

# FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

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## Financial Audit

For the Fiscal Year Ended  
June 30, 2010



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Members of the Board of Trustees and President who served during the 2009-10 fiscal year are listed below:

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Notes: (1) Board member served beyond the end of her term, January 6, 2010.  
(2) Student body president.  
(3) Faculty senate chair.  
(4) Position vacant from July 1, 2009, to July 30, 2009, and from June 15, 2010, to June 30, 2010.

The Auditor General conducts audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

The audit team leader was Gregory A. Hunt, CPA, and the audit was supervised by Cheryl B. Pueschel, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

Our audit disclosed that the University's basic financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

### Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Audit Objectives and Scope

Our audit objectives were to determine whether Florida Agricultural and Mechanical University and its officers with administrative and stewardship responsibilities for University operations had:

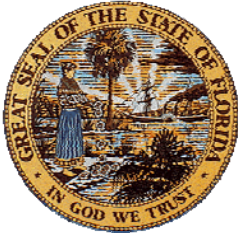
- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2010. We obtained an understanding of the University's environment, including its internal control and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the University is included within the scope of our Statewide audit of Federal awards administered by the State of Florida. The results of our operational audit of the University are included in our report No. 2011-029.

### Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent University records in connection with the application of procedures required by auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.



DAVID W. MARTIN, 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 Florida Agricultural and Mechanical 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, 2010, which collectively comprise the University's basic financial statements as shown on pages 10 through 34. These financial statements are the responsibility of University management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, as described in note 1 to the financial statements, which represent 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 the discretely presented component units, is based on 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 Agricultural and Mechanical University and of its aggregate discretely presented component units as of June 30, 2010, and the respective changes in financial position and cash flows 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 changed its reporting of the liability for Capital Improvement (Housing, Parking, and Student Services) Revenue Bonds from bonds payable to capital improvement

debt payable during the 2009-10 fiscal year. This change affects the comparability of amounts reported for the 2009-10 fiscal year with amounts reported for the 2008-09 fiscal year.

As discussed in note 3 to the financial statements, the University discontinued reporting bonds payable for State University System Capital Improvement Trust Fund Revenue Bonds on the University's statement of net assets during the 2009-10 fiscal year. This change affects the comparability of amounts reported for the 2009-10 fiscal year with amounts reported for the 2008-09 fiscal year.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of Florida Agricultural and Mechanical University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, 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 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.

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 9 and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on pages 35 and 36 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,



David W. Martin, CPA  
February 16, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of Florida Agricultural and Mechanical University (University) for the fiscal year ended June 30, 2010, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

### FINANCIAL HIGHLIGHTS

The University's assets totaled \$628.6 million at June 30, 2010. This balance reflects a \$22.3 million, or 3.7 percent increase from the 2008-09 fiscal year, resulting primarily from an increase in capital assets and other noncurrent assets in the amount of \$30.9 million and a reduction of current assets of \$8.6 million. While assets grew, liabilities decreased by \$20.7 million, or 16.4 percent, totaling \$105.9 million at June 30, 2010, compared to \$126.6 million at June 30, 2009. As a result, the University's net assets increased by \$43 million, reaching a year-end balance of \$522.7 million.

The University's operating revenues totaled \$130.4 million for the 2009-10 fiscal year, representing a 7 percent increase over the 2008-09 fiscal year, resulting primarily from an increase of \$3.3 million in grants and contracts, an increase in sales and services of auxiliary enterprises of \$2.1 million, and an increase in other operating revenue of \$2.3 million. Operating expenses totaled \$282.2 million for the 2009-10 fiscal year, representing an increase of 2.4 percent compared to the 2008-09 fiscal year, resulting primarily from an increase in scholarships, fellowships, and waivers, and an increase in services and supplies, for a net increase of the operating expenses of \$6.5 million.

### OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include the Florida Agricultural and Mechanical University Foundation, Inc.; Florida Agricultural and Mechanical University National Alumni Association, Inc.; and Florida Agricultural and Mechanical University Boosters Club, Inc.

Information regarding these component units, including summaries of their separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the component units.

### THE STATEMENT OF NET ASSETS

The statement of net assets reflects the assets and liabilities of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. The difference between total assets and total liabilities, net assets, is one indicator of the University's current financial condition. The changes in net assets that occur over time indicate improvement or deterioration in the University's financial condition.

The following summarizes the University's assets, liabilities, and net assets at June 30:

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

	2010	2009
<b>Assets</b>		
Current Assets	\$ 143,765	\$ 152,356
Capital Assets, Net	458,116	436,923
Other Noncurrent Assets	26,716	17,042
<b>Total Assets</b>	<u>628,597</u>	<u>606,321</u>
<b>Liabilities</b>		
Current Liabilities	49,181	79,689
Noncurrent Liabilities	56,673	46,903
<b>Total Liabilities</b>	<u>105,854</u>	<u>126,592</u>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	437,616	413,420
Restricted	44,309	36,259
Unrestricted	40,818	30,050
<b>Total Net Assets</b>	<u>\$ 522,743</u>	<u>\$ 479,729</u>

Total assets increased by \$22.3 million, total liabilities decreased by \$20.7 million, and total net assets increased by \$43 million.

The increase in net capital assets is due primarily to the additional construction in progress for the Tucker Hall Renovation, Jones Hall Remodeling, and the Utilities Infrastructure projects. The reduction in current assets is due primarily to a decrease in the amount of construction funds due from the State, offset by an increase in student and grants receivable. The noncurrent assets increased primarily due to capital improvement debt proceeds for the renovation of Sampson and Young Halls in the amount of \$14.7 million, offset by a decrease in the escrow balance of \$2.1 million for an energy savings capital lease contract.

