



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



**FLORIDA ATLANTIC UNIVERSITY**  
Financial Statement Audit

For the Fiscal Year Ended June 30, 2003

During the audit period, Dr. Richard Osburn was Interim President until February 28, 2003. Mr. Frank T. Brogan became President of Florida Atlantic University on March 1, 2003. Members of the University's Board of Trustees who served during the audit period are listed below:

**Board Member**

Dr. George C. Zoley, Chairman from 1-15-03  
John Williard Temple to 1-14-03, Chairman  
Sheridan Plymale, Vice-Chairman from 1-15-03  
Norman Densmore Tripp, Vice-Chairman to 1-14-03  
Scott Adams  
Nancy Wood Blosser  
Dr. William Bryant  
Jorge Dominicus  
E. Llwyd Ecclestone  
Dr. Frederick Hoffman from 1-15-03  
Gerri McPherson  
Virginia I. Miller  
Pablo Paez to 5-4-03 (1)  
Ancel Pratt from 5-5-03 (1)  
Rabbi Bruce Warshal

Note: (1) The student body president, who is a voting member of the Board in accordance with Section 1001.71(1), Florida Statutes.

## FLORIDA ATLANTIC UNIVERSITY

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**EXECUTIVE SUMMARY**

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The audit of the financial statements of the Florida Atlantic University for the fiscal year ended June 30, 2003, was conducted pursuant to the provisions of Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

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 grants 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 position of the University and of its aggregate discretely presented component units as of June 30, 2003; the revenues, expenses, and changes in net assets; and the cash flows for the fiscal year then ended.
- The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.
- We noted no matters involving the University's internal control over financial reporting and its operation that we considered to be material weaknesses.

This audit was conducted by Amy Lui, CPA, and supervised by Ida Marie Westbrook, CPA. Please address inquiries regarding this report to James E. Raulerson, CPA, Audit Manager, via e-mail at [jimraulerson@aud.state.fl.us](mailto:jimraulerson@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

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the 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, 2003, as shown on pages 14 through 39. These financial statements are the responsibility of the University's 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 comprises 100 percent of the transactions and account balances of the aggregate discretely presented component units column. 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 the Florida Atlantic University and of its aggregate discretely presented component units as of June 30, 2003, 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.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the 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 grants included under the heading **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 5 through 13 is not a required part of the financial statements, but is supplementary information required by the accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

Respectfully submitted,



William O. Monroe, CPA  
January 30, 2004



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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

We have audited the financial statements of the 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, 2003, 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.

### Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the University's internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal

control that might be material weaknesses. A material weakness is a 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 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 the internal control over financial reporting and its operation that we consider to be material weaknesses.

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,

A handwritten signature in cursive script that reads "William O. Monroe".

William O. Monroe, CPA  
January 30, 2004



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The management's discussion and analysis of the Florida Atlantic University's financial statements provides an overview of the University's financial activities for the fiscal year ended June 30, 2003. The financial statements are comprised of the following:

- 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 the Financial Statements

This management's discussion and analysis is designed to focus on current activities, resulting change, and currently known facts. Please read it 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 2001-02 and 2002-03 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:

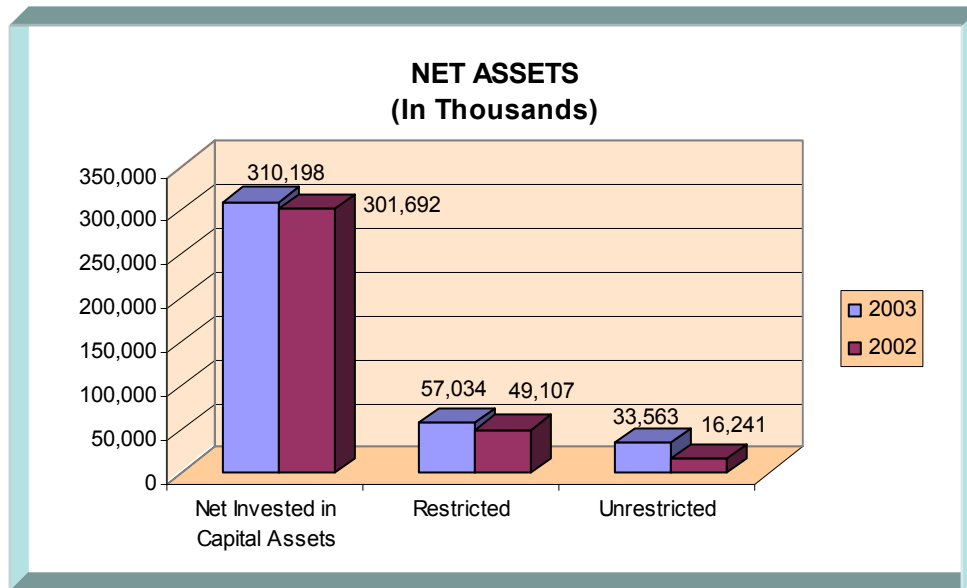
- Florida Atlantic University (Primary Institution) – Reporting financial activities of the University for fiscal year ended June 30, 2003. Most of the programs and services generally associated with the University fall into this category, including instruction, public service, and support services.
- 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, 2003. 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. The GASB made significant changes as to how the University presents its financial activities, effective for the 2001-02 fiscal year. The most significant changes include single-column reporting versus the traditional fund multi-column reporting, depreciating capital assets for the first time, classifying revenues and expenses as operating and nonoperating, and reducing student tuition and fees by scholarship allowances. As a result of implementing these new guidelines, the University elected to report as an entity engaged in only business-type activities. This election required the adoption of the accrual basis of accounting and entity-wide reporting of net assets, including reporting accumulated depreciation and depreciation expense, as described in the notes to financial statements.

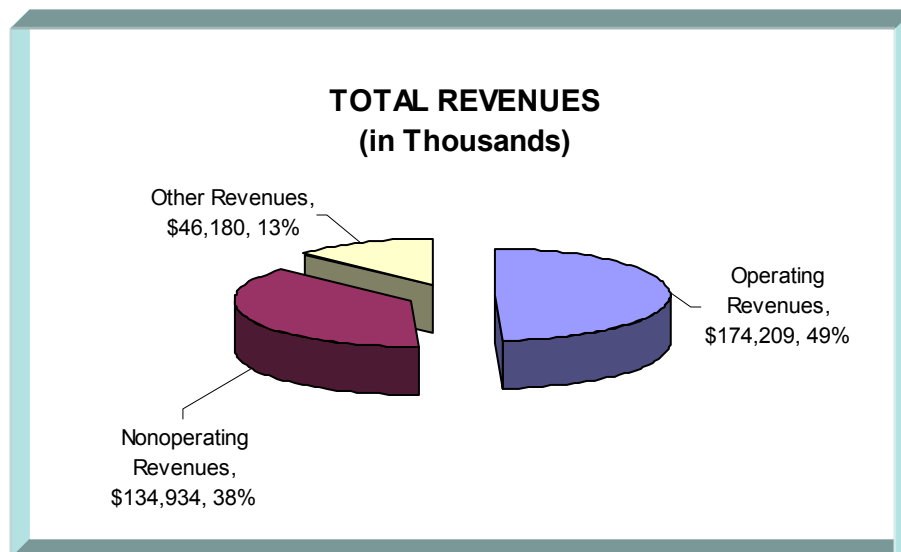
**FINANCIAL HIGHLIGHTS**

The University's financial position improved during the fiscal year ended June 30, 2003, with its net assets now totaling \$400.8 million. The University's revenues and other support exceeded expenses and adjustments by

\$33.8 million, resulting in a 9.2 percent increase in University net assets. Increases in State appropriations and capital grants and contracts and donations 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, 2003, and June 30, 2002:



The following chart provides a graphical presentation of the University's revenues by category for the 2002-03 fiscal year:



The University's revenues exceeded expenses and adjustments, increasing their net assets by \$33.8 million, or 9.2 percent, for the fiscal year ended June 30, 2003.

