



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



**FLORIDA ATLANTIC UNIVERSITY**  
Financial Audit

For the Fiscal Year Ended June 30, 2005

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

**Board Member**

Sheridan Plymale, Vice Chair to 1-11-05,  
Chair from 1-12-05  
Norman D. Tripp, Vice Chair from 1-12-05  
Dr. George Zoley, Chair to 1-11-05  
Scott Adams  
Nancy Wood Blosser  
Dr. William Bryant  
E. Llwyd Eccleston to 12-8-04 (1)  
David Feder from 2-24-05 (2)  
Armand Grossman from 2-24-05 (3)  
Dr. Rajendra P. Gupta from 2-17-05 (4)  
Dr. Fred Hoffman to 5-10-05 (5)  
Lalita M. Janke from 2-17-05 (1)  
Alvira Kahn to 5-11-05 (6)  
Dr. Roy Levow from 5-11-05 (5)  
Virginia I. Miller  
Rabbi Bruce Warshal to 12-8-04 (2)  
Dan Wilson from 5-12-05 (6)

- Notes: (1) Position was vacant from December 9, 2004, through February 16, 2005.  
(2) Position was vacant from December 9, 2004, through February 23, 2005.  
(3) Position was vacant through February 23, 2005.  
(4) Position was vacant through February 16, 2005.  
(5) Faculty senate chair.  
(6) Student body president.

## FLORIDA ATLANTIC UNIVERSITY

## TABLE OF CONTENTS

	PAGE NO.
EXECUTIVE SUMMARY .....	v
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS .....	1
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	3
Internal Control Over Financial Reporting .....	3
Compliance and Other Matters.....	4
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	5
FINANCIAL SECTION	
Statement of Net Assets.....	14
Statement of Revenues, Expenses, and Changes in Net Assets .....	16
Statement of Cash Flows .....	17
Notes to Financial Statements .....	19



---

---

## EXECUTIVE SUMMARY

---

---

The audit of the financial statements of Florida Atlantic University for the fiscal year ended June 30, 2005, was conducted pursuant to Section 11.45, Florida Statutes, and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The scope of this audit included an examination of the financial statements of the University, a component unit of the State of Florida, and a determination as to whether management has complied with applicable laws, administrative rules, regulations, contracts, and grant agreements and other matters that are material to the financial statements. An examination of Federal awards administered by the University is included in our Statewide audit of Federal awards administered by the State of Florida.

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

- We found that the University's financial statements presented fairly, in all material respects, the financial positions of the University and its aggregate discretely presented component units as of June 30, 2005; the revenues, expenses, and changes in net assets; and the cash flows for the fiscal year then ended.
- We noted no matters involving the University's internal control over financial reporting and its operation that we considered to be material weaknesses.
- The results of our tests disclosed no material instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This audit was made in accordance with applicable *Government Auditing Standards* issued by the Comptroller General of the United States. This audit was coordinated by Ilene R. Gayle, CPA, and supervised by Ida Marie Westbrook, CPA. Please address inquiries regarding this report to Ted J. Sauerbeck, CPA, Audit Manager, via e-mail at [tedsauerbeck@aud.state.fl.us](mailto:tedsauerbeck@aud.state.fl.us) or by telephone at (850) 487-4468.

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





WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



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

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

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Florida Atlantic University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2005, as shown on pages 14 through 38. 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 comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units columns. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for these entities, is based solely upon the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Atlantic University and of its aggregate discretely presented component units as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the financial statements, the University discontinued reporting a share of the reverse repurchase and securities lending agreements entered into by the State Treasury, in connection with the State Treasury's Special Purpose Investment Account investment pool, for the 2004-05 fiscal year pursuant to the State Treasury's interpretation of GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*. This change affects the comparability of amounts reported as assets and liabilities on the statement of net assets for the 2004-05 fiscal year with amounts reported for the 2003-04 fiscal year. The University also changed its method of reporting certain Federal and State student financial aid revenues for the 2004-05 fiscal year in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This change affects the comparability of amounts reported as operating and nonoperating revenues in the statement of revenues, expenses, and changes in net assets for the 2004-05 fiscal year with amounts reported for the 2003-04 fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of Florida Atlantic University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Respectfully submitted,



William O. Monroe, CPA  
March 24, 2006





WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



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

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

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

We have audited the financial statements of Florida Atlantic University, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2005, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our report on the financial statements included disclosures regarding our reference to the reports of other auditors.

### **Internal Control Over Financial Reporting**

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

**Compliance and Other Matters**

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

We noted certain matters that we reported to University management in our operational report No. 2006-044, dated October 2005.

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 black ink that reads "William O. Monroe". The signature is written in a cursive, flowing style.

William O. Monroe, CPA  
March 24, 2006

---

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

The management's discussion and analysis of Florida Atlantic University's financial statements provides an overview of the University's financial activities for the fiscal year ended June 30, 2005. The basic financial statements are comprised of the following:

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

This management's discussion and analysis is designed to focus on current activities, resulting change, and currently known facts. 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 2004-05 and 2003-04 fiscal years are presented in the management's discussion and analysis.

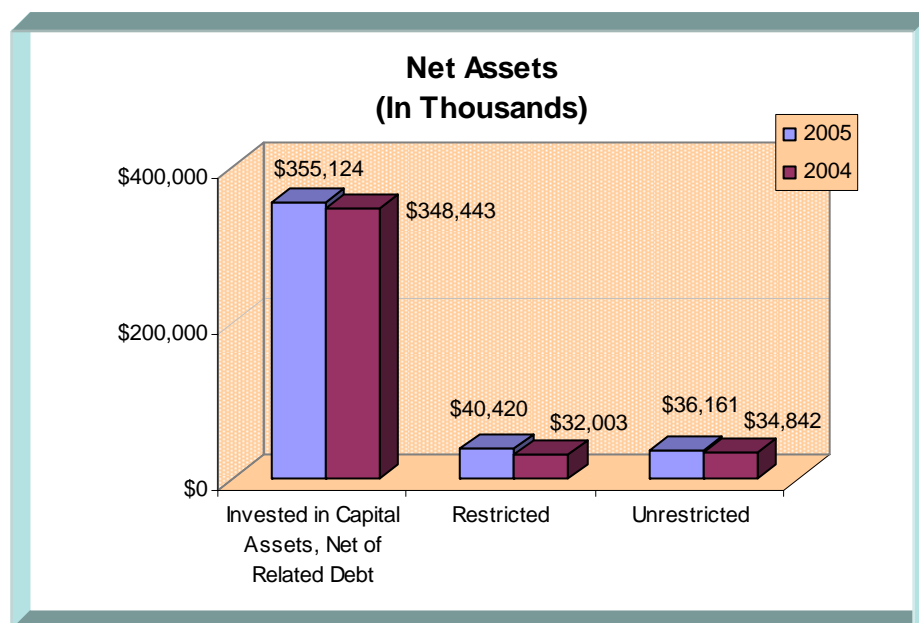
Listed below are entities that are represented in the management's discussion and analysis:

