	160	155
Other Structures and Other Improvements	10,320	9,367		
Furniture and Equipment	41,010	41,149	6	1
Library Resources	47,239	44,671		
Property Under Capital Lease	4,535	2,504		
Other Capital Assets	1,353	1,201		
<b>Total Accumulated Depreciation</b>	<b>200,626</b>	<b>186,313</b>	<b>166</b>	<b>156</b>
<b>Net Capital Assets</b>	<b>\$ 492,325</b>	<b>\$ 453,328</b>	<b>\$ 11,230</b>	<b>\$ 8,798</b>
<b>Increase in Net Capital Assets</b>	<b>\$ 38,997</b>	<b>8.6%</b>	<b>\$ 2,432</b>	<b>27.6%</b>

Details of University's capital asset activity for the 2005-06 fiscal year, such as additions and deletions by category, are shown in notes to financial statements.

As of June 30, 2006, there are several construction projects in progress on many of the campuses. These projects include the Scripps Joint Use Facility Expansion, HBOI Marine Science Partnership, and the Library Expansion Project. Various infrastructure improvements and minor projects are ongoing as well.

## DEBT

At June 30, 2006, the University had approximately \$103.9 million in debt outstanding versus \$98.7 million the previous year, an increase of 5.2 percent. During the 2005-06 fiscal year, the State Board of Education issued University System Improvement Revenue Bonds, Series 2006A. Additional information about debt and other obligations of the University and its component units are included in the notes to financial statements.

## ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The economic position of the Florida Atlantic University is closely tied to that of the State of Florida. The University is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the current fiscal year other than those uncertainties having the potential for the interruption of virtually all types of normal business operations.

The University's overall financial position is strong. Even with a relatively flat funded year, the University was able to generate a moderate increase in net assets. The University anticipates that 2006-07 fiscal year will be much like the 2005-06 fiscal year, and will maintain a close watch over resources to maintain the University's ability to react to issues, both internal and external.

---



---

**FINANCIAL SECTION**


---



---

**FLORIDA ATLANTIC UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS  
As of June 30, 2006**

	<b>University</b>	<b>Component Units</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 9,403	\$ 6,054,191
Restricted Cash and Cash Equivalents	1,223,193	
Investments	61,835,564	
Restricted Investments	10,930,996	
Receivables, Net	15,184,975	3,483,694
Loans and Notes Receivable, Net	53,593	
Due from State	44,298,927	
Due from Component Units/University	490,658	601,202
Inventories	62,922	
Other Current Assets	300,712	3,446,411
<b>Total Current Assets</b>	<b>134,390,943</b>	<b>13,585,498</b>
Noncurrent Assets:		
Cash and Cash Equivalents	284	
Restricted Investments	3,930,301	173,876,763
Loans and Notes Receivable, Net	2,404,026	
Net Investment in Direct Financing Type Lease		11,140,000
Receivables, Net		4,369,136
Depreciable Capital Assets, Net	454,294,277	758,935
Nondepreciable Capital Assets	38,030,883	10,467,439
Other Noncurrent Assets	392,119	215,867
<b>Total Noncurrent Assets</b>	<b>499,051,890</b>	<b>200,828,140</b>
<b>TOTAL ASSETS</b>	<b>\$ 633,442,833</b>	<b>\$ 214,413,638</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 10,947,188	\$ 1,496,360
Construction Contracts Payable	3,795,860	
Salaries and Wages Payable	4,614,529	
Deposits Payable	2,636,312	
Due to Component Units/University	601,202	490,658
Deferred Revenue	18,842,723	
Long-Term Liabilities - Current Portion:		
Bonds and Revenue Certificates Payable	3,253,262	
Notes Payable		828,644
Capital Leases Payable	947,653	
Certificates of Participation Payable		265,000
Compensated Absences Payable	1,395,778	
<b>Total Current Liabilities</b>	<b>47,034,507</b>	<b>3,080,662</b>