The decrease in the current liabilities is due primarily to a decrease in deferred revenue of \$25.4 million resulting primarily from a decrease in planned construction projects; and a decrease in deposits payable of \$5.6 million resulting primarily from the return of Federal Family Education Loan Program Funds.

The noncurrent liabilities increased by \$10 million. The primary factor was an increase of \$14.7 million in capital improvement debt to finance the renovation of Sampson and Young Halls. This was offset by the removal of \$7.9 million of State University System Capital Improvement Trust Fund Revenue Bonds as discussed in note 3 to the financial statements.

The increase in the invested in capital assets, net of related debt, is due primarily to the addition to construction in progress for Tucker Hall Renovation, Jones Hall Remodeling, and the Utilities Infrastructure projects. The increase in restricted net assets is due primarily to the unexpended capital improvement debt funds received at year end.

**THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

The statement of revenues, expenses, and changes in net assets presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University’s activity for the 2009-10 and 2008-09 fiscal years:

**Condensed Statement of Revenues, Expenses,  
and Changes in Net Assets  
(In Thousands)**

	2009-10	2008-09
Operating Revenues	\$ 130,444	\$ 121,920
Operating Expenses	282,236	275,696
<b>Operating Loss</b>	(151,792)	(153,776)
Net Nonoperating Revenues	149,449	140,238
<b>Loss Before Other Revenues, Expenses, Gains, or Losses</b>	(2,343)	(13,538)
Other Revenues	37,446	21,331
<b>Net Increase In Net Assets</b>	35,103	7,793
Net Assets, Beginning of Year	479,729	471,936
Adjustments to Beginning Net Assets (1)	7,911	
<b>Net Assets, Beginning of Year, as Restated</b>	487,640	471,936
<b>Net Assets, End of Year</b>	\$ 522,743	\$ 479,729

Note: (1) As discussed in note 3 to the financial statements, the University's beginning net assets for the 2009-10 fiscal year was increased for a change in reporting State University System Capital Improvement Revenue Bonds.

**Operating Revenues**

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either give up or receive something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities during the 2009-10 and 2008-09 fiscal years:

**Operating Revenues  
(In Thousands)**

	2009-10	2008-09
Net Tuition and Fees	\$ 46,097	\$ 45,262
Grants and Contracts	55,032	51,743
Sales and Services of Auxiliary Enterprises	21,910	19,825
Other	7,405	5,090
<b>Total Operating Revenues</b>	\$ 130,444	\$ 121,920

The operating revenues increased by 7 percent. This resulted primarily from an increase in grant and contract activity and an increase in sales and services in the student dining hall and athletics.

**Operating Expenses**

Expenses are categorized as operating or nonoperating. The majority of the University’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in

their natural classification on the statement of revenues, expenses, and changes in net assets and has displayed the functional classification in the notes to financial statements.

The following summarizes the operating expenses by natural classifications for the 2009-10 and 2008-09 fiscal years:

<b>Operating Expenses</b> <b>(In Thousands)</b>		
	<u>2009-10</u>	<u>2008-09</u>
Compensation and Employee Benefits	\$ 171,029	\$ 169,236
Services and Supplies	47,762	45,434
Utilities and Communications	15,481	16,291
Scholarships, Fellowships, and Waivers	28,184	24,469
Depreciation	<u>19,780</u>	<u>20,266</u>
<b>Total Operating Expenses</b>	<b><u>\$ 282,236</u></b>	<b><u>\$ 275,696</u></b>

Operating expenses increased by \$6.5 million or 2.4 percent. This was due primarily to an increase in scholarships, fellowships, and waivers (\$3.7 million) related to increases in Federal Pell grant program funding and an increase in services and supplies (\$2.3 million).

### **Nonoperating Revenues and Expenses**

Certain revenue sources that the University relies on to provide funding for operations, including State appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2009-10 and 2008-09 fiscal years:

<b>Nonoperating Revenues (Expenses)</b> <b>(In Thousands)</b>		
	<u>2009-10</u>	<u>2008-09</u>
State Appropriations	\$ 99,934	\$ 114,569
Federal and State Student Financial Aid	41,109	30,692
State Appropriated American Recovery and Reinvestment Act Funds	7,936	
Investment Income	1,691	408
Unrealized Gains on Investments	690	
Other Nonoperating Revenues	159	90
Loss on Disposal of Capital Assets	(3)	(171)
Interest on Capital Asset-Related Debt	(1,201)	(1,458)
Other Nonoperating Expenses	<u>(866)</u>	<u>(3,892)</u>
<b>Net Nonoperating Revenues</b>	<b><u>\$ 149,449</u></b>	<b><u>\$ 140,238</u></b>

The University's net nonoperating revenues increased by \$9.2 million, or 6.6 percent, due primarily to new State appropriated American Recovery and Reinvestment Act (ARRA) funds of \$7.9 million; an increase in Federal and State student financial aid of \$10.4 million mainly in the Federal Pell grant program due to increased enrollment and an increase in Federal Pell grant awards; and an increase in investment income and unrealized gains on investments of \$2 million due to the improvement in the investment market. These increases were partially offset by a reduction in State appropriations of \$14.6 million.