## 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*.

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, i.e., June 30, 2003. 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, 2003, and June 30, 2002, are presented in the following table:

**Assets, Liabilities, and Net Assets at June 30**  
(In Thousands)

	University		Component Units	
	2003	2002	2003	2002 (2)
<b>Assets</b>				
Current Assets	\$ 118,713	\$ 106,725	\$ 20,716	\$ 37,020
Noncurrent Assets	32,393	12,614	112,939	112,205
Capital Assets, Net	<u>382,724</u>	<u>345,104</u>	<u>5,030</u>	<u>6,455</u>
<b>Total Assets</b>	<u>533,830</u>	<u>464,443</u>	<u>138,685</u>	<u>155,680</u>
<b>Liabilities</b>				
Current Liabilities	37,065	20,741	2,771	2,620
Noncurrent Liabilities	<u>95,970</u>	<u>76,662</u>	<u>18,160</u>	<u>19,070</u>
<b>Total Liabilities</b>	<u>133,035</u>	<u>97,403</u>	<u>20,931</u>	<u>21,690</u>
<b>Net Assets</b>				
Investment in Capital Assets, Net of Related Debt	310,198	301,692	5,030	6,455
Restricted	57,034	49,107	104,486	118,890
Unrestricted	<u>33,563</u>	<u>16,241</u>	<u>8,238</u>	<u>8,645</u>
<b>Total Net Assets</b>	<u>\$ 400,795</u>	<u>\$ 367,040</u>	<u>\$ 117,754</u>	<u>\$ 133,990</u>
<b>Increase (Decrease) in Net Assets</b>	<u>\$ 33,755</u>	(1) 9.2%	<u>\$ (16,236)</u>	-12.1%

Notes: (1) Includes effects of prior period adjustment of \$810,666.

(2) Component unit data reported in the prior audit report for the 2001-02 fiscal year was 2000-01 fiscal year data since the 2001-02 fiscal year data was not available at the completion of the audit. Consequently, the 2001-02 fiscal year component unit data reported in this report is not comparable to the 2001-02 fiscal year component unit data reported in the prior audit report.

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 CHANGES 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 revenues, both operating and nonoperating; expenses, both operating and nonoperating; and any other revenues, expenses, gains, and losses and explain why and 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.

A condensed statement of revenues, expenses, and changes in net assets for the University and its aggregate component units for the 2002-03 and 2001-02 fiscal years is shown in the following table:

<b>Operating Results for the Fiscal Year (In Thousands)</b>				
	University		Component Units	
	2002-03	2001-02	2002-03	2001-02 (1)
Operating Revenues	\$174,209	\$153,423	\$ 1,764	\$ 816
Operating Expenses	(313,629)	(285,243)	(35,304)	(23,763)
<b>Operating Loss</b>	(139,420)	(131,820)	(33,540)	(22,947)
Nonoperating Revenues (Expenses)	127,806	111,092	3,671	(2,464)
<b>Income Before Other Contributions</b>	(11,614)	(20,728)	(29,869)	(25,411)
Capital Contributions	46,180	59,198	20,658	26,204
<b>Change in Net Assets</b>	34,566	38,470	(9,211)	793
Net Assets, Beginning of Year	367,040	328,570	133,990	133,197
Prior Period Adjustment to Beginning Net Assets	(811)		(7,025)	
<b>Net Assets, End of Year</b>	<u>\$400,795</u>	<u>\$367,040</u>	<u>\$117,754</u>	<u>\$ 133,990</u>

Note: (1) Component unit data reported in the prior audit report for the 2001-02 fiscal year was 2000-01 fiscal year data since the 2001-02 fiscal year data was not available at the completion of the audit. Consequently, the 2001-02 fiscal year component unit data reported in this report is not comparable to the 2001-02 fiscal year component unit data reported in the prior audit report.

The 2002-03 fiscal year resulted in increases in net assets for the University. University net income was \$34.6 million after capital contributions. The aggregate component units net loss was \$9.2 million. For a more detailed understanding of the University's 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 \$174.2 million, including \$56.2 million in net student tuition and fees revenues, \$37.3 million in Federal contracts and grants, \$29.9 million in nongovernmental grants and contracts and \$25.3 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 \$313.6 million, including \$178.6 million for personnel service, \$40.7 million for scholarships and waivers, \$20.4 million for depreciation, \$16.1 million for contractual services, and \$12.4 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 \$127.8 million. This included \$127.5 million in State nonexchange support for University operations. State allocations and moneys for operations increased by approximately \$13 million when compared to the prior year.
- Capital contributions were \$46.2 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>				
	<u>University</u>		<u>Component Units</u>	
	<u>2002-03</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2001-02 (1)</u>
<b>Operating Expenses</b>				
Salaries and Benefits	\$178,636	\$165,390	\$	\$
Contractual Services	16,066	13,349	19,167	7,933
Scholarships and Waivers	40,671	30,138		
Utilities and Communications	12,395	10,503		
Repairs and Maintenance	6,923	8,346		
Materials and Supplies	5,729	5,014		
Other Expenses	32,854	34,384	16,132	15,825
Depreciation	20,355	18,119	5	5
<b>Total Operating Expenses</b>	<u><u>\$313,629</u></u>	<u><u>\$285,243</u></u>	<u><u>\$35,304</u></u>	<u><u>\$ 23,763</u></u>
Note: (1) Component unit data reported in the prior audit report for the 2001-02 fiscal year was 2000-01 fiscal year data since the 2001-02 fiscal year data was not available at the completion of the audit. Consequently, the 2001-02 fiscal year component unit data reported in this report is not comparable to the 2001-02 fiscal year component unit data reported in the prior audit report.				