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**As of June 30, 2006**

	University	Component Units
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds and Revenue Certificates Payable	\$ 87,345,182	\$
Notes Payable		4,037,610
Capital Leases Payable	12,318,014	
Certificates of Participation		10,875,000
Compensated Absences Payable	18,148,456	
<b>Total Noncurrent Liabilities</b>	117,811,652	14,912,610
<b>TOTAL LIABILITIES</b>	164,846,159	17,993,272
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	395,998,662	11,227,963
Restricted for Nonexpendable:		
Endowment		183,184,395
Restricted for Expendable:		
Debt Service	48	
Loans	4,465,229	
Capital Projects	19,894,776	
Other	8,067,705	
Unrestricted	40,170,254	2,008,008
<b>TOTAL NET ASSETS</b>	468,596,674	196,420,366
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 633,442,833	\$ 214,413,638

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, 2006**

	<u>University</u>	<u>Component Units</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$27,223,692	\$ 81,421,230	\$ 1,908,079
Federal Grants and Contracts	32,954,554	1,908,079
State and Local Grants and Contracts	10,950,903	
Nongovernmental Grants and Contracts	8,152,816	963,166
Sales and Services of Auxiliary Enterprises	16,821,172	
Sales and Services of Educational Departments	230,515	
Interest on Loans and Notes Receivable	111,103	
Other Operating Revenues	25,145,138	65,847
<b>Total Operating Revenues</b>	<u>175,787,431</u>	<u>2,937,092</u>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	213,207,878	5,996,597
Services and Supplies	75,636,533	1,514,002
Utilities	12,033,201	
Scholarships and Fellowships	29,658,843	2,444,505
Depreciation	18,972,806	5,151
Other Operating Expenses		11,414,227
<b>Total Operating Expenses</b>	<u>349,509,261</u>	<u>21,374,482</u>
<b>Operating Loss</b>	<u>(173,721,830)</u>	<u>(18,437,390)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	151,457,078	
Federal and State Student Financial Aid	26,554,823	
Investment Income	1,451,805	4,028,037
Interest on Capital Asset-Related Debt	(4,563,178)	
Net Realized and Unrealized Gain on Investments		14,688,177
Other Nonoperating Revenues (Expenses)	(2,848,299)	2,382,476
<b>Net Nonoperating Revenues (Expenses)</b>	<u>172,052,229</u>	<u>21,098,690</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	(1,669,601)	2,661,300
Capital Appropriations	37,269,721	
Capital Grants, Contracts, and Donations	2,673,876	22,423,034
Fees for Capital Projects	88,964	
Loss on Disposal of Capital Assets	(1,470,885)	
<b>Increase in Net Assets</b>	36,892,075	25,084,334
Net Assets, Beginning of Year	431,704,599	171,336,032
<b>Net Assets, End of Year</b>	<u>\$ 468,596,674</u>	<u>\$ 196,420,366</u>

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, 2006**

	<b>University</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$ 80,940,332
Grants and Contracts	53,402,359
Sales and Services of Auxiliary Enterprises	230,515
Sales and Services of Educational Departments	18,687,842
Interest on Loans and Notes Receivable	111,103
Other Operating Receipts	17,856,844
Payments to Employees	(211,314,125)
Payments to Suppliers for Goods and Services	(82,261,182)
Payments to Students for Scholarships and Fellowships	(29,658,842)
Other Operating Expenses	(1,074,707)
	<b>(153,079,861)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	151,457,078
Federal and State Student Financial Aid	(2,048,518)
Net Change in Funds Held for Others	1,550,428
Other Nonoperating Receipts	26,501,980
Other Nonoperating Expenses	(40)
	<b>177,460,928</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt and New Lease Obligation	7,160,127
Capital Appropriations	37,428,374
Capital Subsidies and Transfers	(7,740,861)
Capital Gifts and Grants	229,550
Fees for Capital Projects	88,964
Other Receipts for Capital Projects	5,928
Purchases of Capital Assets	(51,826,416)
Principal Paid on Capital Debt and Leases	(3,885,098)
Interest Paid on Capital Debt and Leases	(4,554,502)
	<b>(23,093,934)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments, Net	(3,654,185)
Investment Income	3,020,786
	<b>(633,399)</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>653,734</b>
Cash and Cash Equivalents, Beginning of Year	579,146
	<b>\$ 1,232,880</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,232,880</b>