Nonoperating expenses decreased by \$3.5 million due mainly to the initial reporting of the Federal Perkins loan liability of \$2.3 million in the 2008-09 fiscal year and the full and final settlement of \$1.5 million to the Frances Meginnis Booth Trust in 2008-09 fiscal year for certain off-campus leased student housing.

### Other Revenues, Expenses, Gains, or Losses

This category is composed of capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2009-10 and 2008-09 fiscal years:

#### Other Revenues, Expenses, Gains, or Losses (In Thousands)

	<u>2009-10</u>	<u>2008-09</u>
Capital Appropriations	\$ 36,051	\$ 19,625
Capital Grants, Contracts, Donations, and Fees	<u>1,395</u>	<u>1,706</u>
<b>Total</b>	<b><u>\$ 37,446</u></b>	<b><u>\$ 21,331</u></b>

The University's other revenues increased by \$16.1 million, or 75.5 percent, primarily because of the recognition of \$7 million of 2008-09 capital appropriations in the 2009-10 fiscal year along with the 2009-10 capital appropriations from the State.

### THE STATEMENT OF CASH FLOWS

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2009-10 and 2008-09 fiscal years:

#### Condensed Statement of Cash Flows (In Thousands)

	<u>2009-10</u>	<u>2008-09</u>
Cash Provided (Used) by:		
Operating Activities	\$ (135,943)	\$ (125,839)
Noncapital Financing Activities	139,166	141,629
Capital and Related Financing Activities	1,229	(4,979)
Investing Activities	<u>(8,657)</u>	<u>(10,746)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(4,205)	65
Cash and Cash Equivalents, Beginning of Year	<u>8,521</u>	<u>8,456</u>
<b>Cash and Cash Equivalents, End of Year</b>	<b><u>\$ 4,316</u></b>	<b><u>\$ 8,521</u></b>

Major sources of funds came from State appropriations (\$107.1 million), net student tuition and fees (\$47.6 million), grants and contracts (\$50.9 million), Federal and State student financial aid (\$41.1 million), and sales and services of auxiliary enterprises (\$19.6 million). Major uses of funds were for salaries and benefits (\$169.4 million), goods and

services (\$64.3 million), scholarships and fellowships (\$28.2 million), and the purchase or construction of capital assets (\$36.6 million).

### **CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION**

#### **CAPITAL ASSETS**

At June 30, 2010, the University had \$679.1 million in capital assets, less accumulated depreciation of \$221 million, for net capital assets of \$458.1 million. Depreciation charges for the current fiscal year totaled \$19.8 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

<b>Capital Assets, Net at June 30</b>		
<b>(In Thousands)</b>		
	2010	2009
Land	\$ 5,826	\$ 5,826
Buildings	326,977	331,336
Construction in Progress	30,786	5,696
Infrastructure and Other Improvements	54,488	54,062
Furniture and Equipment	23,295	23,178
Library Resources	14,782	16,271
Property Under Capital Lease	842	
Works of Art and Historical Treasures	642	32
Computer Software	452	501
Other Capital Assets	26	21
<b>Capital Assets, Net</b>	<b>\$ 458,116</b>	<b>\$ 436,923</b>

Additional information about the University's capital assets is presented in the notes to financial statements.

#### **CAPITAL EXPENSES AND COMMITMENTS**

The University's major capital commitments at June 30, 2010, are as follows:

<b>Capital Commitments, at June 30</b>	
<b>(In Thousands)</b>	
	Amount
Total Committed	\$51,460
Completed to Date	(30,786)
<b>Balance Committed</b>	<b>\$20,674</b>

Additional information about the University's capital commitments is presented in the notes to financial statements.

#### **DEBT ADMINISTRATION**

As of June 30, 2010, the University had \$35.2 million in outstanding capital improvement debt payable and capital leases payable, representing an increase of \$14.5 million, or 7 percent, from the prior fiscal year. This was due mainly to the issuance of capital improvement debt of \$14.7 million. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

**Long-Term Debt, at June 30  
(In Thousands)**

	2010	2009
Capital Improvement Debt (1)	\$ 31,895	\$ 18,234
Capital Leases	3,278	2,484
<b>Total</b>	<b>\$ 35,173</b>	<b>\$ 20,718</b>

Note: (1) Bonds Payable reported at June 30, 2009, have been restated to reflect an adjustment to beginning net assets to recognize a change in reporting of Bonds Payable for State University System Capital Improvement Trust Fund Revenue Bonds. The University also reclassified the remaining Bonds Payable to Capital Improvement Debt to report as collateralized debt. See notes 2, 3, and 9 to the financial statements.

Additional information about the University’s long-term debt is presented in the notes to the financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The University’s major source of revenue continues to be State appropriations. Therefore, the economic condition of the University is closely tied to the economic condition of the State of Florida.

For the 2009-10 fiscal year, the University continued to experience a reduction in State appropriations in the amount of \$13.3 million and also experienced a reduction in the Educational Enhancement appropriations (Lottery Funds) of \$1.3 million, resulting in a total reduction of \$14.6 million in State support. To offset these reductions, the University received Federal Stimulus funds of \$7.9 million under the ARRA. Improving the economic outlook will require a legislative commitment to ensure proper funding of higher education. The growth in enrollment will play a key role in continuous financial stability for the University.