- Florida Atlantic University (Primary Institution) – Reporting financial activities of the University for fiscal year ended June 30, 2005. Most of the programs and services generally associated with the University fall into this category, including instruction, research, public service, and support services.
- Florida Atlantic University Foundation, Inc. (Foundation), and the Florida Atlantic University Research Corp., Inc. (Corporation) (Component Units) – Reported financial activities of the Foundation and Corporation are for the fiscal year ended June 30, 2005. These two not-for-profit corporations receive, hold, invest, and administer property and make expenditures to or for the benefit of the University or its programs as legally separate but discretely presented component units.

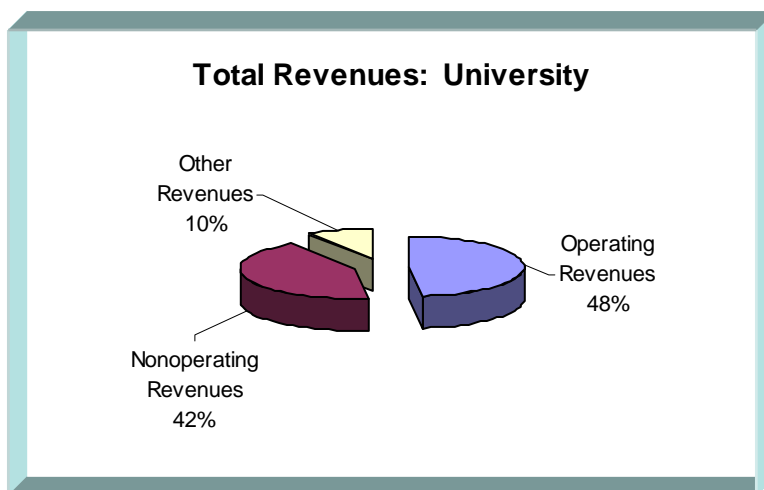
The Governmental Accounting Standards Board (GASB) is the governing entity that issues guidelines under which the University reports financial statements.

**FINANCIAL HIGHLIGHTS**

The University's financial position improved during the fiscal year ended June 30, 2005, with its net assets now totaling \$431.7 million. The University's revenues and other support exceeded expenses by \$16.4 million, resulting in a 4 percent increase in net assets. Increases in State appropriations; nongovernmental grants and contracts; and capital grants, 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, 2005, and June 30, 2004:



The following chart provides a graphical presentation of the University's revenues by category for the 2004-05 fiscal year:



## USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*.

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, 2005). The purpose of the statement of net assets is to present to the readers of the financial statements a fiscal snapshot of 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, investment 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, 2005, and June 30, 2004, are presented in the following table:

**Condensed Statement of Net Assets at June 30**  
**(In Thousands)**

	University		Component Units	
	2005	2004	2005	2004
<b>Assets</b>				
Current Assets	\$ 117,768	\$ 130,345	\$ 14,289	\$ 14,920
Capital Assets, Net	453,328	428,928	8,798	8,764
Other Noncurrent Assets	6,332	15,772	167,728	138,344
<b>Total Assets</b>	<b>577,428</b>	<b>575,045</b>	<b>190,815</b>	<b>162,028</b>
<b>Liabilities</b>				
Current liabilities	33,847	48,002	3,473	2,922
Noncurrent liabilities	111,876	111,755	16,006	17,089
<b>Total Liabilities</b>	<b>145,723</b>	<b>159,757</b>	<b>19,479</b>	<b>20,011</b>
<b>Net Assets</b>				
Invested in Capital Assets,				
Net of Related Debt	355,124	348,443	8,785	5,026
Restricted	40,420	32,003	151,306	126,950
Unrestricted	36,161	34,842	11,245	10,041
<b>Total Net Assets</b>	<b>\$ 431,705</b>	<b>\$ 415,288</b>	<b>\$ 171,336</b>	<b>\$ 142,017</b>
<b>Increase in Net Assets</b>	<b>\$ 16,417</b>	4%	<b>\$ 29,319</b>	20.6%

As discussed in note 2 to the financial statements, the University discontinued reporting a share of the reverse repurchase and securities lending agreements entered into by the State Treasury, in connection with the State Treasury's Special Purpose Investment Account investment pool, for the 2004-05 fiscal year pursuant to the State Treasury's interpretation of GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*. This affects the comparability of amounts reported as assets and liabilities in the statement of net assets for the 2004-05 fiscal year with amounts reported for the 2003-04 fiscal year, and is the primary reason why total current assets and current liabilities decreased from the prior fiscal year.

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.

As discussed in note 2 to the financial statements, the University changed its method of reporting certain Federal and State student financial aid moneys for the 2004-05 fiscal year in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This affects the comparability of amounts reported as operating and nonoperating revenues, on the statement of revenues, expenses, and changes in net assets for the 2004-05 fiscal year with amounts reported for the 2003-04 fiscal year. A condensed statement of revenues, expenses, and changes in net assets for the University and its aggregate component units for the 2004-05 and 2003-04 fiscal years is shown in the following table:

<b>Operating Results for the Fiscal Years (In Thousands)</b>				
	University		Component Units	
	2004-05	2003-04	2004-05	2003-04
<b>Operating Revenues</b>				
Student Tuition and Fees, Net of Scholarship Allowances	\$ 74,705	\$ 68,909	\$	\$
Federal Grants and Contracts	22,350	42,765	1,465	
State and Local Grants and Contracts	4,555	19,648		1,121
Nongovernmental Grants and Contracts	60,927	39,543	564	
Sales and Services of Auxiliary Enterprises	14,192	14,110		
Other Operating Revenues	23,275	9,065	120	
<b>Total Operating Revenues</b>	<u>200,004</u>	<u>194,040</u>	<u>2,149</u>	<u>1,121</u>
Less, Operating Expenses	<u>397,325</u>	<u>336,553</u>	<u>18,943</u>	<u>16,230</u>
<b>Operating Loss</b>	<u>(197,321)</u>	<u>(142,513)</u>	<u>(16,794)</u>	<u>(15,109)</u>
<b>Nonoperating Revenues (Expenses)</b>				
State Appropriations	148,830	119,484		
Other Nonoperating Revenues (Expenses)	25,340	(8,219)	20,491	21,859
<b>Net Nonoperating Revenues</b>	<u>174,170</u>	<u>111,265</u>	<u>20,491</u>	<u>21,859</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<u>(23,151)</u>	<u>(31,248)</u>	<u>3,697</u>	<u>6,750</u>
Capital Appropriations	28,966	41,911		
Capital Grants, Contracts, and Donations	10,700	3,732	25,622	17,513
Fee for Capital Projects	(98)	98		
<b>Increase in Net Assets</b>	<u>16,417</u>	<u>14,493</u>	<u>29,319</u>	<u>24,263</u>
Net Assets, Beginning of Year	<u>415,288</u>	<u>400,795</u>	<u>142,017</u>	<u>117,754</u>
<b>Net Assets, End of Year</b>	<u>\$ 431,705</u>	<u>\$ 415,288</u>	<u>\$ 171,336</u>	<u>\$ 142,017</u>

For the 2004-05 fiscal year, the University's net assets increased by \$16.4 million and the aggregate component units' net assets increased by \$29.3 million. For a more detailed understanding of the University's and its component units' financial activities, the reader should review the statement of revenues, expenses, 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 \$200 million, including \$74.7 million in net student tuition and fees revenues, \$22.4 million in Federal contracts and grants, \$4.6 million in State and local contracts and grants, \$60.9 million in nongovernmental grants and contracts, and \$14.2 million in sales and services of auxiliary enterprises, comprised in a large part from delivery of services by the Open University Continuing Education and Housing and Parking Services.
- Operating expenses were \$397.3 million, including \$209.6 million for personnel services, \$76.6 million for scholarships and waivers, \$17.9 million for depreciation, \$84.1 million for services and supplies, and \$9.1 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 \$174.2 million. This included \$174 million in Federal and State nonexchange support for University operations. State allocations and moneys for operations increased by \$29.3 million when compared to the 2003-04 fiscal year.
- Capital contributions were \$39.7 million, representing Public Education Capital Outlay 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>			
	<b>University</b>		<b>Component Units</b>	
	<u>2004-05</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2003-04</u>
<b>Operating Expenses</b>				
Compensation and Benefits	\$ 209,672	\$ 182,384	\$	\$
Services and Supplies	84,063	71,708	3,676	1,992
Utilities	9,075	8,330		
Scholarships and Fellowships	76,602	57,382		
Depreciation	17,913	16,749	6	5
Other Operating Expenses			15,261	14,233
<b>Total</b>	<u><u>\$ 397,325</u></u>	<u><u>\$ 336,553</u></u>	<u><u>\$ 18,943</u></u>	<u><u>\$ 16,230</u></u>

## THE STATEMENT OF CASH FLOWS

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

The statement of cash flows also helps users assess:

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



- Its potential needs for external financing.

A condensed statement of the University's cash flows for the 2004-05 and 2003-04 fiscal years is shown in the following table:

<b>Condensed Statement of Cash Flows (In Thousands)</b>		
	<u>2004-05</u>	<u>2003-04</u>
Cash Provided (Used) By:		
Operating Activities	\$ (177,545)	\$ (132,404)
Noncapital Financing Activities	174,799	122,845
Capital and Related Financing Activities	5,388	(3,731)
Investing Activities	<u>(2,583)</u>	<u>(173)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	59	(13,463)
Cash and Cash Equivalents, Beginning of Year	<u>520</u>	<u>13,983</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 579</u></u>	<u><u>\$ 520</u></u>

Cash and cash equivalents are fully explained in the notes to financial statements. For a more detailed understanding of University's cash activity, the reader should review the statement of cash flows. This statement is divided into five parts. The first section 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, and shows net 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, 2005, the University and its component units had \$453.3 million and \$8.8 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, 2005, and June 30, 2004:

<b>Net Capital Assets at June 30 (In Thousands)</b>				
	<u>University</u>		<u>Component Units</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<b>Capital Assets</b>				
Land	\$ 9,304	\$ 9,304	\$ 4,933	\$ 4,933
Buildings	415,815	393,938	237	243
Other Structures and Improvements	35,811	34,037		
Furniture, Machinery, and Equipment	76,387	74,391	14	79
Library Resources	57,447	54,944	670	648
Property Under Capital Lease	12,530	12,530		
Other Capital Assets	1,921	1,440	3,100	3,085
Construction in Progress	30,426	17,185		
<b>Total</b>	<u>639,641</u>	<u>597,769</u>	<u>8,954</u>	<u>8,988</u>
Less, Accumulated Depreciation:				
Buildings	87,421	73,134	155	149
Other Structures and Improvements	9,367	8,449		
Furniture, Machinery, and Equipment	41,149	41,794	1	74
Library Resources	44,671	42,181		1
Property Under Capital Lease	2,504	2,086		
Other Capital Assets	1,201	1,196		
<b>Total Accumulated Depreciation</b>	<u>186,313</u>	<u>168,840</u>	<u>156</u>	<u>224</u>
<b>Net Capital Assets</b>	<u>\$453,328</u>	<u>\$428,929</u>	<u>\$8,798</u>	<u>\$8,764</u>
<b>Increase in Net Capital Assets</b>	<u>\$ 24,399</u>	5.7%	<u>\$ 34</u>	0.4%

Details of University's capital asset activity for the fiscal year ended June 30, 2005, such as additions and deletions by category, are shown in the notes to financial statements.

As of June 30, 2005, there are several construction projects in progress on many of the campuses. These projects include a College of Business Expansion, The Christine E. Lynn College of Nursing Building, and the Life Long Learning Complex at Jupiter. Various infrastructure improvements and minor projects are ongoing as well.

## DEBT

At June 30, 2005, the University had approximately \$98.7 million in debt outstanding versus \$101.9 million the previous year, a decrease of 3.1 percent. During the 2004-05 fiscal year, the University did not incur additional debt. Additional information about debt and other obligations of the University and its component units are included in the notes to financial statements.

## ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

The University's overall financial position is strong. Even with a relatively flat funded year, the University was able to generate a modest increase in net assets. The University anticipates that the 2005-06 fiscal year will be much like the 2004-05 fiscal year, and will maintain a close watch over resources to maintain the University's ability to react to issues, both internal and external.

---



---

**FINANCIAL SECTION**


---



---

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS**  
**As of June 30, 2005**

	<u>University</u>	<u>Component Units</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 424,833	\$ 2,818,661
Investments	70,903,475	
Receivables, Net	11,078,180	7,937,657
Loans and Notes Receivable, Net	57,253	
Due from State	35,000,206	
Due from University		600,000
Inventories	3,818	
Other Current Assets	<u>300,181</u>	<u>2,932,387</u>
<b>Total Current Assets</b>	<u>117,767,946</u>	<u>14,288,705</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	154,313	
Investments	3,833,139	
Restricted Investments		156,048,468
Loans and Notes Receivable, Net	1,832,044	
Net Investment in Direct-Financing Type Lease		11,395,000
Other Noncurrent Assets	511,940	284,828
Depreciable Capital Assets, Net	413,565,488	765,686
Nondepreciable Capital Assets	<u>39,762,777</u>	<u>8,032,448</u>
<b>Total Noncurrent Assets</b>	<u>459,659,701</u>	<u>176,526,430</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 577,427,647</u></u>	<u><u>\$ 190,815,135</u></u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 2,174,899	\$ 2,390,432
Construction Contracts Payable	1,802,966	
Salaries and Wages Payable	3,995,581	
Deposits Payable	2,462,496	
Due to Component Unit	600,000	
Deferred Revenue	18,320,573	
Long-Term Liabilities - Current Portion:		
Bonds and Revenue Certificates Payable	3,088,269	
Notes Payable		827,400
Capital Leases Payable	255,000	
Certificates of Participation Payable		255,000
Compensated Absences Payable	<u>1,146,941</u>	
<b>Total Current Liabilities</b>	<u>33,846,725</u>	<u>3,472,832</u>

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**As of June 30, 2005**

	<u>University</u>	<u>Component Units</u>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Bonds and Revenue Certificates Payable	\$ 84,232,784	\$
Notes Payable		4,866,271
Capital Leases Payable	11,140,000	
Certificates of Participation Payable		11,140,000
Compensated Absences Payable	<u>16,503,539</u>	
<b>Total Noncurrent Liabilities</b>	<u>111,876,323</u>	<u>16,006,271</u>
<b>Total Liabilities</b>	<u>145,723,048</u>	<u>19,479,103</u>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	355,124,153	8,785,070
Restricted for Nonexpendable:		
Endowment		151,188,295
Restricted for Expendable:		
Debt Service	(85,801)	
Loans	3,990,211	
Capital Projects	14,691,355	
Other Restricted Net Assets	21,823,904	117,299
Unrestricted	<u>36,160,777</u>	<u>11,245,368</u>
<b>Total Net Assets</b>	<u>431,704,599</u>	<u>171,336,032</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 577,427,647</u></u>	<u><u>\$ 190,815,135</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, 2005**

	<u>University</u>	<u>Component Units</u>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarships		
Allowances of \$28,426,547	\$ 74,705,495	\$
Federal Grants and Contracts	22,350,465	1,464,841
State and Local Grants and Contracts	4,554,662	
Nongovernmental Grants and Contracts	60,927,290	564,655
Sales and Services of Educational Departments	104,118	
Sales and Services of Auxiliary Enterprises	14,087,871	
Interest on Loans Receivable	122,442	
Other Operating Revenues	23,151,276	120,009
<b>Total Operating Revenues</b>	<u>200,003,619</u>	<u>2,149,505</u>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	209,672,512	
Services and Supplies	84,062,950	3,676,385
Utilities	9,074,675	
Scholarships and Fellowships	76,601,588	
Depreciation	17,912,835	5,768
Other Operating Expenses		15,261,043
<b>Total Operating Expenses</b>	<u>397,324,560</u>	<u>18,943,196</u>
<b>Operating Loss</b>	<u>(197,320,941)</u>	<u>(16,793,691)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	148,830,036	
Federal and State Student Financial Aid	25,149,076	
Investment Income	2,259,692	2,774,033
Net Realized and Unrealized Gain on Investments		14,805,316
Other Nonoperating Revenues		2,911,375
Interest on Asset-Related Debt	(1,589,368)	
Other Nonoperating Expenses	(479,461)	
<b>Net Nonoperating Revenues</b>	<u>174,169,975</u>	<u>20,490,724</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	(23,150,966)	3,697,033
Capital Appropriations	28,966,207	
Capital Grants, Contracts, and Donations	10,699,524	25,622,097
Fees for Capital Projects	(98,145)	
<b>Increase in Net Assets</b>	16,416,620	29,319,130
Net Assets, Beginning of Year	<u>415,287,979</u>	<u>142,016,902</u>
<b>Net Assets, End of Year</b>	<u>\$ 431,704,599</u>	<u>\$ 171,336,032</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, 2005**

	<u><b>University</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees	\$ 65,899,042
Grants and Contracts	94,937,943
Sales and Services of Educational Departments	104,117
Sales and Services of Auxiliary Enterprises	13,071,395
Interest on Loans Receivable	122,442
Other Operating Receipts	30,060,083
Payments to Employees	(210,442,158)
Payments to Suppliers for Goods and Services	(95,255,233)
Payments to Students for Scholarships and Fellowships	(76,601,588)
Net Loans Issued to Students	558,830
<b>Net Cash Used by Operating Activities</b>	<u>(177,545,127)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	148,830,036
Federal and State Student Financial Aid	25,149,076
Operating Subsidies and Transfers	(2,409,771)
Net Change in Funds Held for Others	3,229,565
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>174,798,906</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Appropriations	26,459,471
Capital Grants and Contracts	10,747,235
Capital Subsidies and Transfers	16,812,347
Other Receipts for Capital Projects	(204,567)
Purchases of Capital Assets	(43,441,639)
Principal Paid on Capital Debt	(3,403,832)
Interest Paid on Capital Debt	(1,580,692)
<b>Net Cash Provided by Capital and Related Financing Activities</b>	<u>5,388,323</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments, Net	(4,342,798)
Investment Income	1,759,884
<b>Net Cash Used by Investing Activities</b>	<u>(2,582,914)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	59,188
Cash and Cash Equivalents, Beginning of Year	519,958
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 579,146</u></u>