### 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 financial health of an institution. 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 2002-03 and 2001-02 fiscal years is shown in the following table:

<b>Cash Flows for the Fiscal Year (In Thousands)</b>		
	<u>2002-03</u>	<u>2001-02</u>
Cash Provided (Used) by:		
Operating Activities	\$(121,726)	\$(112,135)
Noncapital Financing Activities	129,039	113,654
Capital and Related Financing Activities	16,892	(9,399)
Investing Activities	<u>(21,627)</u>	<u>7,480</u>
<b>Net Increase (Decrease) in Cash</b>	2,578	(400)
Cash and Cash Equivalents, Beginning of the Year	<u>11,405</u>	<u>11,805</u>
<b>Cash and Cash Equivalents, End of the Year</b>	<u><u>\$ 13,983</u></u>	<u><u>\$ 11,405</u></u>

Cash and cash equivalents are fully explained in notes to the financial statements and for a more detailed understanding of University's cash activity see the actual 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, 2003, the University and its component units had \$382.7 million and \$5 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, 2003, and June 30, 2002:

<b>Net Capital Assets at June 30</b>				
<b>(In Thousands)</b>				
	<u>University</u>		<u>Component Units</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
<b>Capital Assets</b>				
Land	\$ 9,304	\$ 9,304	\$ 4,933	\$ 4,933
Buildings	338,978	291,682	237	1,518
Other Structures and Improvements	32,180	25,948		
Furniture, Machinery, and Equipment	68,613	71,148	79	79
Library Resources	52,895	50,367		
Property Under Capital Lease	12,530			
Other Capital Assets	1,370	1,367		
Construction In Progress	20,317	34,089		139
<b>Total</b>	<u>536,187</u>	<u>483,905</u>	<u>5,249</u>	<u>6,669</u>
Less Accumulated Depreciation:				
Buildings	66,234	60,865	145	140
Other Structures and Improvements	7,578	6,944		
Furniture, Machinery, and Equipment	36,941	34,635	74	74
Library Resources	39,897	35,260		
Property Under Capital Lease	1,668			
Other Capital Assets	1,144	1,097		
<b>Total Accumulated Depreciation</b>	<u>153,462</u>	<u>138,801</u>	<u>219</u>	<u>214</u>
<b>Net Capital Assets</b>	<u>\$ 382,725</u>	<u>\$ 345,104</u>	<u>\$ 5,030</u>	<u>\$ 6,455</u>
<b>Increase (Decrease) in Net Capital Assets</b>	<u>\$ 37,621</u>	10.9%	<u>\$ (1,425)</u>	-22.1%

Details of University's capital asset activity for year ended June 30, 2003, such as additions and deletions by category, are shown in notes to financial statements.

As of June 30, 2003, there are several construction projects in progress on many of the campuses. These projects include a Life Behavioral Science Complex, a Student Support Services Building, The Christine E. Lynn College of Nursing Building, and the College of Business Expansion. Various infrastructure improvements and minor projects are ongoing as well. During the current year, the Florida Atlantic University completed several construction projects, including the Davie Classroom Building, Health Sciences Facility, and an undergraduate housing facility.

## DEBT

At June 30, 2003, the University had approximately \$83.2 million in debt outstanding versus \$64.2 million the previous year, an increase of 30 percent. The amount of this increase in debt is State University System Revenue Certificates and Construction Bonds, whose proceeds were used for capital outlay projects, and reporting of a capital lease. Additional information about debt and other obligations of the University and its component units are included 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 combination of the national recession and the continuing threat of terrorist activity has slowed tourism and therefore, negatively affected the State's economy. In the 2002-03 fiscal year, State appropriations comprised approximately 42 percent of the University's total operating and nonoperating revenues and were the largest individual sources of funding. Since the State of the economy has slowed down, this will most likely result in smaller increases in State appropriations for higher education. At this time, the specific impact on the University is uncertain.

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 modest increase in net assets. The University anticipates the current fiscal year will be much like the prior fiscal year, and will maintain a close watch over resources to maintain the University's ability to react to issues, both internal and external.

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**FINANCIAL SECTION**


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**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2003**

	<b>University</b>	<b>Component Units</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 13,497,392	\$ 10,455,873
Investments	54,741,007	
Receivables, Net	13,126,423	9,979,705
Loans and Notes Receivable, Net	49,138	
Due from State	36,996,928	
Due from Component Units	235,631	
Inventories		
Other Current Assets	66,080	280,263
<b>Total Current Assets</b>	<b>118,712,599</b>	<b>20,715,841</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	486,287	
Restricted Investments	29,698,050	95,513,976
Loans and Notes Receivable, Net	2,208,451	
Net Investment in Direct Financing-Type Lease		11,870,000
Other Noncurrent Assets		5,555,591
Buildings, Equipment, and Other Depreciable		
Capital Assets, Net	353,067,356	96,908
Land and Other Nondepreciable Capital Assets	29,657,586	4,932,932
<b>Total Noncurrent Assets</b>	<b>415,117,730</b>	<b>117,969,407</b>
<b>TOTAL ASSETS</b>	<b>\$ 533,830,329</b>	<b>\$ 138,685,248</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 425,380	\$ 1,369,259
Salary and Wages Payable	3,962,747	
Construction Contracts Payable	5,165,419	
Deposits Payable	3,928,695	
Due to State	633,839	
Due to University		235,631
Deferred Revenues	6,188,141	110,963
Obligations Under Security Lending and Reverse		
Repurchase Agreements	13,325,810	
Other Current Liabilities	209,634	825,100
Long-Term Liabilities - Current Portion:		
Compensated Absences Payable	606,611	
Current Bonds Payable	2,388,461	
Capital Lease Payable	230,000	
Certificates of Participation		230,000
<b>Total Current Liabilities</b>	<b>37,064,737</b>	<b>2,770,953</b>
Noncurrent Liabilities:		
Compensated Absences Payable	15,423,458	
Bonds Payable	68,906,887	
Capital Lease Payable	11,640,000	
Certificates of Participation		11,640,000
Other Noncurrent Liabilities		6,519,937
<b>Total Noncurrent Liabilities</b>	<b>95,970,345</b>	<b>18,159,937</b>
<b>TOTAL LIABILITIES</b>	<b>133,035,082</b>	<b>20,930,890</b>

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**June 30, 2003**

	<u>University</u>	<u>Component Units</u>
<b>NET ASSETS</b>		
Invested In Capital Assets, Net of Related Debt	\$ 310,197,842	\$ 5,029,840
Restricted for:		
Nonexpendable:		
Other Restricted		104,486,254
Expendable:		
Debt Service	89,070	
Loans	4,708,107	
Capital Projects	48,123,201	
Other Restricted	4,113,590	
Unrestricted	<u>33,563,437</u>	<u>8,238,264</u>
<b>Total Net Assets</b>	<u>400,795,247</u>	<u>117,754,358</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 533,830,329</u></u>	<u><u>\$ 138,685,248</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**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2003**