Currently, University enrollment has shown an upward turn with a high quality student enrollment. Enrollment reached approximately 12,261 students for the Fall 2009. Preliminary headcount for Fall 2010 is 13,284, which is the highest enrollment reported in the history of the University. The future outlook for increases in State support still remains grim due to the economic conditions of the State. To provide quality education, the University must look for other sources of revenues such as student fees, auxiliary operations, research grants and fundraising. Also, the University must continue to minimize operating costs and insure an efficient use of scarce resources.

**REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the Teresa Hardee, CPA, Chief Financial Officer and Vice President for Administrative and Financial Services, Florida Agricultural and Mechanical University, 304 Foote-Hilyer Administration Center, Tallahassee, Florida 32307.

**BASIC FINANCIAL STATEMENTS**

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
STATEMENT OF NET ASSETS  
June 30, 2010**

	University	Component Units
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 2,352,311	\$ 937,424
Investments	53,255,364	
Accounts Receivable, Net	24,773,975	2,192,209
Loans and Notes Receivable, Net	38,958	18,250
Due from State	62,957,108	
Inventories	387,510	4,472
<b>Total Current Assets</b>	<b>143,765,226</b>	<b>3,152,355</b>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	1,963,934	
Restricted Investments	22,844,723	96,153,964
Loans and Notes Receivable, Net	1,906,794	
Depreciable Capital Assets, Net	420,885,015	15,148
Nondepreciable Capital Assets	37,231,207	
Other Noncurrent Assets		4,275
<b>Total Noncurrent Assets</b>	<b>484,831,673</b>	<b>96,173,387</b>
<b>TOTAL ASSETS</b>	<b>\$ 628,596,899</b>	<b>\$ 99,325,742</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 4,379,997	\$ 133,899
Construction Contracts Payable	5,416,325	
Salaries and Wages Payable	5,766,670	
Deposits Payable	4,888,172	
Due to State	144,649	
Deferred Revenue	25,574,191	363,230
Other Current Liabilities		62,028
Long-Term Liabilities - Current Portion:		
Capital Improvement Debt Payable	1,169,000	
Loans and Notes Payable		56,768
Capital Leases Payable	285,978	
Compensated Absences Payable	1,555,916	
<b>Total Current Liabilities</b>	<b>49,180,898</b>	<b>615,925</b>

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**June 30, 2010**

	<b>University</b>	<b>Component Units</b>
<b>LIABILITIES (Continued)</b>		
Noncurrent Liabilities:		
Capital Improvement Debt Payable	\$ 30,725,840	\$
Loans and Notes Payable		345,095
Capital Leases Payable	2,992,318	
Compensated Absences Payable	17,605,615	
Other Postemployment Benefits Payable	3,029,000	
Other Noncurrent Liabilities	2,320,242	
<b>Total Noncurrent Liabilities</b>	56,673,015	345,095
<b>TOTAL LIABILITIES</b>	105,853,913	961,020
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	437,616,386	15,148
Restricted for Nonexpendable:		
Endowment		79,252,075
Restricted for Expendable:		
Debt Service	1,214,756	
Loans	1,754,862	
Capital Projects	40,544,822	
Other	794,013	18,233,580
Unrestricted	40,818,147	863,919
<b>TOTAL NET ASSETS</b>	522,742,986	98,364,722
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 628,596,899</b>	<b>\$ 99,325,742</b>

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA AGRICULTURAL AND MECHANICAL 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, 2010**

	<b>University</b>	<b>Component Units</b>
<b>REVENUES</b>		
Operating Revenues:		
Student Tuition and Fees, Net of Scholarship Allowances of \$32,049,244 (\$1,492,138 Pledged for Parking Capital Improvement Debt)	\$ 46,096,506	\$
Federal Grants and Contracts	46,664,878	
State and Local Grants and Contracts	5,655,016	
Nongovernmental Grants and Contracts	2,712,558	
Sales and Services of Auxiliary Enterprises (\$10,621,911 Pledged for Housing Capital Improvement Debt \$1,135,857 Pledged for Parking Capital Improvement Debt, and \$2,786,215 Pledged for Student Services Capital Improvement Debt)	21,910,397	
Interest on Loans and Notes Receivable	78,957	
Other Operating Revenues	7,325,673	6,318,323
<b>Total Operating Revenues</b>	<b>130,443,985</b>	<b>6,318,323</b>
<b>EXPENSES</b>		
Operating Expenses:		
Compensation and Employee Benefits	171,029,365	1,211,154
Services and Supplies	47,762,098	5,364,052
Utilities and Communications	15,480,657	31,402
Scholarships, Fellowships, and Waivers	28,183,640	2,094,958
Depreciation	19,780,144	3,220
<b>Total Operating Expenses</b>	<b>282,235,904</b>	<b>8,704,786</b>
<b>Operating Loss</b>	<b>(151,791,919)</b>	<b>(2,386,463)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	99,934,358	
Federal and State Student Financial Aid	41,109,354	
State Appropriated American Recovery and Reinvestment Act Funds	7,936,118	
Investment Income	1,691,326	2,584,471
Unrealized Gains on Investments	689,883	7,055,130
Other Nonoperating Revenues	158,445	
Loss on Disposal of Capital Assets	(2,802)	
Interest on Capital Asset-Related Debt	(1,201,217)	
Other Nonoperating Expenses	(866,290)	
<b>Net Nonoperating Revenues</b>	<b>149,449,175</b>	<b>9,639,601</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	<b>(2,342,744)</b>	<b>7,253,138</b>
Capital Appropriations	36,050,635	
Capital Grants, Contracts, Donations, and Fees	1,394,954	
<b>Increase in Net Assets</b>	<b>35,102,845</b>	<b>7,253,138</b>
Net Assets, Beginning of Year	479,728,589	91,111,584
Adjustment to Beginning Net Assets	7,911,552	
<b>Net Assets, Beginning of Year, as Restated</b>	<b>487,640,141</b>	<b>91,111,584</b>
<b>Net Assets, End of Year</b>	<b>\$ 522,742,986</b>	<b>\$ 98,364,722</b>

