

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Florida Atlantic University's Traffic & Parking system financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the FAU Traffic & Parking's financial statements; which follow.

Traffic & Parking's net assets increased by \$254,892 as a result of this year's operations. This was a result of an increase in revenues by 13.73 percent and an increase of 25.51 percent in operating expenditures. The increase in operating expenditures included depreciation expenses amounting to \$185,778. During fiscal year ended June 30, 2004, the decal cost and the transportation access fee were combined and collected as a transportation access fee. The transportation access fee remains a mandatory fixed fee paid by all students each semester to support parking and transportation needs.

The Statement of Revenues, Expenses, and Changes in Net Assets and Statement of Net Assets report Traffic & Parking's net assets and changes in net assets. An analysis and review of Traffic & Parking'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 Traffic & Parking's net assets are one indicator of whether its financial health is improving or deteriorating. We believe that the financial position of Traffic & Parking is healthy. The University's management, which oversees Traffic & Parking operations, has insured its financial strength through comprehensive and strategic planning for the next several years.

In August 2002, the first parking garage on the Boca Raton campus was opened. Immediately after opening, the usage of the garage was near capacity. This was indicator that additional parking facilities are necessary to accommodate the growth of Florida Atlantic University. The second parking garage opened in August 2003. The University's management has insured that sufficient cash has been and will continue to be maintained to meet the annual debt service requirements of Traffic & Parking.

In the University's planning process for Traffic & Parking issues, management put into place the appropriate increase in the transportation access fee to assure that revenues are adequate for the parking system. Management has approved a \$1 increase per semester to the transportation access fee effective Fall 2004; that will assure revenues are sufficient to pay all future expenses including debt service for the existing and the proposed parking garage.

This Management Discussion and Analysis related to the financial information are designed to provide a general overview of Traffic & Parking's financial condition. If you have questions about this report or need additional financial information, contact Ms. Stacey Medeiros CPA, CBM, Master of Accounting, University Controller, Florida Atlantic University, 777 Glades Road, Boca Raton, Florida, (561) 297-3102.

**FLORIDA ATLANTIC UNIVERSITY
TRAFFIC AND PARKING SERVICES
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2004**

To enhance the usefulness of the financial statements, the significant accounting policies followed by Florida Atlantic University are described below.

A. Reporting Entity

Although the university is considered a separate entity for financial reporting purposes, it is a part of the State University System and accordingly is regulated, and coordinated by the Florida Board of Education. The governing body of Florida Atlantic University is its Board of Trustees. The Board constitutes a body corporate and is composed of twelve (12) members appointed by the Governor and one student member. The Board of Trustees is under the general direction and control of the Commissioner of Education, the Chancellor of State Universities, and is governed by law and rules of the Florida Board of Education. By statute, the Florida Board of Education appoints the University President. The University Board of Trustees adopts university rules and procedures and plans for the future needs of the university. The University President is responsible for the management of the university and has the ultimate responsibility for administering the policies prescribed by the Board of Trustees.

B. Basis of Presentation

The University's fiscal and accounting operations are effectively structured around the Governmental Accounting Standard Board's (GASB) statements. The University also adheres to the recommendations of the National Association of College and University Business Officers (NACUBO). NACUBO's recommendations are prepared in accordance with generally accepted accounting principles promulgated by the Financial Accounting Standards Board (FASB) and the Governmental Accounting Standards Board (GASB).

In November 1999, the Governmental Accounting Standard Board (GASB) issued GASB Statement # 35 "Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities - an amendment of GASB Statement # 34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." GASB Statements #34 and #35" provide the most significant change in financial reporting for all governmental institutions. Florida Atlantic University's reporting model under GASB Statement #35 is a Special-Purpose Government Entity engaged only in business-type activities (BTA).

GASB Statements #34 and #35 promulgate that a Special-Purpose Government Entity engaged only in business-type activities are to present only the financial statements required for Proprietary (enterprise) fund. Basic financial statements and

required supplementary information (RSI) for the Proprietary fund consist of the following:

- Management's discussion and analysis (MD&A)
- Proprietary (enterprise) fund financial statements:
 - Statement of net assets or balance sheet
 - 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

C. Basis of Accounting

Basis of accounting refers to when the effect of transactions or events should be recognized for financial reporting purposes. It relates to the timing of the measurements made, regardless of the measurement focus applied. The Statement of Net Assets (Balance Sheet) and the Statement of Revenues, Expenses, and Changes in Net Assets are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

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 plant assets, and depreciation on capital assets. The financial information for Traffic & Parking Services will be included in the University's financial statements.

The Statement of Revenues, Expenses, and Changes in Net Assets is presented by major sources. The Statement of Cash Flows is presented using the direct method and is in compliance with GASB Statement #9 "Reporting Cash Flow for Proprietary and Non-expendable Trust Funds."

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.

C. Cash and Cash Equivalents

The amount reported as cash and cash equivalents consist of cash on hand and cash in demand accounts held in the State Treasury. Cash in demand accounts is held in banks qualified in accordance with the provisions of Chapter 280, Florida Statutes, as a public depository.

D. Accounts Receivable

Accounts receivable reported in the Balance Sheet represent amounts for fines and transportation access fees. These accounts are considered to be fully collectible.