**FLORIDA ATLANTIC UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF CASH FLOWS (Continued)  
For the Fiscal Year Ended June 30, 2005**

	<u><b>University</b></u>
<b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (197,320,941)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	17,912,835
Change in Assets and Liabilities:	
Receivables, Net	(3,449,737)
Contracts and Grants Receivable	7,105,525
Loans and Notes Receivable, Net	558,830
Inventories	(1,183)
Other Assets	(300,181)
Accounts Payable	(1,794,550)
Salaries and Wages Payable	(4,870,420)
Deposits Payable	327
Compensated Absences Payable	4,100,774
Deferred Revenue	535,288
Other Liabilities	<u>(21,694)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (177,545,127)</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, 2005**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** The University is a separate public instrumentality that is part of the State university system of public universities, and is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members and the State's Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The State's Board of Education is responsible for overseeing kindergarten through graduate school education in the State. The State's Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with Florida law, State Board of Education rules, and Board of Governors rules. The Trustees select the University President and the State Board of Education ratifies the candidate selected. The University President serves as the executive officer and the corporate secretary of the Trustees, and is responsible for administering the policies prescribed by the Trustees for the University.

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

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

- The Florida Atlantic University Foundation, Inc. (Foundation), is a separate corporation operating independently from the University, and as such it receives and administers most private support for the University. Any person or organization contributing money, stock, or any other item to be used

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

in support of the general or specific support of the University usually does so through the offices of the Foundation.

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

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

**Basis of Presentation.** The University's accounting policies conform with accounting principles generally accepted in the United States 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). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entity-wide reporting including the following components:

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

**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

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The University's component units use the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The Florida Atlantic University Foundation, Inc., follows FASB standards of accounting and financial reporting prescribed for not-for-profit organizations, whereas the Florida Atlantic University Research Corporation, Inc., follows GASB standards of accounting and financial reporting.

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

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

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of plant assets, and depreciation on capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment income, and capital asset funding. Interest on capital asset-related debt is a nonoperating expense.

The statement of net assets is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University's policy to first apply the restricted resources to such programs followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by 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 allowances. Under this method, the University computes these amounts by allocating the cash

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

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

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

**Capital Assets.** University capital assets consist of land, buildings, infrastructure and other improvements, furniture and equipment, assets under capital lease, library resources, works of art and historical treasures, construction in progress. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$1,000 for tangible personal property and new buildings. For building improvements, the threshold is \$100,000, or less, if the amount expended is at least 25 percent of the cost basis of the building. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings/Improvements – 20 to 50 years
- Infrastructure – 12 to 50 years
- Property Under Capital Leases – 30 years or the term of the lease, whichever is greater.
- Furniture and Equipment:
  - Equipment (Nonoffice) – 10 to 20 years
  - Computer Equipment – 3 to 7 years
  - Moveable Equipment – 3 to 20 years
- Library Resources – 10 years

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

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

**2. REPORTING CHANGES**

In prior fiscal years, the University reported a share of the reverse repurchase and securities lending agreements entered into by the State Treasury, in connection with the State Treasury's Special Purpose Investment Account (SPIA) investment pool, as an investment and corresponding liability, and made note disclosure in accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*. Currently, the State Treasury is of the opinion that since the University owns a share of the SPIA investment pool, and not the underlying securities, the University does not need to make disclosure of the reverse repurchase and securities lending agreements entered into by the State Treasury. Accordingly, the University did not report an asset or liability associated with, or disclose information pertaining to, those agreements in its financial statements for the 2004-05 fiscal year.

In prior fiscal years, moneys received for Federal and State student financial aid relating to the Pell Grant, Supplemental Education Opportunity Grant, Florida Public Student Assistance Grant, and Bright Futures Scholarship programs were reported as operating revenues on the statement of revenues, expenses, and changes in net assets. However, pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, moneys received under these programs represent nonexchange transactions that should be reported as nonoperating revenues. Accordingly, for the 2004-05 fiscal year, the University began reporting moneys received under these programs as nonoperating revenues on the statement of revenues, expenses, and changes in net assets.

**3. INVESTMENTS**

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds awaiting clearing with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. Pursuant to Section 218.415(16),

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

Florida Statutes, the University is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University's Board of Trustees as authorized by law.

The University had investments totaling \$74,736,614 at June 30, 2005, in the State Treasury Special Purpose Investment Account (SPIA) investment pool representing ownership of a share of the pool, not the underlying securities. The University's investments in the pool are reported at fair value. The State Treasury has taken the position that participants in the pool should disclose information related to interest rate risk and credit risk. The SPIA carried a credit rating of AA-f by Standard and Poor's and had an effective duration of 2.22 years at June 30, 2005. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to the financial statements of the State's Comprehensive Annual Financial Report.

**Component Units Investments**

Investments reported for the University's component units at June 30, 2005, are those held by the Florida Atlantic University Foundation, Inc., and are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Bonds and Notes	\$ 36,612,118
Stocks and Other Equity Securities	97,751,228
Diversified Portfolios Which Use Alternative Investment Strategies to Mitigate the Risk of Traditional Asset Classes	<u>21,685,122</u>
<b>Total Component Unit Investments</b>	<b><u><u>\$ 156,048,468</u></u></b>

**4. RECEIVABLES**

**Accounts Receivable.** Accounts receivable represent amounts for student fee deferments, various student services provided by the University, various auxiliary services provided to students and third parties, grant

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

reimbursements due from third parties, and interest from investments. Accounts receivable are reported net of a \$5,382,546 allowance for uncollectible accounts.

**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. Loans and notes are reported net of a \$326,663 allowance for uncollectible loans and notes.

**Allowance for Uncollectible Receivables.** Allowances for uncollectible accounts, loans, and notes receivable are reported based upon management's best estimate as of fiscal year-end considering type, age, collection history, and any other factors considered appropriate.

**5. DUE FROM STATE**

This is primarily the amount of Public Education Capital Outlay allocations due to the University for construction of University facilities.