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**For the Fiscal Year Ended June 30, 2006**

	<b>University</b>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (173,721,830)
Adjustments to Reconcile Net Operating Loss	
to Net Cash Used by Operating Activities:	
Depreciation Expense	18,972,806
Change in Assets and Liabilities:	
Receivables, Net	(4,135,209)
Loans and Notes Receivable, Net	(568,322)
Inventories	(59,103)
Other Assets	(531)
Accounts Payable	4,711,799
Deposits Payable	(772,089)
Compensated Absences Payable	1,893,753
Deferred Revenue	348,863
Other Liabilities	250,002
	<u>250,002</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (153,079,861)</u></u>

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, 2006**

**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, and is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members and the State's 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 State Board of Education is responsible for overseeing kindergarten through graduate school education in the State. The State's Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for approving policies for the University, which provide governance in accordance with Florida law, State Board of Education rules, and Board of Governors regulations. The Trustees select the University President and the State Board of Education ratifies 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 Trustees for the University.

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 is reported in the State's Comprehensive Annual Financial Report by discrete presentation.

**Discretely Presented Component Units.** Based on the application of the criteria for determining component units, the following 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**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

- The 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 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 report is submitted to the Auditor General and the University Board of Trustees. Additional information on the University's component units, including copies of audit reports, is available by contacting University Controllers 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 entity-wide 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

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

**Basis of Accounting.** Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The 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 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. The 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 plant assets, and depreciation on capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment income, 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 scholarship

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

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 Non-Expendable Trust Funds*.

**Capital Assets.** University capital assets consist of land, buildings, infrastructure and other improvements, furniture and equipment, property under capital lease, library resources, works of art and historical treasures, construction in progress, 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, depending on construction.
- Infrastructure and Other Improvements – 12 to 50 years
- Property Under Capital Leases – 5 to 20 years or the term of the lease, whichever is greater.
- Furniture and Equipment: – 3 to 20 years
- Software – 3 to 7 years
- Library Resources – 10 years

**Noncurrent Liabilities.** Noncurrent liabilities include principal amounts of bonds and revenue certificates payable, capital leases payable, and compensated absences payable that are not scheduled to be paid within the next fiscal year. Bonds and revenue certificates 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 and revenue certificates 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 and revenue certificates using the straight-line method.

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

**2. REPORTING CHANGES**

In prior fiscal years, the University reported Federal Family Education Loan (FFEL) program transactions in the Current Funds – Restricted. The FFEL program activities are considered custodial loans, meaning they represent funds held by the University as custodian for others. These type of funds are typically reported in an Agency Fund. Accordingly, for the 2005-06 fiscal year, the University began reporting FFEL program transactions in the Agency Funds. Agency funds are not included in the University’s statement of revenues, expenses, and changes in net assets.

**3. 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.

**4. 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 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. The University’s investments at June 30, 2006, are reported at fair value, as follows.

**FLORIDA ATLANTIC UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2006**

**External Investment Pools**

The University reported investments at fair value totaling \$76,684,190 at June 30, 2006, 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 the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor’s and had an effective duration of 2.72 years at June 30, 2006. 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.

**State Board of Administration Debt Service Accounts**

The University reported investments at fair value totaling \$12,671 at June 30, 2006, in the State Board of Administration Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University’s investments consist of United States Treasury securities, with maturity dates of six months or less. The University relies on policies developed by the State Board of Administration for managing interest rate risk or credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to the financial statements of the State’s Comprehensive Annual Financial Report.

**Component Units Investments**

Investments reported for the University’s component units at June 30, 2006, are those held by the Florida Atlantic University Foundation, Inc., and are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
United States Stocks	\$ 54,105,515
International Stocks	40,317,424
Fixed Income Securities	43,942,617
Other Investments	<u>35,511,207</u>
<b>Total Component Unit Investments</b>	<b><u>\$ 173,876,763</u></b>

**5. RECEIVABLES**

**Accounts Receivable.** Accounts receivable represent amounts for student fee deferments, contract and grant reimbursements due from third parties, various services provided to students and third parties, student tuition and fees, and interest accrued on investments.