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2010**

	<b>University</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 47,553,452
Grants and Contracts	50,877,424
Sales and Services of Auxiliary Enterprises	19,633,229
Interest on Loans and Notes Receivable	283,853
Payments to Employees	(169,399,891)
Payments to Suppliers for Goods and Services	(64,264,805)
Payments to Students for Scholarships and Fellowships	(28,183,640)
Net Loans Issued to Students	(126,869)
Other Operating Receipts	7,684,206
	<b>(135,943,041)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	99,150,813
Federal and State Student Financial Aid	41,109,354
State Appropriated American Recovery and Reinvestment Act Funds	7,936,118
Nonoperating Subsidies and Transfers	266,883
Net Change in Funds Held for Others	(9,359,279)
Other Nonoperating Receipts	62,680
	<b>139,166,569</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt and Leases	27,647,000
Capital Appropriations	25,427,229
Purchase or Construction of Capital Assets	(36,586,764)
Principal Paid on Capital Debt and Leases	(13,986,416)
Interest Paid on Capital Debt and Leases	(1,272,140)
	<b>1,228,909</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments, Net	(10,330,527)
Investment Income	1,673,756
	<b>(8,656,771)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(4,204,334)</b>
Cash and Cash Equivalents, Beginning of Year	8,520,579
	<b>8,520,579</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,316,245</b>

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**For the Fiscal Year Ended June 30, 2010**

	<b>University</b>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (151,791,919)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	19,780,144
Change in Assets and Liabilities:	
Receivables, Net	(5,296,932)
Inventories	42,084
Accounts Payable	(1,064,134)
Salaries and Wages Payable	(1,444,670)
Compensated Absences Payable	1,264,144
Deferred Revenues	758,242
Other Postemployment Benefits Payable	1,810,000
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>\$ (135,943,041)</b>

**SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED  
FINANCING AND INVESTING ACTIVITIES**

Unrealized gains on investments were recognized on the statement of revenues, expenses, and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ 689,883
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses and changes in net assets, but are not cash transactions for the statement of cash flows.	\$ (2,802)

The accompanying notes to financial statements are an integral part of this statement.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body of the University are also members. The 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 State law and Board of Governors' Regulations. The Trustees select the University President. 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.

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

**Discretely Presented Component Units.** Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated exclusively to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services. The Statute authorizes these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- The Florida Agricultural and Mechanical University Foundation, Inc., is authorized to win increasing private support to meet the critical needs of the University that are not met by public funds and assist the University in maintaining its "margin of excellence."
- The Florida Agricultural and Mechanical University National Alumni Association, Inc., provides funds to foster scholarships and enhance the image of the University through positive public relations and public service.
- The Florida Agricultural and Mechanical University Booster Club, Inc., provides contributions to the University to stimulate the education, health, and physical welfare of the students.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual report is submitted to the Auditor General and the University Board of Trustees. Additional information on the University's component units, including copies of audit reports, is available by contacting University Public Relations or, for the Booster Club, by contacting the Athletic Director. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

**Basis of Presentation.** The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by the Governmental Accounting Standards Board (GASB). The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide 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
- Other Required Supplementary Information

**Basis of Accounting.** Basis of accounting refers to when revenues, expenses, and related assets and liabilities are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

The University's discretely presented component units use the accrual basis of accounting whereby revenues are earned and expenses are recognized when incurred, and follow FASB standards of accounting and financial reporting for not-for-profit organizations.

The University applies all applicable GASB pronouncements and, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary*

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

*Fund Accounting*, has elected to apply only those FASB pronouncements issued on or before November 30, 1989, not in conflict with GASB standards.

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

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

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

The statement of revenues, expenses, and changes in net assets is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the differences between the stated charge for goods and services provided by the University and the amount that is actually paid by a student or a third party making payment on behalf of the student. The University applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship 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 third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

**Capital Assets.** University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, capital leases, works of art and historical treasures, computer software, and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

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 \$100,000 for buildings and other improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 3 to 20 years
- Library Resources – 10 years
- Works of Art and Historical Treasures – 5 years
- Computer Software – 3 to 7 years

**Noncurrent Liabilities.** Noncurrent liabilities include principal amounts of capital improvement debt payable, capital leases payable, compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities payable that are not scheduled to be paid within the next fiscal year. Capital improvement debt is reported net of unamortized premium or discount and deferred losses on refundings. The University amortizes debt premiums and discounts over the life of the debt 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 costs paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the debt using the straight-line method.