**6. INVENTORIES**

Inventories consist of merchandise which are available for resale to individuals and other University departments, and are not expensed at the time of purchase. These inventories are reported on the statement of net assets, and are valued at cost using the current price which approximates the first-in first-out method.

**7. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2005, is shown below:

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

Description	Beginning Balance	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:				
Land	\$ 9,303,803	\$	\$	\$ 9,303,803
Construction in Progress	17,184,607	23,605,577	10,364,510	30,425,674
Historical Treasures	36,899		3,599	33,300
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 26,525,309</b>	<b>\$ 23,605,577</b>	<b>\$ 10,368,109</b>	<b>\$ 39,762,777</b>
Depreciable Capital Assets:				
Buildings	\$ 393,938,477	\$ 22,764,899	\$ 888,436	\$ 415,814,940
Infrastructure and Other Improvements	34,037,268	1,773,430		35,810,698
Furniture and Equipment	74,391,076	5,990,308	3,993,720	76,387,664
Property Under Capital Leases and Lease Improvements	12,530,000			12,530,000
Library Resources	54,944,120	2,502,547		57,446,667
Works of Art and Historical Treasures	137,507	173,998		311,505
Other Capital Assets	1,265,967	422,105	111,339	1,576,733
<b>Total Depreciable Capital Assets</b>	<b>571,244,415</b>	<b>33,627,287</b>	<b>4,993,495</b>	<b>599,878,207</b>
Less, Accumulated Depreciation:				
Buildings	73,134,267	14,944,974	657,757	87,421,484
Infrastructure and Other Improvements	8,449,461	917,229		9,366,690
Furniture and Equipment	41,794,317	1,334,377	1,979,930	41,148,764
Property Under Capital Leases and Lease Improvements	2,086,000	417,667		2,503,667
Library Resources	42,181,337	2,489,985		44,671,322
Works of Art and Historical Treasures	2,030	2,308		4,338
Other Capital Assets	1,194,131	5,398	3,075	1,196,454
<b>Total Accumulated Depreciation</b>	<b>168,841,543</b>	<b>20,111,938</b>	<b>2,640,762</b>	<b>186,312,719</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 402,402,872</b>	<b>\$ 13,515,349</b>	<b>\$ 2,352,733</b>	<b>\$ 413,565,488</b>

Depreciation expense reported on the statement of revenues, expenses, and changes in net assets includes net losses on dispositions of capital assets and other minor adjustments totaling \$441,659.

## 8. DEFERRED REVENUE

Deferred revenue includes Public Education Capital Outlay appropriations for which the College had not yet received approval from the Florida Department of Education, as of June 30, 2005, to spend the funds, and amounts received from contracts and grants prior to fiscal year end related to subsequent accounting periods. As of June 30, 2005, the University reported \$18,320,573 as deferred revenues.

## 9. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2005, include bonds and revenue certificates payable, capital leases payable, and compensated absences payable. Long-term liabilities activity for the fiscal year ended June 30, 2005, is shown below:



**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and Revenue Certificates	\$ 90,295,793	\$	\$ 2,974,740	\$ 87,321,053	\$ 3,088,269
Capital Leases Payable	11,640,000		245,000	11,395,000	255,000
Compensated Absences	13,549,706	5,224,658	1,123,884	17,650,480	1,146,941
<b>Total Long-Term Liabilities</b>	<b>\$ 115,485,499</b>	<b>\$ 5,224,658</b>	<b>\$ 4,343,624</b>	<b>\$ 116,366,533</b>	<b>\$ 4,490,210</b>

**Bonds and Revenue Certificates Payable.** Bonds and revenue certificates were issued to construct University facilities, including parking garages, student housing, and academic and student service facilities. Outstanding bonds and revenue certificates, which include both term and serial bonds, are secured by a pledge of housing rental revenues, traffic and parking fees, and an assessed transportation fee based on credit hours. Building and capital improvement fees, collected as part of tuition and remitted to the State Board of Education, are used to retire the revenue certificates of the academic and student service facilities. The State Board of Education and the State Board of Administration administer the principal and interest payments, investment of sinking fund resources, and compliance with reserve requirements.

The University had the following bonds and revenue certificates payable outstanding at June 30, 2005:

Bond Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
<b>Student Housing and Parking:</b>				
1996A	\$ 1,130,000	\$ 50,000	3	2006
1996B	1,070,000	45,000	3	2006
2000	24,400,000	22,680,000	4.4 - 5.4	2030
2001	7,990,000	6,885,000	3.0 - 4.8	2021
2002	8,995,000	8,320,000	2.375 - 4.35	2023
2003	35,285,000	33,765,000	3.0 - 4.875	2033
<b>Subtotal</b>	<b>78,870,000</b>	<b>71,745,000</b>		
<b>Academic and Student Services Facilities:</b>				
1997	652,031	512,342	5.0 - 7.0	2022
1997A	5,601,098	5,065,938	3.85 - 5.0	2016
1998	2,761,595	2,258,302	4.0 - 5.0	2023
2001	5,610,730	5,125,608	4.0 - 5.0	2026
2003A	3,534,098	2,613,863	4.5 - 5.375	2013
<b>Subtotal</b>	<b>18,159,552</b>	<b>15,576,053</b>		
<b>Total</b>	<b>\$ 97,029,552</b>	<b>\$ 87,321,053</b>		

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

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

Annual requirements to amortize all bonded debt outstanding as of June 30, 2005, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 3,088,269	\$ 3,930,912	\$ 7,019,181
2007	3,115,523	3,820,378	6,935,901
2008	3,321,629	3,707,640	7,029,269
2009	3,408,859	3,585,425	6,994,284
2010	3,554,146	3,456,632	7,010,778
2011-2015	19,488,300	14,982,836	34,471,136
2016-2020	20,193,666	10,589,712	30,783,378
2021-2025	15,115,318	6,073,406	21,188,724
2026-2030	12,435,343	2,817,628	15,252,971
2031-2035	3,600,000	356,363	3,956,363
<b>Total</b>	<b>\$ 87,321,053</b>	<b>\$ 53,320,932</b>	<b>\$ 140,641,985</b>

**Notes Payable.** Notes payable at June 30, 2005, for the Florida Atlantic University Foundation, Inc., consists of the following:

<u>Description</u>	<u>Amount</u>
Note Payable to Bank, Due May 2012, Semiannual Installments of \$400,000 Plus Interest at 4.20 Percent	\$ 5,600,000
Note Payable to an Individual, Due December 2008, Quarterly Installments of \$7,772 Including Interest at 4.47 Percent	93,671
<b>Total</b>	<b>\$ 5,693,671</b>

Principal requirements on the notes outstanding as of June 30, 2005, are presented in the following table:

<u>Fiscal Year Ending June 30</u>	<u>Total</u>
2006	\$ 827,417
2007	828,643
2008	829,923
2009	807,688
2010	800,000
2011-2013	1,600,000
<b>Total</b>	<b>\$ 5,693,671</b>

**Capital Lease and Certificate of Participation.** The Florida Atlantic University Foundation, Inc., in 1999 and 2001 issued the 1999 and 2000 Certificates of Participation (the Certificates) for \$6,230,000 and

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

\$6,300,000, respectively. The funds were used to build dormitory buildings on the John D. MacArthur campus in Jupiter, Florida. The stated interest rate on the 1999 certificates range from 3.5 percent to 5 percent, while interest rates on the 2000 certificates range from 4.7 percent to 5.875 percent. At June 30, 2005, certificates of participation 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 as follows:

COP Series	Amount of Issue	Total Retired	Outstanding Principal	Outstanding Interest	Interest Rates (Percent)	Maturity Date
1999	\$ 6,230,000	\$ 725,000	\$ 5,505,000	\$ 3,841,194	3.5 - 5.0	2028
2000	6,300,000	410,000	5,890,000	5,309,763	4.7 - 5.875	2030
<b>Total</b>	<b>\$ 12,530,000</b>	<b>\$ 1,135,000</b>	<b>\$ 11,395,000</b>	<b>\$ 9,150,957</b>		

Fiscal Year Ending June 30	1999 Certificates	2000 Certificates	Total
2006	140,000	115,000	255,000
2007	145,000	120,000	265,000
2008	150,000	125,000	275,000
2009	155,000	135,000	290,000
2010	165,000	140,000	305,000
2011-2015	935,000	825,000	1,760,000
2016-2020	1,185,000	1,090,000	2,275,000
2021-2025	1,525,000	1,435,000	2,960,000
2026-2030	1,105,000	1,905,000	3,010,000
<b>Total</b>	<b>\$ 5,505,000</b>	<b>\$ 5,890,000</b>	<b>\$ 11,395,000</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 is a schedule of future minimum payments remaining under the lease at fiscal year end:

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

Fiscal Year Ending June 30	Principal	Interest	Total
2006	\$ 255,000	\$ 600,361	\$ 855,361
2007	265,000	589,124	854,124
2008	275,000	577,274	852,274
2009	290,000	564,805	854,805
2010	305,000	551,559	856,559
2011-2015	1,760,000	2,511,948	4,271,948
2016-2020	2,275,000	1,988,163	4,263,163
2021-2025	2,960,000	1,314,786	4,274,786
2026-2030	3,010,000	452,937	3,462,937
<b>Total</b>	<b>\$ 11,395,000</b>	<b>\$ 9,150,957</b>	<b>\$ 20,545,957</b>

**Compensated Absences Payable.** Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors Rule 6C-5.920 and 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. The University reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2005, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$17,650,480. The current portion of the compensated absences liability is \$1,146,941 based on actual payouts over the last three years, calculated as a percentage of those years' total compensated absences liability.

#### **10. 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, 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 to enroll as members of the Plan.

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

The Florida Legislature reduced the vesting period of the Plan from 10 to 6 years of service effective July, 1, 2001. Any member employed in a regularly established position as of July 1, 2001, with a total of 6 or more years of creditable service is considered vested. Former members who were 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 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 electing to participate. During DROP participation, deferred monthly benefits are held in the Florida Retirement System Trust Fund, and accrue interest. 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 supplementary information are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on the Plan, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services, Division of Retirement.

The State of Florida establishes contribution rates for Plan members. Contribution rates during the 2004-05 fiscal year are presented below:

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	7.39
Florida Retirement System, Special Risk	0.00	18.53
Florida Retirement System, Senior Management Services	0.00	9.37
Teacher's Retirement System, Plan E	6.25	11.35
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes or Plans	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. Also, employer rates, other than for DROP participants, include .08 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, 2003, June 30, 2004, and June 30, 2005, totaled \$3,279,768, \$3,837,412, and \$3,972,316, 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 (Program) for eligible university instructors and administrators. The Program is designed to aid universities in recruiting employees by offering more portability to employees not expected to remain in the Florida Retirement System for six or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the 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 small amount remains in the Optional Retirement Program Trust Fund for administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by salary deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account.

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

There were 1,488 University participants during the 2004-05 fiscal year. Required contributions made to the Program totaled \$12,404,982, including \$4,315,572 from employee contributions.

**Public Employee Optional Retirement Program.** Pursuant to Section 121.4501, Florida Statutes, the Florida Legislature created a Public Employee Optional Retirement Program (PEORP), also known as the Florida Retirement System (FRS) Investment Program. The PEORP is a defined contribution plan, sponsored by the State of Florida, available as an option to the FRS defined benefit plan, and is self-directed by the employee. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. 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. With each pay period, the University contributes a percentage (same as the FRS rate) of the participating employees' earnings to an annuity plan. Pension benefits are determined by the dollars in the account at the time of retirement.

There were 184 University participants during the 2004-05 fiscal year. Required contributions made to the PEORP totaled \$371,672.

#### **11. POST-EMPLOYMENT BENEFITS**

Pursuant to Section 112.363, Florida Statutes, the Florida Legislature established the Retiree Health Insurance Subsidy (HIS) to assist retirees of all State-administered retirement systems in paying health insurance costs. During the 2004-05 fiscal year, the HIS program was funded by required contributions consisting of 1.11 percent assessed against the payroll for all active employees covered in State-administered retirement systems. This assessment is included in the Florida Retirement System contribution rates presented in note 10.

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 2004-05 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.