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

**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 \$3,707,240 and \$365,491, respectively, at June 30, 2006.

**6. DUE FROM STATE**

This is the amount of Public Education Capital Outlay, Alec P. Courtelis Capital Facility Matching Trust Fund, Capital Improvement Fee Trust Fund, and other allocations due to the University for construction of University facilities.

**7. INVENTORIES**

Inventories consist of merchandise 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 the current price which approximates the first-in, first-out, method.

**8. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2006, is shown below:

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

Description	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>					
Land	\$ 9,303,803	\$	\$	\$	\$ 9,303,803
Construction in Progress	30,425,674		26,717,383	28,460,917	28,682,140
Historical Treasures - Works of Art	33,300		11,640		44,940
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 39,762,777</b>	<b>\$</b>	<b>\$ 26,729,023</b>	<b>\$ 28,460,917</b>	<b>\$ 38,030,883</b>
<b>Depreciable Capital Assets:</b>					
Buildings	\$ 415,814,940	\$	\$ 44,897,290	\$ 1,684,194	\$ 459,028,036
Infrastructure and Other Improvements	35,810,698		2,253,243		38,063,941
Furniture and Equipment	76,387,664		9,214,470	7,081,635	78,520,499
Library Resources	57,446,667		2,021,960		59,468,627
Works of Art and Historical Treasures	311,505		277,763		589,268
Property Under Capital Lease	12,530,000	3,946,729			16,476,729
Other Capital Assets	1,576,733		1,225,020	28,707	2,773,046
<b>Total Depreciable Capital Assets</b>	<b>599,878,207</b>	<b>3,946,729</b>	<b>59,889,746</b>	<b>8,794,536</b>	<b>654,920,146</b>
<b>Less, Accumulated Depreciation:</b>					
Buildings	87,421,484		10,144,282	1,396,812	96,168,954
Infrastructure and Other Improvements	9,366,690		953,087		10,319,777
Furniture and Equipment	41,148,764		4,871,307	5,010,161	41,009,910
Library Resources	44,671,322		2,567,739		47,239,061
Works of Art and Historical Treasures	4,338		11,653		15,991
Property Under Capital Lease	2,503,667	1,776,024	255,000		4,534,691
Other Capital Assets	1,196,454		169,738	28,707	1,337,485
<b>Total Accumulated Depreciation</b>	<b>186,312,719</b>	<b>1,776,024</b>	<b>18,972,806</b>	<b>6,435,680</b>	<b>200,625,869</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 413,565,488</b>	<b>\$ 2,170,705</b>	<b>\$ 40,916,940</b>	<b>\$ 2,358,856</b>	<b>\$ 454,294,277</b>

Note: (1) Adjustments were made to record capital leases that were contracted during the prior fiscal year as discussed in note 10 to the financial statements.

**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, 2006, to spend the funds, and student fees received prior to fiscal year end related to subsequent accounting periods. As of June 30, 2006, the University reported the following amounts as deferred revenue:

Description	Amount
Capital Appropriations	\$ 15,158,653
Student Fees	3,684,070
<b>Total Deferred Revenue</b>	<b>\$ 18,842,723</b>

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

**10. LONG-TERM LIABILITIES**

Long-term liabilities of the University at June 30, 2006, include bonds and revenue certificates, installment purchases, capital leases, and compensated absences. Long-term liabilities activity for the fiscal year ended June 30, 2006, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and Revenue Certificates Payable	\$ 87,321,053	\$ 7,147,923	\$ 3,870,532	\$ 90,598,444	\$ 3,253,262
Capital Leases Payable	11,395,000	2,125,667	255,000	13,265,667	947,653
Compensated Absences Payable	17,650,480	3,030,467	1,136,713	19,544,234	1,395,778
<b>Total Long-Term Liabilities</b>	<b>\$ 116,366,533</b>	<b>\$ 12,304,057</b>	<b>\$ 5,262,245</b>	<b>\$ 123,408,345</b>	<b>\$ 5,596,693</b>

**Bonds and Revenue Certificates Payable.** Bonds and revenue certificates were issued to construct University facilities, including parking garages, student housing facilities, and academic and student service facilities. Bonds and revenue certificates outstanding, which include both term and serial bonds, are secured by a pledge of housing rental revenues, traffic and parking fees, and an assessed transportation fee based on credit hours. Building and capital improvement fees, collected as part of tuition and remitted to the State Board of Education, are used to retire the revenue certificates of the academic and student service facilities. 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.