## 2. REPORTING CHANGES

In prior fiscal years, the University reported the liability for Capital Improvement (Housing, Parking, and Student Services) Revenue Bonds issued by the Florida Board of Governors on behalf of the University as bonds payable on the statement of net assets. The Florida Board of Governors loaned the bond proceeds to the University for the stated capital improvement projects. Pursuant to an agreement with the Florida Board of Governors, revenues to be generated from the constructed facilities were pledged by the University to repay the bonds. Pursuant to GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, the liability for the Capital Improvement Revenue Bonds should be reported as collateralized borrowing. Accordingly, for the 2009-10 fiscal year, the University began reporting the outstanding liability for these bonds as capital improvement debt payable. When reclassifying these liabilities from bonds payable to capital improvement debt payable the University eliminated the related deferred charges for unamortized debt issuance costs paid from debt proceeds by netting the outstanding balance with bonds payable. This change affects the comparability of amounts reported as bonds payable, deferred charges, and capital improvement debt payable on the statement of net assets for the 2009-10 fiscal year with amounts reported for the 2008-09 fiscal year.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

**3. PRIOR PERIOD ADJUSTMENTS**

The University's beginning net assets was increased by \$7,911,552 to record a change in reporting bonds payable for State University System Capital Improvement Trust Fund Revenue Bonds. In prior fiscal years the liability for these bonds was reported on the University's statement of net assets. It has subsequently been determined that these bonds are not debt of the University. Although proceeds from the bonds were provided to the University for capital projects, the University is not responsible for the repayment of the bonds. Repayment of the bonds is the responsibility of the Florida Board of Governors to be paid from capital improvement fees collected by all Florida universities and remitted in total to the Florida Department of Education.

**4. INVESTMENTS**

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA), 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. The University's Board of Trustees has not adopted a written investment policy. As such, pursuant to Sections 218.415(17) and 1011.42(5), 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; and Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

**External Investment Pools**

The University reported investments at fair value totaling \$74,887,111 at June 30, 2010, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. The SPIA carried a credit rating of Af by Standard & Poor's and had an effective duration of 1.81 years at June 30, 2010. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

**State Board of Administration Debt Service Accounts**

The University reported investments at fair value totaling \$1,212,976 at June 30, 2010, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of six months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk or credit risk for these accounts.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
**A COMPONENT UNIT OF THE STATE OF FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2010**

Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

**Component Units Investments**

Investments held by the University's component unit, Florida Agricultural and Mechanical University Foundation, Inc., at June 30, 2010, are reported at fair value as follows:

<u>Investment Type</u>	<u>Amount</u>
Money Market Funds	\$ 78,450,227
Bonds	16,953,461
Certificates of Deposits	250,276
Real Estate Contracts	<u>500,000</u>
<b>Total Component Unit Investments</b>	<b><u>\$ 96,153,964</u></b>

**5. RECEIVABLES**

**Accounts Receivable.** Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans. As of June 30, 2010, the University reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 25,080,461
Contracts and Grants	14,788,842
Interest	818,471
Other	<u>580,564</u>
<b>Total Accounts Receivable</b>	41,268,338
Allowance for Doubtful Accounts	<u>(16,494,363)</u>
<b>Total Accounts Receivable, Net</b>	<b><u>\$ 24,773,975</u></b>

**Loans and Notes Receivable.** Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs.

**Allowance for Uncollectible Receivables.** Allowances for uncollectible accounts, and loans and notes receivable, are reported based on management's best estimate as of fiscal year-end considering type, age, collection history, and other factors considered appropriate. Accounts receivable, and loans and notes receivable, are reported net of allowances of \$16,494,363 and \$936,363, respectively, at June 30, 2010.

No allowance has been accrued for contracts and grants receivable. University management considers these to be fully collectible.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

**6. DUE FROM STATE**

This amount primarily consists of the final distribution of the Educational Enhancement funds for the 2009-10 fiscal year, Public Education Capital Outlay, Capital Improvement Fee Trust Fund, or other allocations due from the State to the University for construction of University facilities.

**7. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2010, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>				
Land	\$ 5,826,333	\$	\$	\$ 5,826,333
Works of Art and Historical Treasures		618,888		618,888
Construction in Progress	5,696,138	25,089,848		30,785,986
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 11,522,471</b>	<b>\$ 25,708,736</b>	<b>\$</b>	<b>\$ 37,231,207</b>
<b>Depreciable Capital Assets:</b>				
Buildings	\$ 427,960,475	\$ 3,937,692	\$	\$ 431,898,167
Infrastructure and Other Improvements	64,056,641	1,668,324		65,724,965
Furniture and Equipment	87,964,496	6,980,487	4,462,206	90,482,777
Library Resources	51,516,967	1,679,599	1,174,629	52,021,937
Property Under Capital Leases		841,794		841,794
Works of Art and Historical Treasures	114,952			114,952
Computer Software	949,576	153,815	305,003	798,388
Other Capital Assets	20,900	5,300		26,200
<b>Total Depreciable Capital Assets</b>	<b>632,584,007</b>	<b>15,267,011</b>	<b>5,941,838</b>	<b>641,909,180</b>
<b>Less, Accumulated Depreciation:</b>				
Buildings	96,624,445	8,296,842		104,921,287
Infrastructure and Other Improvements	9,994,364	1,242,267		11,236,631
Furniture and Equipment	64,786,613	6,860,760	4,459,403	67,187,970
Library Resources	35,246,564	3,168,431	1,174,629	37,240,366
Works of Art and Historical Treasures	82,714	8,943		91,657
Computer Software	448,355	202,901	305,002	346,254
<b>Total Accumulated Depreciation</b>	<b>207,183,055</b>	<b>19,780,144</b>	<b>5,939,034</b>	<b>221,024,165</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 425,400,952</b>	<b>\$ (4,513,133)</b>	<b>\$ 2,804</b>	<b>\$ 420,885,015</b>