	<u>University</u>	<u>Component Units</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$6,850,018	\$ 56,194,685	\$
Federal Grants and Contracts	37,366,202	
State and Local Grants and Contracts	10,312,039	1,764,041
Nongovernmental Grants and Contracts	29,970,970	
Sales and Services of Auxiliary Enterprises	25,265,263	
Interest on Loans Receivable	68,709	
Other Operating Revenue	15,030,708	
<b>Total Operating Revenue</b>	<u>174,208,576</u>	<u>1,764,041</u>
<b>EXPENSES</b>		
Operating Expenses:		
Personal Services	178,635,562	
Contractual Expenses	16,066,234	19,167,560
Utilities	12,394,651	
Materials and Supplies	5,729,138	
Repairs and Maintenance	6,923,195	
Scholarships and Fellowships	40,671,460	
Depreciation Expense	20,354,782	4,993
Other Operating Expenses	32,854,038	16,131,673
<b>Total Operating Expenses</b>	<u>313,629,060</u>	<u>35,304,226</u>
<b>Operating Loss</b>	<u>(139,420,484)</u>	<u>(33,540,185)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	127,483,829	
Investment Income, Net	6,756,978	1,998,015
Other Nonoperating Revenue	693,393	2,530,585
Interest on Asset-Related Debt	(3,598,763)	
Other Nonoperating Expenses	(3,529,380)	
Net Realized and Unrealized Loss on Investments		(857,584)
<b>Total Net Nonoperating Revenues</b>	<u>127,806,057</u>	<u>3,671,016</u>
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	(11,614,427)	(29,869,169)
Capital Appropriations	37,556,678	
Capital Grants, Contracts, and Donations	8,623,686	20,658,126
<b>Increase (Decrease) in Net Assets</b>	<u>34,565,937</u>	<u>(9,211,043)</u>
Net Assets, Beginning of Year	367,039,976	133,990,285
Prior Period Adjustment	(810,666)	(7,024,884)
<b>Restated Net Assets, Beginning of Year</b>	<u>366,229,310</u>	<u>126,965,401</u>
<b>Net Assets, End of Year</b>	<u>\$ 400,795,247</u>	<u>\$ 117,754,358</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, 2003**

	<u><b>University</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$ 56,936,307
Grants and Contracts	76,754,496
Sales and Services of Auxiliary Enterprises	25,620,629
Interest on Loans Receivable	68,709
Other Operating Receipts	12,582,988
Payments to Employees	(176,700,086)
Payments to Suppliers for Goods and Services	(43,213,203)
Payments to Students for Scholarships and Fellowships	(40,671,460)
Loans Issued to Students	(244,667)
Other Operating Expenses	(32,859,753)
<b>Net Cash Used by Operations Activities</b>	<u>(121,726,040)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	127,483,829
Operating Subsidies and Transfers	618,340
Funds Held for Others	937,168
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>129,039,337</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt	8,773,265
Capital Appropriations	37,556,678
Capital Grants and Contracts	1,471,963
Capital Subsidies and Transfers	18,644,985
Other Receipts for Capital Projects	693,393
Purchase or Construction of Capital Assets	(44,406,023)
Principal Paid on Capital Debt and Lease	(2,263,516)
Interest Paid on Asset Related Debt and Lease	(3,578,371)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<u>16,892,374</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net Change in Investments	(28,188,976)
Investment Income	6,561,539
<b>Net Cash Used by Investing Activities</b>	<u>(21,627,437)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	2,578,234
Cash and Cash Equivalents, Beginning of Year	<u>11,405,445</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 13,983,679</u>

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**For the Fiscal Year Ended June 30, 2003**

	<u><b>University</b></u>
<b>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES)</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (139,420,484)
Adjustments to Reconcile Net Operating Loss to	
Net Cash Used by Operating Activities:	
Depreciation Expense	20,354,782
Change in Assets and Liabilities:	
Accounts Receivable	(2,344,629)
Contracts and Grants Receivable	(894,714)
Inventories	2,890
Loans and Notes Receivable	(244,667)
Accounts Payable	(2,102,875)
Accrued Salaries and Wages	994,940
Compensated Absences Liability	940,536
Deferred Revenues	993,896
Other Liabilities	(5,715)
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (121,726,040)</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, 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** The governing body of the University is its Board of Trustees. The Board constitutes a body corporate composed of 13 members. Five Board members are appointed by the Florida Board of Governors and six by the Governor, and all are confirmed by the Senate. The remaining Board members consist of the Faculty Senate Chair and the Student Government President. The Board of Trustees is under the general direction and control of the Commissioner of Education and the Chancellor of the Division of Colleges and Universities, and governed by Florida law and State Board of Education rules. By law, the Board of Trustees selects the University President for ratification by the State Board of Education. The University Board of Trustees adopts University rules and procedures, and plans for 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.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. Application of these criteria determine 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, effective July 1, 2001, the University became a component unit of the State of Florida.

**Component Units.** Based on the application of the criteria for determining component units, the following organizations are included within the University Board of Trustees' reporting entity as discretely presented component units:

- **Florida Atlantic University Foundation, Inc.:** The 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 which is to be used in support of the general or specific support of the University usually does so through the office of the Foundation.
- **Florida Atlantic University Research Corporation, Inc.:** The Corporation was established by Florida Atlantic University in 1990. It has been organized for the purposes of promotion and encouragement of, as well as, 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 their efforts, the Corporation is entitled to a portion of the royalties and/or 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.

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2003**

Information on the University's component units, including copies of audit reports, is available by contacting the University Controller's Office. These component units' financial statements are discretely presented in the University's financial statements. Additional condensed financial statements for the University's component units are included in a subsequent note.

These component units are also direct-support organizations, as provided in Section 1004.28, Florida Statutes. These are separate, not-for-profit corporations 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. An independent certified public accountant conducts an annual audit of each organization's financial statements. The audited financial statements are submitted to the Auditor General and the Board of Trustees.

**Basis of Presentation.** The University's accounting policies conform to generally accepted accounting principles applicable to colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). In November 1999, the GASB issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. This Statement includes public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. GASB Statement No. 35 allows public colleges and universities the option of reporting as a special-purpose government either engaged in only business-type activities, engaged in only governmental activities, or engaged in both governmental and business-type activities. The public universities of the State, including Florida Atlantic University, elected to report as entities engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide reporting including the following components:

- Management's Discussion and Analysis
- 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, 2003**

**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, include time requirements, are met.

Auxiliary Service Departments account for interdepartmental transactions 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 plus administration, operation and maintenance of plant assets, and depreciation on capital assets. Nonoperating revenues include State appropriations, investment income and capital funding. Interest on asset-related debts is a nonoperating expense.

The University follows Financial Accounting Standards Board 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.

The statement of net assets is presented in a classified format to distinguish between current and long-term assets and liabilities. When both restricted and unrestricted resources are available to fund specific programs, grants, etc., it is the University's policy to apply the restricted resources to such programs first, 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 discounts and allowances. Tuition scholarship discounts and allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by the student or the 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 discounts and 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.

**FLORIDA ATLANTIC UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2003**

The statement of cash flows is presented using the direct method and is in compliance with GASB Statement No. 9, *Reporting Cash Flow for Proprietary and Non-expendable Trust Funds*.

**Cash and Cash Equivalents.** The amount reported as cash and cash equivalents consists of cash on hand, cash in demand accounts, unexpended general revenue appropriation releases, and cash held in the State Treasury. Banks qualified as public depositories under Florida law hold cash deposits of the University. All such deposits are insured by Federal depository insurance or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. Cash and cash equivalents and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, and to purchase or construct capital or other restricted assets are classified as restricted.

**Capital Assets.** University capital assets consist of land; buildings; infrastructure and improvements; furniture and equipment; property under capital lease; library resources; works of art and historical treasures; and construction in progress. These assets are capitalized and recorded at cost at the date of acquisition or at appraised value at the date received in the case of gifts or purchases of 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 all moveable equipment items, and capitalizes all building renovations and improvements. Depreciation is computed on the straight-line basis over the estimated useful life of the related assets.