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

**12. CONSTRUCTION COMMITMENTS**

The University's major construction commitments at June 30, 2005, are as follows:

	<u>Amount</u>
Total Estimated Cost	\$ 60,290,277
Amount Expended	<u>(30,425,674)</u>
<b>Estimated Amount Committed</b>	<b><u><u>\$ 29,864,603</u></u></b>

**13. OPERATING LEASE COMMITMENTS**

The University leased the facilities at its Dania Beach Campus under operating leases, which expire in 2046. These leased assets and the related commitments are not reported on the University's statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Future minimum lease commitments for noncancelable operating leases with remaining terms in excess of one year as of June 30, 2005, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Land and Building Operating Leases</u>
2006	\$ 57,000
2007	27,000
2008	27,000
2009	27,000
2010	27,000
2011-2015	135,000
2016-2020	135,000
2021-2025	135,000
2026-2030	135,000
2031-2035	135,000
2036-2040	135,000
2041-2045	135,000
2046	<u>27,000</u>
<b>Total</b>	<b><u><u>\$ 1,137,000</u></u></b>

**14. RISK MANAGEMENT PROGRAMS**

Pursuant to Section 1001.72(3), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2004-05 fiscal year, the State retained the first \$2,000,000 of losses for each occurrence with an annual aggregate retention of \$40,000,000 for wind and flood and \$5,000,000 for perils other than



**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

wind and flood. Losses in excess of \$2,000,000 per occurrence were commercially insured up to \$85,000,000 for wind, \$50,000,000 for flood, and \$200,000,000 for perils other than wind and flood; and losses exceeding those amounts were retained by the State. Payments on tort claims are limited to \$100,000 per person and \$200,000 per occurrence as set by Section 768.28, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. 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.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain health care services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

**15. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

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

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 108,141,783
Research	28,377,618
Public Service	9,934,701
Academic Support	30,406,795
Student Services	20,446,425
Institutional Support	17,895,461
Operations of Plant	16,747,824
Scholarships and Fellowships	106,115,569
Auxiliary Enterprises	35,039,507
Depreciation	17,912,835
Loan Operations	6,306,042
<b>Total Operating Expenses</b>	<b><u><u>\$ 397,324,560</u></u></b>

**16. SEGMENT INFORMATION**

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

**Condensed Statement of Net Assets**

	<u>Housing</u>	<u>Traffic and Parking Services</u>
<b>Assets</b>		
Current Assets	\$ 9,663,145	\$ 2,939,203
Capital Assets, Net	<u>64,537,584</u>	<u>17,781,628</u>
<b>Total Assets</b>	<u>74,200,729</u>	<u>20,720,831</u>
<b>Liabilities</b>		
Current Liabilities	124,592	39,857
Noncurrent Liabilities	<u>67,933,500</u>	<u>15,205,000</u>
<b>Total Liabilities</b>	<u>68,058,092</u>	<u>15,244,857</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	(3,395,916)	2,576,628
Unrestricted	<u>9,538,553</u>	<u>2,899,346</u>
<b>Total Net Assets</b>	<u><u>\$ 6,142,637</u></u>	<u><u>\$ 5,475,974</u></u>

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

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

	Housing	Traffic and Parking Services
	<u>                    </u>	<u>                    </u>
Housing Rent and Parking Fees and Fines	\$ 11,067,567	\$ 3,387,482
Depreciation Expenses	(1,462,261)	(368,712)
Other Operating Expenses	<u>(4,959,129)</u>	<u>(2,009,143)</u>
<b>Operating Income</b>	4,646,177	1,009,627
Net Nonoperating Revenues (Expenses)	<u>710,984</u>	<u>(9,480)</u>
<b>Income Before Other Revenues, Expenses, Gains, or Losses</b>	5,357,161	1,000,147
Other Revenues, Expenses, Gains, or Losses	<u>(3,956,023)</u>	<u>(1,022,424)</u>
<b>Increase (Decrease) in Net Assets</b>	1,401,138	(22,277)
Net Assets, Beginning of Year	<u>4,741,499</u>	<u>5,498,251</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 6,142,637</u></u>	<u><u>\$ 5,475,974</u></u>

**Condensed Statement of Cash Flows**

	Housing	Traffic and Parking Services
	<u>                    </u>	<u>                    </u>
Net Cash Provided (Used) by:		
Operating Activities	\$ 6,347,242	\$ 1,433,758
Noncapital Financing Activities	(1,331,913)	(358,999)
Capital and Related Financing Activities	(4,772,011)	(1,327,906)
Investing Activities	<u>(2,303,177)</u>	<u>                    </u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(2,059,859)	(253,147)
Cash and Cash Equivalents, Beginning of Year	<u>3,697,534</u>	<u>3,091,354</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 1,637,675</u></u>	<u><u>\$ 2,838,207</u></u>

**17. COMPONENT UNITS**

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

**FLORIDA ATLANTIC UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2005**

	Direct-Support Organizations		Total
	Florida Atlantic University Foundation, Inc.	Florida Atlantic University Research Corporation, Inc.	
<b>Condensed Statement of Net Assets</b>			
Assets:			
Current Assets	\$ 13,469,806	\$ 818,899	\$ 14,288,705
Capital Assets, Net	8,785,070	13,064	8,798,134
Other Noncurrent Assets	167,726,371	1,925	167,728,296
<b>Total Assets</b>	<b>189,981,247</b>	<b>833,888</b>	<b>190,815,135</b>
Liabilities:			
Current Liabilities	2,776,119	696,713	3,472,832
Noncurrent Liabilities	16,006,271		16,006,271
<b>Total Liabilities</b>	<b>18,782,390</b>	<b>696,713</b>	<b>19,479,103</b>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	8,785,070		8,785,070
Restricted	151,188,295	117,299	151,305,594
Unrestricted	11,225,492	19,876	11,245,368
<b>Total Net Assets</b>	<b>\$ 171,198,857</b>	<b>\$ 137,175</b>	<b>\$ 171,336,032</b>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>			
Operating Revenues	\$	\$ 2,149,505	\$ 2,149,505
Operating Expenses	(16,821,793)	(2,121,403)	(18,943,196)
<b>Operating Income (Loss)</b>	<b>(16,821,793)</b>	<b>28,102</b>	<b>(16,793,691)</b>
Net Nonoperating Revenues (Expenses)	20,468,898	21,826	20,490,724
Other Revenues, Expenses, Gains, and Losses	25,622,097		25,622,097
<b>Increase in Net Assets</b>	<b>29,269,202</b>	<b>49,928</b>	<b>29,319,130</b>
Net Assets, Beginning of Year	141,929,655	87,247	142,016,902
<b>Net Assets, End of Year</b>	<b>\$ 171,198,857</b>	<b>\$ 137,175</b>	<b>\$ 171,336,032</b>