**8. DEFERRED REVENUE**

Deferred revenue included Public Education Capital Outlay appropriations for which the University had not yet received approval from the Florida Department of Education, as of June 30, 2010, to spend the funds; money drawn in advance of incurring expenses for cost reimbursement contracts and grants; and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2010, the University reported the following amounts as deferred revenue:

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

Description	Amount
Capital Appropriations	\$ 20,200,284
Contracts and Grants	4,108,785
Other	1,265,122
<b>Total Deferred Revenue</b>	<b>\$ 25,574,191</b>

**9. LONG-TERM LIABILITIES**

Long-term liabilities of the University at June 30, 2010, include capital improvement debt payable, capital leases payable, compensated absences payable, other postemployment benefits payable, and other noncurrent liabilities. Other noncurrent liabilities consist of the liability for the Federal Capital Contribution (advance) provided to fund the University’s Federal Perkins Loan program. This amount will ultimately be returned to the Federal government should the University cease making Federal Perkins Loans or has excess cash in the loan program. Long-term liabilities activity for the fiscal year ended June 30, 2010, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Improvement Debt Payable (1)	\$ 18,234,256	\$ 27,647,000	\$ 13,986,416	\$ 31,894,840	\$ 1,169,000
Capital Leases Payable	2,483,611	864,498	69,813	3,278,296	285,978
Compensated Absences Payable	17,897,387	2,479,312	1,215,168	19,161,531	1,555,916
Other Postemployment Benefits Payable	1,219,000	2,693,000	883,000	3,029,000	
Other Noncurrent Liabilities	2,341,394		21,152	2,320,242	
<b>Total Long-Term Liabilities</b>	<b>\$ 42,175,648</b>	<b>\$ 33,683,810</b>	<b>\$ 16,175,549</b>	<b>\$ 59,683,909</b>	<b>\$ 3,010,894</b>

Note: (1) The University recorded an adjustment to beginning net assets to recognize a change in the reporting of Bonds Payable for State University Capital Improvement Trust Fund Revenue Bonds totaling \$7,911,552, which was net of deferred charges of \$4,072. The University also reclassified Capital Improvement Revenue Bonds totaling \$18,234,256 from bonds payable to capital improvement debt payable. See notes 2 and 3.

**Capital Improvement Debt Payable.** The University had the following capital improvement debt payable outstanding at June 30, 2010:

Capital Improvement Debt Type and Series	Amount of Original Debt	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
Student Housing Debt:				
2010A Dormitory	\$ 14,687,000	\$ 14,673,300	5.07	2030
2010B Dormitory Revenue, Refunding	12,960,000	12,764,761	4.6	2025
<b>Total Student Housing Debt</b>	<b>27,647,000</b>	<b>27,438,061</b>		
Parking Garage Debt:				
1997 Parking Garage	2,880,000	1,473,588	5.0 - 5.3	2018
Student Services Center Debt:				
1997 Student Services Center	6,310,000	2,983,191	5.0 - 5.4	2017
<b>Total Capital Improvement Debt</b>	<b>\$ 36,837,000</b>	<b>\$ 31,894,840</b>		

Note: (1) Amount outstanding is net of unamortized discounts and premiums, and deferred losses on refunding issues.

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The University has pledged a portion of future traffic and parking fees, and various student fee assessments to repay \$4,456,779 in capital improvement (parking and student service center) debt issued by the Florida Board of Governors on behalf of the University. Proceeds provided financing to construct a student parking garage and a student service center. The debt is payable solely from traffic and parking fees, and special student fee assessments and are payable through 2018. The University has committed to appropriate each year from the traffic and parking fees, and special student fee assessments, amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$5,537,093, and principal and interest paid for the current year totaled \$756,018. During the 2009-10 fiscal year traffic and parking fees, parking sales and services, and student service center sales and services totaled \$1,492,138, \$1,135,857, and \$2,786,215, respectively.

The University has pledged a portion of future housing rental revenues to repay \$27,647,000 in capital improvement (housing) debt issued by the Florida Board of Governors on behalf of the University. Proceeds provided financing for the refunding of existing capital improvement debt for student housing facilities and to remodel two existing student housing facilities. The debt is payable solely from housing rental income and is payable through 2030. The University has committed to appropriate each year from the housing rental income amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$41,642,148. During the 2009-10 fiscal year housing rental income totaled \$10,621,911.

On June 29, 2010, the Florida Board of Governors issued \$12,960,000 of Dormitory Revenue Refunding Bonds, Series 2010B, through a private placement with the Branch Banking and Trust Company (BB&T). The refunding bonds were used to defease \$12,865,000 of outstanding Student Apartment Facility Revenue Bonds, Series 1992 and 1996. 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 capital improvement debt service requirement by \$1,596,667 over the next 15 years and obtained an economic gain of \$1,064,124. At June 30, 2010, the outstanding balance of the defeased debt was \$12,865,000.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2010, are as follows:

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<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,169,000	\$ 1,577,256	\$ 2,746,256
2012	1,707,000	1,507,085	3,214,085
2013	1,791,000	1,422,557	3,213,557
2014	1,884,000	1,333,308	3,217,308
2015	1,985,000	1,239,314	3,224,314
2016-2020	9,396,000	4,699,728	14,095,728
2021-2025	8,905,000	2,497,067	11,402,067
2026-2030	5,300,000	765,926	6,065,926
<b>Subtotal</b>	32,137,000	15,042,241	47,179,241
Less: Net Discounts and Premiums, and Losses Debt Refundings	(242,160)		(242,160)
<b>Total</b>	<b>\$ 31,894,840</b>	<b>\$ 15,042,241</b>	<b>\$ 46,937,081</b>