The following estimated useful lives are used to determine depreciation expense:

- Buildings and Improvements – 20 to 50 Years, Depending on Construction
- Infrastructure and Other Improvements – 12 to 50 Years
- Property Under Capital Lease – 30 Years
- Furniture and Equipment:
  - Equipment (Nonoffice) – 10 to 20 Years
  - Computer Equipment – 3 to 7 Years
  - Moveable Equipment – 3 to 20 Years
- Library Materials – 10 Years

Capital assets of the University's component units are stated at cost except for donated property, which is stated at fair market value at the date of the donation, and is net of accumulated depreciation of \$219,466.

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2003**

The University's component units depreciate capital assets using the straight-line method over estimated lives ranging from 5 to 50 years.

**2. PRIOR PERIOD ADJUSTMENTS**

The prior period adjustment of \$810,666 for the University represents the net effect of transactions from prior years to properly report the capital lease between the University and its Foundation. See note 8 for details.

The prior period adjustment of \$7,024,884 for the component units represents prior year corrections for reporting pledges, annuities, and receivables.

**3. INVESTMENTS**

The University participates in investment pools through the State Treasury and the State Board of Administration in accordance with the provisions of Sections 17.61 and 215.49, Florida Statutes. These investment pools operate under investment guidelines established by Section 215.47, Florida Statutes. The University's investments in these pools are reported at market value.

Generally accepted accounting principles require the classification of credit risk of investments into the following three categories:

- Risk Category 1 – Insured or registered, or securities held by the entity or its agent in the entity's name.
- Risk Category 2 – Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.
- Risk Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

University investments in the investment pools managed by other governments cannot be categorized because the University's investments are not evidenced by specific, identifiable investment securities.

Under the State Treasury's authority to purchase and sell securities, it has entered into reverse repurchase and secured lending agreements. A reverse repurchase agreement is a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. A secured lending agreement is a loan of securities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. As required by generally accepted accounting principles, the University has reported investments and an offsetting current liability of \$13,325,810 in order to account for these

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2003**

transactions. Required note disclosures for these agreements are reported in the State's Comprehensive Annual Financial Report.

All University investments at June 30 were in investment pools managed by the State Treasury and the State Board of Administration with a fair market value of \$84,353,071 and \$85,986, respectively.

Investments held by the University's component units at June 30, 2003, are reported at fair market value based on quoted market prices. These investments consisted of the following:

	I n v e s t m e n t s			Market Value
	Risk Category			
	1	2	3	
<u>Component Units</u>				
Bonds and Notes	\$ 27,355,558	\$	\$	\$ 27,355,558
Stocks	<u>61,630,724</u>	<u></u>	<u></u>	<u>61,630,724</u>
<b>Total Classified Investments</b>	<u><u>\$ 88,986,282</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	
Investment Agreements				<u>6,527,694</u>
<b>Total Component Units Investments</b>				<u>\$ 95,513,976</u>

#### 4. RECEIVABLES, LOANS, AND NOTES

**Accounts Receivable.** Accounts receivable reported in the statement of net assets represent amounts for student fee deferments, various student services provided by the University, various auxiliary services provided to students and third parties, and grant reimbursements due from third parties.

**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 (\$1,414,155) and loans and notes receivable (\$296,926) are reported based upon management's best estimate as of fiscal year-end considering type, age, and collection history. Delinquent notes receivable, where Federal "due diligence" requirements have been fulfilled and all "in-house" efforts have been exhausted are considered uncollectible.

#### 5. DUE FROM STATE

This is primarily the amount of Public Education Capital Outlay allocations for construction of University facilities due to the University at June 30, 2003.

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2003**

**6. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2003, is presented in the following table:

	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 9,303,803	\$	\$	\$ 9,303,803
Construction in Progress	34,088,618	25,772,085	39,543,819	20,316,884
Historical Treasures and Works of Art	33,399	3,500.00		36,899
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 43,425,820</b>	<b>\$ 25,775,585</b>	<b>\$ 39,543,819</b>	<b>\$ 29,657,586</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 291,681,899	\$ 48,450,260	\$ 1,154,021	\$ 338,978,138
Infrastructures and Other Improvements	25,948,463	6,231,827		32,180,290
Furniture and Equipment	71,148,082	6,212,813	8,747,668	68,613,227
Library Resources	50,366,637	2,528,703		52,895,340
Works of Art and Historical Treasures	10,236	56,848		67,084
Property Under Capital Lease	12,530,000			12,530,000
Other Capital Assets	1,323,431		57,974	1,265,457
<b>Total Depreciable Capital Assets</b>	<b>453,008,748</b>	<b>63,480,451</b>	<b>9,959,663</b>	<b>506,529,536</b>
<b>Less Accumulated Depreciation:</b>				
Buildings	60,864,893	6,257,197	887,719	66,234,371
Infrastructures and Other Improvements	6,943,617	634,490		7,578,107
Furniture and Equipment	34,635,467	8,304,310	5,998,579	36,941,198
Library Resources	35,259,856	4,636,738		39,896,594
Works of Art and Historical Treasures	188	500		688
Property Under Capital Lease	1,250,666	417,667		1,668,333
Other Capital Assets	1,096,983	103,880	57,974	1,142,889
<b>Total Accumulated Depreciation</b>	<b>140,051,670</b>	<b>20,354,782</b>	<b>6,944,272</b>	<b>153,462,180</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 312,957,078</b>	<b>\$ 43,125,669</b>	<b>\$ 3,015,391</b>	<b>\$ 353,067,356</b>

**7. REVENUE BOND REFUNDING**

On April 10, 2003, the State Board of Education issued \$50,545,000 of University System Improvement Revenue Refunding Bonds, Series 2003A. The University's portion of the refunding bonds (\$3,538,098) was used to defease \$3,844,285 of outstanding University Revenue Bonds, Series 1993. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's statement of net assets. As a result of the refunding, the University reduced its debt service requirement by \$432,403 over the next 10 years and obtained an economic gain of \$341,053. At June 30, 2003, the outstanding balance of the defeased bonds was \$3,844,285.