On May 25, 2006, the State Board of Education issued \$58,955,000 of University System Improvement Revenue Bonds, Series 2006A. The University's portion of the bonds issued and the related premium are \$6,940,534 and \$207,389, respectively. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. The trust assets and the liability for the bonds are not included in the University's statement of net assets.

The University had the following bonds and revenue certificates payable outstanding at June 30, 2006:

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

Bond Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing and Parking:				
2000	\$ 24,400,000	\$22,200,000	4.4 - 5.4	2030
2001	7,990,000	6,565,000	3.0 - 4.8	2021
2002	8,995,000	7,891,313	2.375 - 4.35	2023
2003	35,285,000	32,021,930	3.0 - 4.875	2033
<b>Subtotal</b>	<u>76,670,000</u>	<u>68,678,243</u>		
Academic and Student Services				
Facilities:				
1997	652,031	485,813	5.0 - 7.0	2022
1997A	5,601,098	4,829,423	3.85 - 5.0	2016
1998	2,761,595	2,146,210	4.0 - 5.0	2023
2001	5,610,730	4,906,020	4.0 - 5.0	2026
2003A	3,534,098	2,404,812	4.5 - 5.375	2013
<b>Subtotal</b>	<u>18,159,552</u>	<u>14,772,278</u>		
University System Improvement				
Revenue Bonds:				
2006A	6,940,534	7,147,923	4.0 - 5.0	2030
<b>Total</b>	<u>\$101,770,086</u>	<u>\$90,598,444</u>		

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

Annual requirements to amortize all bonded debt outstanding as of June 30, 2006, are as follows:

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 3,253,262	\$ 4,202,026	\$ 7,455,288
2008	3,497,629	4,029,257	7,526,886
2009	3,591,923	3,900,002	7,491,925
2010	3,744,274	3,763,887	7,508,161
2011	3,889,101	3,616,693	7,505,794
2012-2016	21,135,569	15,520,064	36,655,633
2017-2021	21,830,882	10,750,957	32,581,839
2022-2026	14,981,554	6,041,664	21,023,218
2027-2031	12,794,124	2,407,541	15,201,665
2032-2033	2,455,000	180,863	2,635,863
<b>Subtotal</b>	91,173,318	54,412,954	145,586,272
Less; Net Bond Discounts, Premiums, and Losses on Bond Refundings	(574,874)		(574,874)
<b>Total</b>	<u>\$90,598,444</u>	<u>\$54,412,954</u>	<u>\$ 145,011,398</u>

**Notes Payable.** Notes Payable at June 30, 2006, for the Florida Atlantic University Foundation, Inc., consists of the following:

<u>Description</u>	<u>Amount</u>
Note Payable to Bank, Due May 2012, Semiannual Installments of \$400,000 Plus Interest at 4.20 Percent	\$4,800,000
Note Payable to an Individual, Due December 2008, Quarterly Installments of \$7,772 Including Interest at 4.47 Percent	66,254
<b>Total</b>	<u>\$4,866,254</u>

Principal requirements on the notes outstanding as of June 30, 2006, are presented in the following table:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2007	\$ 828,643
2008	829,923
2009	807,688
2010	800,000
2011	800,000
2012	800,000
<b>Total</b>	<u>\$4,866,254</u>

**FLORIDA ATLANTIC UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2006**

**Capital Leases and Certificate of Participation**

During the 2005-06 fiscal year, the University recorded capital leases that were contracted during the prior fiscal year. Capital leases totaling \$3,946,729 were recorded with accumulated depreciation amounting to \$1,776,024. Computer, communications and image scanning equipment in the amount of \$3,946,729 is being acquired under capital lease agreements. The stated interest rates range from 0 to 4.36 percent. Future minimum payments under the capital lease agreement and the present value of the minimum payments as of June 30, 2006, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2007	\$ 744,545
2008	729,273
2009	268,902
2010	205,203
2011	190,783
2012	<u>170,407</u>
<b>Total Minimum Payments</b>	2,309,113
Less, Amount Representing Interest	<u>(183,446)</u>
<b>Present Value of Minimum Payments</b>	<b><u>\$2,125,667</u></b>