E. Capital Assets

Capital assets consist of buildings and property under capital lease. These assets 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

F. Long-Term Liabilities

Long term liabilities comprises of bonds. The University's long-term indebtedness is reported in the Investment in Plant Fund. Traffic and Parking had long-term debt obligations as of June 30, 2004 related to the issuance of \$7,990,000 in University Parking Facility Revenue Bonds, Series 2001 and the issuance of \$8,995,000 in University Parking Facility Revenue Bonds, Series 2002. The Series 2001 balance outstanding as of 6/30/2004 was \$7,200,000 after principal payments of \$305,000 in 2004 and the Series 2002 outstanding balance as of 6/30/2004 was \$8,660,000 after principal payments of \$335,000.

G. PRIOR PERIOD ADJUSTMENTS

Adjustments to beginning net assets were reported when amounts were considered material in accordance with Accounting Principles Board Opinions No. 9 and 20 and FASB Statement No. 16. The prior period adjustment of \$ 2,476,117.96 represents the net effect of reporting the capital assets and the long term liability that were not reported in prior years.

Florida Atlantic University
Traffic And Parking Services
Balance Sheet
As of June 30, 2004

Assets

Current Assets:			
	Cash	\$	3,091,354.04
	Accounts Receivable (Net)		<u>137,647.47</u>
			3,229,001.51
Capital Assets:			
	Buildings	\$	18,336,117.96
	Accumulated Depreciation		<u>(185,777.65)</u>
			18,150,340.31
Total Assets		\$	<u><u>21,379,341.82</u></u>

Liabilities

Current Liabilities:			
	Accrued Salaries	\$	18,562.63
	Accounts Payable		<u>2,527.73</u>
		\$	21,090.36
Long Term Liabilities:			
	Bonds Payable	\$	15,860,000.00
			<u>15,860,000.00</u>
Total Liabilities			<u><u>15,881,090.36</u></u>

Net Assets

	Unrestricted	\$	3,207,911.15
	Invested in Capital Assets, Net of Related Debt		<u>2,290,340.31</u>
Total Net Assets			<u>5,498,251.46</u>
Total Liabilities And Net Assets		\$	<u><u>21,379,341.82</u></u>

Florida Atlantic University
Traffic And Parking Services
Statement Of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30,2004

Operating Revenues

Traffic Fines	\$	359,395.13	
Transportation Access Fees		1,425,686.21	
Parking Fees		1,519,582.85	
Parking Meters		86,112.35	
Total Operating Revenues	\$		3,390,776.54

Operating Expenses

Salaries And Benefits	\$	861,590.86	
Other Personal Services		132,422.30	
Contractual Services		9,428.20	
Equipment < \$1,000		23,914.99	
Freight And Postage		8,867.95	
Insurance		6,802.12	
Materials And Supplies		71,629.08	
Other Expenses		3,260.10	
Printing		24,344.32	
Rental Expense		115,308.00	
Depreciation Expense		185,777.65	
Repairs And Maintenance		401,152.79	
Telecommunication		20,535.09	
Travel		3,503.63	
Uniforms		3,604.05	
Utilities		101,183.10	
Total Operating Expenses	\$		1,973,324.23
Operating Income / (Loss)			1,417,452.31

Nonoperating Revenues / (Expenses)

Operating Capital Outlay	\$	(151,251.88)	
Net Nonoperating Revenues / (Expenses)			(151,251.88)
Income/(Loss) Before Transfers	\$		1,266,200.43

Transfers In / (Out)

Debt Service - Interest	\$	(626,006.25)	
Debt Service - Principal		(327,995.47)	
Educational Aids - Scholarships		42,156.00	
Administrative Overhead		(99,462.49)	
Total Transfers In / (Out)			(1,011,308.21)

Change in Net Assets	\$	254,892.22	
Total Net Assets - Beginning		2,767,241.28	
Adjustments to Beginning Net Assets		2,476,117.96	
Total Net Assets - Ending		5,498,251.46	

Florida Atlantic University
Traffic And Parking Services
Statement of Cash Flows
For the Year Ended June 30, 2004

Cash Flow From Operating Activities		
Receipts From Customers	\$	3,321,753.25
Payments to Suppliers		(793,533.42)
Payments to Employees		<u>(990,911.19)</u>
Net Cash Provided By Operating Activities	\$	1,537,308.64
Cash Flows From Capital and Related Financing Activities		
Interest Paid On Capital Debt	\$	(626,006.25)
Principal Paid On Capital Debt		(327,995.47)
Purchases of Capital Assets		<u>(151,251.88)</u>
Net Cash (Used) By Capital and Related Financing Activities		(1,105,253.60)
Cash Flows From Noncapital Financing Activities		
Administrative Overhead Transfers		<u>99,462.49</u>
Net Cash (Used) By Noncapital Financing Activities		<u>99,462.49</u>
Net (decrease) in cash	\$	531,517.53
Balances - Beginning of Year		<u>2,559,836.51</u>
Balances - End of Year	\$	<u><u>3,091,354.04</u></u>
Reconciliation of Operating Income / (Loss) To Net Cash Provided By Operating Activities		
Operating Income	\$	1,603,229.96
Change in Assets / Liabilities		
Receivables, net		(61,074.97)
Accrued Salaries		2,421.22
Accounts Payable		<u>(7,267.57)</u>
Net Cash provided By Operating Activities	\$	<u><u>1,537,308.64</u></u>