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2003**

**8. LONG-TERM LIABILITIES**

Long-term liabilities of the University include bonds, a capital lease, and compensated absences. The long-term liabilities activity for the fiscal year ended June 30, 2003, are shown in the following table:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 64,174,389	\$ 12,436,526	\$ 5,315,567	\$ 71,295,348	\$ 2,388,461
Capital Lease Payable	12,090,000		220,000	11,870,000	230,000
Compensated Absences Payable	15,089,534	1,390,523	449,987	16,030,070	606,611
<b>Total Long-Term Liabilities</b>	<b>\$ 91,353,923</b>	<b>\$ 13,827,049</b>	<b>\$ 5,985,554</b>	<b>\$ 99,195,418</b>	<b>\$ 3,225,072</b>

**Bonds Payable.** The University's long-term indebtedness of \$71,295,348 consists of Revenue Certificates and Bonds, which were issued to construct certain University facilities, including student housing, academic and student service facilities, and parking facilities. The bonds and revenue certificates outstanding are secured by a pledge of housing rental revenues and various student fee assessments. The building fees and capital improvement fees collected as part of tuition and remitted to the Division of College and Universities are used to retire the revenue certificates for the academic and student service facilities. Traffic and parking revenues are used to retire the parking facility revenue bonds. When applicable, the State Board of Administration administers the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements. Bonds payable at June 30, 2003, are shown in the following schedule:

Bond Type and Series	Amount of Original Issue	Amount Outstanding	Interest Rates (Percent)	Annual Maturity To
<b>Student Housing and Parking:</b>				
1964 Dormitory	\$ 992,000	\$ 17,000	3.50	2004
1966A Dormitory	1,130,000	145,000	3.00	2006
1966B Dormitory	1,070,000	135,000	3.00	2006
1993 Student Apartments	17,180,000	13,960,000	4.6 - 5.2	2021
2000 Dormitory	24,400,000	23,580,000	4.40 - 5.40	2030
2001 Parking	7,990,000	7,505,000	3.0 - 4.8	2021
2002 Parking	8,995,000	8,902,427	2.375 - 4.35	2023
<b>Academic and Student Services Facilities:</b>				
1997 Academic and Student Services	652,031	539,733	5.00 - 7.00	2022
1997A Academic and Student Services	5,601,098	5,295,897	3.85 - 5.00	2022
1998 Academic and Student Services	2,761,595	2,390,643	4.0 - 5.0	2023
2001 Academic and Student Services	5,610,730	5,343,811	4.0 - 5.0	2026
2003A Academic and Student Services	3,534,098	3,480,837	1.15 - 3.69	2013
<b>Total Bonds Payable</b>	<b>\$ 79,916,552</b>	<b>\$ 71,295,348</b>		

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Annual requirements to amortize all bonded debt outstanding as of June 30, 2003, is shown in the following schedule:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 2,388,461	\$ 3,366,454	\$ 5,754,915
2005	2,474,740	3,273,863	5,748,603
2006	2,583,269	3,173,960	5,757,229
2007	2,610,523	3,068,947	5,679,470
2008	2,806,629	2,960,624	5,767,253
2009-2013	15,910,598	12,864,665	28,775,263
2014-2018	16,852,044	8,989,127	25,841,171
2019-2023	15,237,179	4,853,122	20,090,301
2024-2028	7,455,811	1,984,940	9,440,751
2029-2030	3,060,000	248,863	3,308,863
<b>Subtotal</b>	71,379,254	44,784,565	116,163,819
Less, Bond Discount	83,906		83,906
<b>Total</b>	<u><u>\$ 71,295,348</u></u>	<u><u>\$ 44,784,565</u></u>	<u><u>\$ 116,079,913</u></u>

**Capital Lease and Certificates of Participation.** The Florida Atlantic University Foundation, Inc., in 1999 and 2000 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 interest rates on the 1999 certificates range from 3.5 percent to 5 percent while the interest rates on the 2000 certificates range from 4.7 percent to 5.875 percent. At June 30, 2003, certificates of participations payable and the principal payments due on the 1999 and 2000 Certificates of Participation for each of the five succeeding fiscal years and thereafter are shown in the following schedules:

<u>COP Series</u>	<u>Amount of Issue</u>	<u>Total Retired</u>	<u>Outstanding Principal</u>	<u>Outstanding Interest</u>	<u>Interest Rates (Percent)</u>	<u>Maturity Date</u>
1999	\$ 6,230,000	\$ 465,000	\$ 5,765,000	\$ 4,393,439	3.5 - 5.0	2028
2000	6,300,000	195,000	6,105,000	5,989,815	4.7 - 5.875	2030
<b>Total</b>	<u><u>\$ 12,530,000</u></u>	<u><u>\$ 660,000</u></u>	<u><u>\$ 11,870,000</u></u>	<u><u>\$ 10,383,254</u></u>		

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<u>Fiscal Year</u> <u>Ending June 30</u>	<u>1999</u> <u>Certificates</u>	<u>2000</u> <u>Certificates</u>	<u>Total</u>
2004	\$ 125,000	\$ 105,000	\$ 230,000
2005	135,000	110,000	245,000
2006	140,000	115,000	255,000
2007	145,000	120,000	265,000
2008	150,000	125,000	275,000
2009-2013	855,000	740,000	1,595,000
2014-2018	1,075,000	975,000	2,050,000
2019-2023	1,380,000	1,285,000	2,665,000
2024-2028	1,760,000	1,705,000	3,465,000
2029-2030		825,000	825,000
<b>Total</b>	<b>\$ 5,765,000</b>	<b>\$ 6,105,000</b>	<b>\$ 11,870,000</b>

The Foundation entered into Master Lease agreements with the former Board of Regents (the Board), whereby they are obligated to pay the Board \$1 per year for each property. The Foundation further entered into agreements to lease the buildings to the University in exchange for the University paying all amounts due under the Certificates. The following schedule presents the future minimum payments remaining under the capital lease at fiscal year ended June 30, 2003:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 230,000	\$ 621,143	\$ 851,143
2005	245,000	611,155	856,155
2006	255,000	600,361	855,361
2007	265,000	589,124	854,124
2008	275,000	577,274	852,274
2009-2013	1,595,000	2,678,660	4,273,660
2014-2018	2,050,000	2,213,531	4,263,531
2019-2023	2,665,000	1,606,129	4,271,129
2024-2028	3,465,000	814,002	4,279,002
2029-2030	825,000	71,875	896,875
<b>Total</b>	<b>\$11,870,000</b>	<b>\$10,383,254</b>	<b>\$22,253,254</b>

**Compensated Absences.** Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave pursuant to Section 6C-5.920, Florida Administrative Code; and pursuant to bargaining agreements with the United Faculty of Florida. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. GASB Statement No. 16 requires that the University accrue a liability in the statement of net assets for employees' right to receive compensation for future absences when certain conditions are met, whereas State appropriations fund only



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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. Consequently, the recording of the liability for compensated absences without the corresponding recognition of such future resources results in the appearance of a reduced ability to meet current obligations. At June 30, 2003, the estimated liability for annual and sick leave, which includes the University's share of the Florida Retirement System and FICA contributions, is \$8,397,905 and \$7,632,165, respectively. Net assets reported at June 30, 2003, of \$401,803,580 would have been \$417,833,650 had such liability for compensated absences not been applied against it. The current compensated absences liability is based on actual payouts over the last three years, calculated as a percentage of those years' total compensated absences liability.

**9. NOTES PAYABLE**

The Florida Atlantic University Foundation, Inc., currently has \$7,345,000 notes payable outstanding at June 30, 2003. This amount consists of a \$7.2 million bank note payable in semiannual installments of \$400,000 plus interest at 4.2 percent until May 2012 and a \$145,037 individual note payable in quarterly installments of \$7,772 including interest at 4.47 percent until December 2008.