The Florida Atlantic University Foundation, Inc., in 1999 and 2001 issued the 1999 and 2000 Certificates of Participation (the Certificates) for \$6,230,000 and \$6,300,000, respectively. The funds were used to build dormitory buildings on the John D. MacArthur campus in Jupiter, Florida. The stated interest rate on the 1999 certificates range from 3.5 percent to 5 percent, while interest rates on the 2000 certificates range from 4.7 percent to 5.875 percent. At June 30, 2006, certificates of participation payable on the 1999 and 2000 Certificates of Participation are as follows.

<u>COP Series</u>	<u>Amount of Issue</u>	<u>Total Retired</u>	<u>Outstanding Principal</u>	<u>Outstanding Interest</u>	<u>Interest Rates</u>	<u>Maturity Date</u>
1999	\$ 6,230,000	\$ 865,000	\$ 5,365,000	\$ 3,573,140	3.5 - 5.0	2028
2000	6,300,000	525,000	5,775,000	4,977,457	4.7 - 5.875	2030
<b>Total</b>	<b><u>\$ 12,530,000</u></b>	<b><u>\$ 1,390,000</u></b>	<b><u>\$ 11,140,000</u></b>	<b><u>\$ 8,550,597</u></b>		

The Foundation entered into Master Lease agreements with the former Board of Regents (the Board) whereby they are obligated to pay to the Board \$1 per year for each property. The Foundation further entered into agreements to lease buildings to the University in exchange for the University paying all

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

amounts due under the Certificates. The following schedule presents the future minimum payments remaining under the capital lease at June 30, 2006:

Fiscal Year Ending June 30	1999 Certificates	2000 Certificates	Total
2007	\$ 407,278	\$ 446,845	\$ 854,123
2008	406,189	446,085	852,274
2009	404,814	449,991	854,805
2010	408,149	448,410	856,559
2011	405,930	446,410	852,340
2012-2016	2,030,780	2,242,519	4,273,299
2017-2021	2,026,750	2,235,362	4,262,112
2022-2026	2,036,250	2,240,683	4,276,933
2027-2030	812,000	1,796,150	2,608,150
<b>Total Minimum Payments</b>	8,938,140	10,752,455	19,690,595
Less, Amount Representing Interest	(3,573,140)	(4,977,455)	(8,550,595)
<b>Present Value of Minimum Payments</b>	<b>\$ 5,365,000</b>	<b>\$ 5,775,000</b>	<b>\$ 11,140,000</b>

**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, 2006, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$19,544,234. The current portion of the compensated absences liability (\$1,395,778) 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.

## 11. RETIREMENT PROGRAMS

**Florida Retirement System.** Most employees working in regularly established positions of the University are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility,

**FLORIDA ATLANTIC UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2006**

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 a 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 2005-06 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.83
Florida Retirement System, Senior Management Services	0.00	10.45
Florida Retirement System, Special Risk	0.00	18.53
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	9.33
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, 2004, June 30, 2005, and June 30, 2006, totaled \$3,837,412, \$3,972,316, and \$4,192,247, respectively, which were equal to the required contributions for each fiscal year.

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

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 206 University participants during the 2005-06 fiscal year. Required contributions made to the PEORP totaled \$481,432.

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

**State University System Optional Retirement Program.** Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for six or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant 10.43 percent of the participant's salary. A small amount remains in the Optional Retirement Program Trust Fund for 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 1,431 University participants during the 2005-06 fiscal year. Required employer contributions made to the Program totaled \$13,553,338 including \$4,722,914 from employee contributions.

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

**12. POST-EMPLOYMENT BENEFITS**

Pursuant to Section 112.363, Florida Statutes, the Florida Legislature established the Retiree Health Insurance Subsidy (HIS) to assist retirees of all State-administered retirement systems in paying health insurance costs. During the 2005-06 fiscal year, the HIS program was funded by required contributions consisting of 1.11 percent assessed against the payroll for all active employees covered in State-administered retirement systems. This assessment is included in the Florida Retirement System contribution rates presented in note 11.