Principal payments are due in accordance with the following schedule:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>
2004	\$ 825,100
2005	826,200
2006	827,400
2007	828,600
2008	829,900
2009-2013	<u>3,207,800</u>
<b>Total</b>	<b><u><u>\$ 7,345,000</u></u></b>

**10. FUNCTIONAL DISTRIBUTION OF EXPENSES**

The operating expenses on the statement of revenues, expenses, and changes in net assets are presented by natural classification. Below are those same expenses presented in functional classifications as recommended by NACUBO. The functional classification (instruction, research, public services, 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 an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as

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research and public service. However, when the primary mission of the department consists of instructional program elements, the proper classification of all departmental expenses is instruction. A summary of the functional classification of expenses is as follows:

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 103,266,881
Research	26,240,608
Public Services	1,617,604
Academic Support	23,373,010
Student Services	24,199,618
Institutional Support	26,356,035
Operation and Maintenance of Plant	13,967,782
Scholarships and Fellowships	40,671,459
Auxiliary Operations	<u>32,515,053</u>
<b>Total Functional Expenses</b>	292,208,050
Depreciation Expenses	20,354,782
Loan Operating Expenses	311,337
Other Operating Expenses	<u>754,891</u>
<b>Total Operating Expenses</b>	<u><u>\$ 313,629,060</u></u>

## 11. STATE RETIREMENT PROGRAMS

**Florida Retirement System.** Most employees working in regularly established positions of the University are covered by the Florida Retirement System, a State-administered, cost-sharing, multiple-employer, public employee defined benefit retirement plan (Plan). Plan 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 Plan eligibility, contributions, and benefits are defined and described in detail. Participating employers include all State departments, counties, district school boards, community colleges, and universities. Many municipalities and special districts have elected to be participating employers. Essentially, all regular employees of participating employers are eligible and must enroll as members of the Plan.

The Florida Legislature has reduced the vesting period from 10 to 6 years of service. Any member employed in a regularly established position as of July 1, 2001, with a total of 6 or more years of creditable service will be considered vested. Former members who are not employed with a participating Plan employer on July 1, 2001, must return to covered employment for one year to become eligible for the six-year vesting provision. An exception to this one-year requirement applies to former members who are within one year of vesting under the pre-2001 vesting requirements. These members will only be required to work the lesser of one

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year or the amount of time it would have taken to vest in their class of membership prior to July 1, 2001. 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 the specified retirement age. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

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 Florida Retirement System employer. An employee may participate in the DROP for a period not to exceed 60 months after the participation election date. During DROP participation, the deferred monthly benefit accruing on behalf of the participant, plus interest compounded monthly is held in the Florida Retirement System Trust Fund. Upon termination of employment, the participant receives the total DROP benefits and begins to receive previously determined retirement benefits.

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

The State of Florida establishes contribution rates for Plan members. During the 2002-03 fiscal year, contribution rates were as follows:

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Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	5.76
Florida Retirement System, Senior Management Service	0.00	6.06
Florida Retirement System, Special Risk	0.00	16.01
Teachers' 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	9.11
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the post-employment health insurance supplement and .15 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 in the Plan 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 to the Plan for the fiscal years ended June 30, 2001, June 30, 2002, and June 30, 2003, totaled \$4,513,999, \$4,051,083, and \$3,279,768, respectively, which were equal to the required contributions for each fiscal year.

**State University System Optional Retirement Program.** Pursuant to Section 121.35, Florida Statutes, the Florida Legislature created an Optional Retirement Program for eligible State University System faculty and administrators. The program, which became effective July 1, 1984, was expanded in 1988 to include the State University System Executive Service. The Program is designed to aid the University system in recruiting employees by offering more portability to employees not expected to remain in the Florida Retirement System for 10 or more years.

The Optional Retirement 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 Optional Retirement Program rather than the Florida Retirement System, 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 portion of the total contribution remains in the Optional Retirement Program Trust Fund for program 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

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retirement. The participant may contribute by salary reduction an amount not to exceed the percentage contributed by the University to his or her annuity account.

There were 1,098 University participants during the 2002-03 fiscal year. Required contributions made to the Optional Retirement Program totaled \$10,019,835, including \$3,410,399 from employee contributions.

**Public Employee Optional Retirement Program.** Effective July 1, 2002, the Florida Legislature created a defined contribution program called the Public Employee Optional Retirement Program. This program is an option to the Florida Retirement System and is self-directed by the employee. A retirement account is established for each employee who selects this option and an employer contribution is directed to the individual account. The employees have the responsibility of selecting how their funds are invested within the approved set of investment choices and may take their funds when they leave the Florida Retirement System. There were 63 University participants during the 2002-03 fiscal year. Required employer contributions made to the Program totaled \$63,680.

## **12. POST-EMPLOYMENT BENEFITS**

With 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 2002-03 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 rate contributions discussed 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 2001-02 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. COMPONENT UNITS**

The University has two component units as detailed in the summary of significant accounting policies. The following summaries contain 100 percent of the total component units' assets and revenues reported in the discretely presented component units' column of the financial statements and represent financial information for the fiscal year ended June 30, 2003, the most recent audited component units' financial statements:

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**Condensed Statement of Net Assets**  
**All Discretely Presented Component Units**

	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	Total Component Units
	<hr/>	<hr/>	<hr/>
<b>ASSETS</b>			
All Other Current Assets	\$ 20,238,607	\$ 477,234	\$ 20,715,841
Capital Assets, Net	5,024,774	5,066	5,029,840
All Other Noncurrent Assets	112,936,972	2,595	112,939,567
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	138,200,353	484,895	138,685,248
	<hr/>	<hr/>	<hr/>
<b>LIABILITIES</b>			
Due to University (Primary Government)		235,631	235,631
All Other Current Liabilities	2,406,036	129,286	2,535,322
Noncurrent Liabilities	18,159,937		18,159,937
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	20,565,973	364,917	20,930,890
	<hr/>	<hr/>	<hr/>
<b>NET ASSETS</b>			
Restricted	104,486,254		104,486,254
Unrestricted	8,123,352	114,912	8,238,264
Invested in Capital Assets, Net of Related Debt	5,024,774	5,066	5,029,840
	<hr/>	<hr/>	<hr/>
<b>TOTAL NET ASSETS</b>	\$ 117,634,380	\$ 119,978	\$ 117,754,358
	<hr/>	<hr/>	<hr/>

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

	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	Total Component Units
Operating Revenue	\$	\$ 1,764,041	\$ 1,764,041
Depreciation Expense	(4,816)	(177)	(4,993)
Other Operating Expenses	(33,566,156)	(1,733,077)	(35,299,233)
<b>Operating Income (Loss)</b>	<u>(33,570,972)</u>	<u>30,787</u>	<u>(33,540,185)</u>
Nonoperating Revenues (Expenses):			
Investment Income (Loss), Net	1,129,346	11,085	1,140,431
Nonoperating Revenues	2,492,315	38,270	2,530,585
Capital Grants, Contracts, and Donations	20,658,126		20,658,126
<b>Change in Net Assets</b>	<u>(9,291,185)</u>	<u>80,142</u>	<u>(9,211,043)</u>
Beginning Net Assets	133,950,449	39,836	133,990,285
Prior Period Adjustments	(7,024,884)		(7,024,884)
<b>Beginning Net Assets, Restated</b>	<u>126,925,565</u>	<u>39,836</u>	<u>126,965,401</u>
<b>Ending Net Assets</b>	<u><u>\$ 117,634,380</u></u>	<u><u>\$ 119,978</u></u>	<u><u>\$ 117,754,358</u></u>

Financial data reported for the University's component units in the 2001-02 fiscal year financial statements was actually 2000-01 fiscal year financial data since the component units' 2001-02 fiscal year financial data was not available when the University completed its financial statements. Accordingly, the beginning net assets of \$126,965,401 reported for the component units in the accompanying financial statements differ from the component units' prior year ending net assets by \$6,231,213.