Eligible retirees, spouses, or financial dependents under any State-administered retirement system must provide proof of health insurance coverage, which can include Medicare. During the 2005-06 fiscal year, participants received an extra \$5 per month for each year of creditable service completed at the time of retirement; however, no eligible retiree or beneficiary may receive a subsidy payment of more than \$150 or less than \$30. If contributions fail to provide full subsidy benefits to all participants, the subsidy payments may be reduced or canceled.

**13. CONSTRUCTION COMMITMENTS**

The University's major construction commitments at June 30, 2006, are as follows:

Project Description	Contract Amount	Completed to Date	Balance Committed
600-Bed Residence Hall Phase II	\$ 25,958,000	\$ 116,089	\$ 25,841,911
Computer Center Expansion/Remodel	8,624,100	554,839	8,069,261
Recreation Wellness Center - Boca Campus	6,087,478	5,928	6,081,550
Track and Field - Boca Campus	3,917,000	212,130	3,704,870
FAU Lee Street Roadway Project	4,150,000	1,082,592	3,067,408
Student Activity Center - Davie Campus	2,639,249	179,724	2,459,525
Library Expansion - Boca Campus	4,843,761	3,254,669	1,589,092
Scripps Joint Use Facility Expenses	13,000,000	11,456,577	1,543,423
HBOI Marine Science Partnership	11,000,000	10,066,343	933,657
Harriet Wilkes Building - Jupiter Campus	1,950,000	1,753,249	196,751
<b>Total</b>	<b>\$ 82,169,588</b>	<b>\$ 28,682,140</b>	<b>\$ 53,487,448</b>

**14. OPERATING LEASE COMMITMENTS**

The University leased the facilities at its Dania Beach Campus under operating leases, which expire in 2046. 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

**FLORIDA ATLANTIC UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2006**

minimum lease commitments for noncancelable operating leases with remaining terms in excess of one year as of June 30, 2006, are as follows:

Fiscal Year Ending	Land and Building Operating Leases
2007	\$ 27,000
2008	27,000
2009	27,000
2010	27,000
2011	27,000
2012-2016	135,000
2017-2021	135,000
2022-2026	135,000
2027-2031	135,000
2032-2036	135,000
2037-2041	135,000
2042-2046	135,000
<b>Total</b>	<b>\$ 1,080,000</b>

**15. RISK MANAGEMENT PROGRAMS**

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 2005-06 fiscal year, the State retained the first \$2 million of losses for each occurrence with an annual aggregate retention of \$40 million for wind and flood and \$5 million for perils other than wind and flood. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$50 million for wind, \$50 million for flood, and \$200 million for perils other than wind and flood; and losses exceeding those amounts were retained by the State. 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. The \$50 million of wind coverage is \$35 million less than the coverage provided for the 2004-05 fiscal year. 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

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

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.

**16. 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.

**17. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of academic departments for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 112,944,164
Research	24,334,672
Public Service	9,964,680
Academic Support	30,713,788
Student Services	20,806,162
Institutional Support	42,767,704
Operation and Maintenance of Plant	18,769,081
Scholarships and Fellowships	20,818,136
Auxiliary Operations	48,818,183
Depreciation	18,972,806
Loan Operations	599,885
<b>Total Operating Expenses</b>	<b><u><u>\$ 349,509,261</u></u></b>

**18. SEGMENT INFORMATION**

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instrument 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

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

separately. The following financial information for the University's Housing, and Traffic and Parking Services facilities represents identifiable activities for which one or more bonds are outstanding:

**Condensed Statement of Net Assets**

	Housing	Traffic and Parking Services
	<u>                    </u>	<u>                    </u>
<b>Assets</b>		
Current Assets	\$ 10,261,510	\$ 3,416,316
Capital Assets, Net	63,102,200	17,561,350
	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<u>73,363,710</u>	<u>20,977,666</u>
<b>Liabilities</b>		
Current Liabilities	528,790	2,134
Noncurrent Liabilities	66,060,176	14,535,000
	<u>                    </u>	<u>                    </u>
<b>Total Liabilities</b>	<u>66,588,966</u>	<u>14,537,134</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	(2,957,976)	3,026,350
Unrestricted	9,732,720	3,414,182
	<u>                    </u>	<u>                    </u>
<b>Total Net Assets</b>	<u>\$ 6,774,744</u>	<u>\$ 6,440,532</u>

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

	Housing	Traffic and Parking Services
	<u>                    </u>	<u>                    </u>
Operating Revenues	\$ 11,990,896	\$ 3,766,644
Depreciation Expenses	(1,419,077)	(366,712)
Other Operating Expenses	(6,479,597)	(1,673,380)
	<u>                    </u>	<u>                    </u>
<b>Operating Income</b>	<u>4,092,222</u>	<u>1,726,552</u>
Nonoperating Revenues (Expenses):		
Nonoperating Revenue	101,157	
Interest Expense	(3,178,595)	(588,223)
Other Nonoperating Expense	(382,677)	(173,771)
	<u>                    </u>	<u>                    </u>
<b>Net Nonoperating Expenses</b>	<u>(3,460,115)</u>	<u>(761,994)</u>
<b>Increase in Net Assets</b>	632,107	964,558
Net Assets, Beginning of Year	6,142,637	5,475,974
	<u>                    </u>	<u>                    </u>
<b>Net Assets, End of Year</b>	<u>\$ 6,774,744</u>	<u>\$ 6,440,532</u>

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

**Condensed Statement of Cash Flows**

	Housing	Traffic and Parking Services
	<u>                    </u>	<u>                    </u>
Net Cash Provided (Used) by:		
Operating Activities	\$ 5,951,210	\$ 1,963,016
Noncapital Financing Activities	(382,677)	(173,771)
Capital and Related Financing Activities	(5,530,066)	(1,402,657)
Investing Activities	<u>3,406,034</u>	<u>                    </u>
<b>Net Increase in Cash and Cash Equivalents</b>	3,444,501	386,588
Cash and Cash Equivalents, Beginning of Year	<u>1,637,675</u>	<u>2,838,207</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 5,082,176</u></u>	<u><u>\$ 3,224,795</u></u>

**19. 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:

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2006**

	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	Total
<b>Condensed Statement of Net Assets</b>			
Assets:			
Current Assets	\$ 13,136,744	\$ 448,754	\$ 13,585,498
Capital Assets, Net	11,215,245	11,129	11,226,374
Other Noncurrent Assets	189,600,176	1,590	189,601,766
<b>Total Assets</b>	<b>213,952,165</b>	<b>461,473</b>	<b>214,413,638</b>
Liabilities:			
Current Liabilities	2,687,303	393,359	3,080,662
Noncurrent Liabilities	14,912,610		14,912,610
<b>Total Liabilities</b>	<b>17,599,913</b>	<b>393,359</b>	<b>17,993,272</b>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	11,215,244	12,719	11,227,963
Restricted	183,049,577	134,818	183,184,395
Unrestricted	2,087,431	(79,423)	2,008,008
<b>Total Net Assets</b>	<b>\$ 196,352,252</b>	<b>\$ 68,114</b>	<b>\$ 196,420,366</b>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>			
Operating Revenues	\$	\$ 2,937,092	\$ 2,937,092
Operating Expenses	(18,354,401)	(3,020,081)	(21,374,482)
<b>Operating Loss</b>	<b>(18,354,401)</b>	<b>(82,989)</b>	<b>(18,437,390)</b>
Net Nonoperating Revenues	21,084,762	13,928	21,098,690
Other Revenues, Expenses, Gains, and Losses	22,423,034		22,423,034
<b>Increase (Decrease) in Net Assets</b>	<b>25,153,395</b>	<b>(69,061)</b>	<b>25,084,334</b>
Net Assets, Beginning of Year	171,198,857	137,175	171,336,032
<b>Net Assets, End of Year</b>	<b>\$ 196,352,252</b>	<b>\$ 68,114</b>	<b>\$ 196,420,366</b>