#### 14. CONSTRUCTION COMMITMENTS

A summary of the University's major construction commitments (estimated cost of \$1 million or more) remaining at June 30, 2003, is as follows:

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Project Number	Project Name	Total Commitment	Amount Expended	Commitment Balance
BR-601	Parking Garage II	\$ 9,505,000	\$ 6,773,880	\$ 2,731,120
BR-602	Parking Garage I	9,918,800	9,290,923	627,877
BR-604	Harriet L. Wilkes Building	1,950,000	10,283	1,939,717
BR-609	College of Business Expansion	11,000,000	960,087	10,039,913
BR-613	Jupiter Library Expansion	5,737,000	296,459	5,440,541
BR-615	Florida Atlantic Center	2,900,000	930,448	1,969,552
BR-633	Christine E. Lynn College of Nursing	15,500,000	186,490	15,313,510
BR-638	Life Behavioral Science Complex	21,700,000	15,998,706	5,701,294
BR-647	Infrastructure and Utilities	3,000,000	2,733,233	266,767
BR-649	Library Remodeling and Renovation	1,510,166	3,920	1,506,246
BR-663	Student Support Services Building	15,520,000	5,937,475	9,582,525
BR-673	E&R Alzheimer's Care and Residence	3,000,000	106,020	2,893,980
BR-682	Maintenance and Repairs	1,705,023	1,557,958	147,065
BR-687	Developmental Research School	6,313,598	5,274,447	1,039,151
BR-688	School of Business Pavilion	2,000,000	828,265	1,171,735
BR-690	Critical Deferred Maintenance	1,853,893	1,430,015	423,878
<b>Total</b>		<b>\$ 113,113,480</b>	<b>\$ 52,318,609</b>	<b>\$ 60,794,871</b>

#### 15. OPERATING LEASE COMMITMENTS

The University has long-term commitments for assets leased under operating leases. These are not recorded on the statement of net assets; however, the operating lease payments are recorded as expenses in the statement of revenues, expenses, and changes in net assets when paid or incurred. As of June 30, 2003, future minimum lease commitments for noncancelable operating leases, with remaining lease terms in excess of one year, were as follows:



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Fiscal Year Ending June 30	Land and Buildings
2004	\$ 57,000
2005	57,000
2006	57,000
2007	27,000
2008	27,000
2009-2013	135,000
2014-2018	135,000
2019-2023	135,000
2024-2028	135,000
2029-2033	135,000
2034-2038	135,000
2039-2043	135,000
2044-2046	81,000
<b>Total</b>	<b>\$ 1,251,000</b>

#### 16. RISK MANAGEMENT PROGRAMS

**State Risk Management Trust Fund.** In accordance with a program for central insurance purchases adopted by the Florida Cabinet in 1969, the Department of Management Services has the authority to purchase insurance on behalf of all State agencies. This authority is the result of the enactment of Section 287.022, Florida Statutes. Other actions by the Legislature have resulted in the development of State self-insurance funds providing hazard insurance for property and casualty insurance, for State employees' workers' compensation, general liability, and fleet automotive liability. The University participates in these programs. Property losses in excess of \$4 million are commercially insured up to \$300 million per loss event. Payments on tort claims are limited to \$100,000 per person and \$200,000 per occurrence, pursuant to Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program the amount of risk exposure for each participant. There have been no significant reductions in insurance coverage from the prior year coverage. Settlements have not exceeded insurance coverage during the past three years.

**State Group Health Insurance Plan.** University employees may obtain health care services through participation in the State's 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 the risks of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information

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on the State's group health insurance plan, including the actuarial report, is available from the State of Florida, Department of Management Services, Division of State Group Insurance.

**Other Coverage.** Boiler and machinery coverage, health and hospitalization coverage for student athletic programs, and inland marine coverage and student professional liability insurance are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage in any past three fiscal years.

**17. SEGMENT INFORMATION**

A segment is defined as an identifiable activity (or grouping of activities) for which one or more revenue bonds or other revenue-backed debt instruments are outstanding. A segment has a revenue stream pledged in support of that debt, and has related expenses, gains, losses, assets and liabilities that are required to be accounted for separately. The following segment information represents the University's Division of Housing and Residential Life, and Traffic and Parking Services operations. The Division of Housing and Residential Life provides safe and affordable living space for students. Several revenue bonds have been issued over the years to provide funding for the construction of facilities to house university students. Traffic and Parking Services provide the University with safe and adequate parking facilities that have been constructed from the proceeds of revenue-backed debt instruments.

The condensed financial information for the University's two segments for the 2002-03 fiscal year is shown on the following page:

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	Housing	Traffic and Parking Services
<b>CONDENSED STATEMENT OF NET ASSETS</b>		
Current Assets	\$ 4,117,098	\$ 2,793,178
Current Liabilities	\$ 455,185	\$ 25,937
Unrestricted Net Assets	3,661,913	2,767,241
<b>Total Net Assets and Liabilities</b>	<b>\$ 4,117,098</b>	<b>\$ 2,793,178</b>
<b>CONDENSED STATEMENT OF REVENUES EXPENSES, AND CHANGES IN NET ASSETS</b>		
Housing Rent and Parking Fees	\$ 9,707,477	\$ 2,981,536
Operating Expenses	5,338,891	1,572,203
<b>Operating Income</b>	4,368,586	1,409,333
Nonoperating Revenues (Expenses):		
Interest Income	217,997	
Operating Capital Outlay	(34,820)	(71,386)
<b>Income Before Transfers</b>	4,551,763	1,337,947
Transfers Out	(4,106,607)	(950,176)
<b>Change In Net Assets</b>	445,156	387,771
Beginning Net Assets	3,216,757	2,379,470
<b>Ending Net Assets</b>	<b>\$ 3,661,913</b>	<b>\$ 2,767,241</b>
<b>CONDENSED STATEMENT OF CASH FLOWS</b>		
Net Cash Provided (Used) by:		
Operating Activities	\$ 4,212,984	\$ 1,287,842
Noncapital Financing Activities	(1,232,148)	(902,749)
Capital and Related Financing Activities	(2,909,279)	(54,583)
Investing Activities	(425,225)	
<b>Net Increase (Decrease)</b>	(353,668)	330,510
Cash and Cash Equivalents, Beginning of Year	357,641	2,229,326
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 3,973</b>	<b>\$ 2,559,836</b>

## 18. 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 attorneys and management, should not materially affect the financial condition of the University.