**Capital Leases Payable.** The University entered into capital lease agreements in the amount of \$3,325,405, to finance the purchase of two travel buses and an energy savings contract. The stated interest rates are 4 and 4.5 percent. Future minimum payments under the capital lease agreements and the present value of the minimum payments as of June 30, 2010, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2011	\$ 425,681
2012	435,381
2013	435,381
2014	435,381
2015	748,081
2016-2020	1,515,160
<b>Total Minimum Payments</b>	3,995,065
Less, Amount Representing Interest	(716,769)
<b>Present Value of Minimum Payments</b>	<b>\$ 3,278,296</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 regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee’s unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2010, the estimated liability for compensated absences, which includes the University’s share of the Florida Retirement System and FICA contributions, totaled \$19,161,531. The current portion of the compensated absences liability is the amount expected to be paid in the coming fiscal year, and is based on actual payouts over the last three years calculated as a percentage of those years’ total compensated absences liability.

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**Other Postemployment Benefits Payable.** The University follows Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

*Plan Description.* Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program, an agent, multiple-employer, defined-benefit plan (Plan). The University subsidizes the premium rates paid by retirees by allowing them to participate in the Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the Plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible. A stand-alone report is not issued and the Plan information is not included in the report of a public employee retirement system or another entity.

*Funding Policy.* Plan benefits are pursuant to the provisions of Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The University has not advance-funded or established a funding methodology for the annual other postemployment benefit (OPEB) costs or the net OPEB obligation, and the Plan is financed on a pay-as-you-go basis. For the 2009-10 fiscal year, 331 retirees received postemployment healthcare benefits. The University provided required contributions of \$883,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$1,320,000.

*Annual OPEB Cost and Net OPEB Obligation.* The University's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation:

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Description	Amount
Normal Cost (Service Cost for One Year)	\$ 1,355,000
Amortization of Unfunded Actuarial Accrued Liability	1,227,000
Interest on Normal Cost and Amortization	103,000
<b>Annual Required Contribution</b>	2,685,000
Interest on Net OPEB Obligation	49,000
Adjustment to Annual Required Contribution	(41,000)
<b>Annual OPEB Cost (Expense)</b>	2,693,000
Contribution Toward the OPEB Cost	(883,000)
<b>Increase in Net OPEB Obligation</b>	1,810,000
Net OPEB Obligation, Beginning of Year	1,219,000
<b>Net OPEB Obligation, End of Year</b>	\$ 3,029,000

The University’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010, and for the transition and preceding years, were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Beginning Balance, July 1, 2007	\$		\$
2007-08	1,565,000	60.0%	626,000
2008-09	1,471,000	65.9%	1,219,000
2009-10	2,693,000	32.8%	3,029,000

*Funded Status and Funding Progress.* As of July 1, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$36,800,000 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$36,800,000 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$116,164,144 for the 2009-10 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 31.7 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The University's OPEB actuarial valuation as of July 1, 2009, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2010, and the University's 2009-10 fiscal year annual required contribution. This method was selected because it is the same method used for the valuation of the Florida Retirement System. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4 percent per year. Initial healthcare cost trend rates were 10.32 percent and 8.84 percent for the first two years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 10 percent for the first two years for all retirees in the Health Maintenance Organization (HMO) plan. The PPO and HMO healthcare trend rates are both 7 percent in the third year grading identically to 5.10 percent over 70 years. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was 27 years.

**Other Noncurrent Liabilities.** Represents the University's liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan program. This amount will ultimately be returned to the Federal government should the University cease making Federal Perkins Loans or have excess cash in the loan program. Federal capital contributions held by the University totaled \$2,320,242 at June 30, 2010.

## **10. RETIREMENT PROGRAMS**

**Florida Retirement System.** Essentially all regular employees of the University are eligible to enroll as members of the State-administered Florida Retirement System (FRS). Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the Public Employee Optional Retirement Program (PEORP).

Employees in the Plan vest at six years of service. All vested 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; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability and death benefits, and annual cost-of-living adjustments.

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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 an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

The State of Florida establishes contribution rates for participating employers. Contribution rates during the 2009-10 fiscal year were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	0.00	9.85
Florida Retirement System, Senior Management Service	0.00	13.12
Florida Retirement System, Special Risk	0.00	20.92
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	10.91
Florida Retirement System, Reemployed Retiree	(B)	(B)

Notes: (A) Employer rates include 1.11 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .05 percent for administrative costs of the Public Employee Optional Retirement Program.

(B) Contribution rates are dependent upon retirement class or plan in which reemployed.

The University's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the University. The University's contributions, including employee contributions, for the fiscal years ended June 30, 2008, June 30, 2009, and June 30, 2010, totaled \$5,799,377, \$6,089,283, and \$6,262,741 respectively, which were equal to the required contributions for each fiscal year.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the PEORP in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in PEORP vest at one year of service. There were 110 University participants during the 2009-10 fiscal year. Required contributions made to the PEORP totaled \$422,243.

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

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

The Program is a defined-contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement and death benefits through contracts provided by certain insurance carriers. The employing university contributes on behalf of the participant 10.43 percent of the participant’s salary, less a small amount used to cover administrative costs. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the university to the participant’s annuity account.

There were 651 University participants during the 2009-10 fiscal year. Required employer contributions made to the Program totaled \$4,526,360, and employee contributions made to the Program totaled \$2,013,327.

**11. CONSTRUCTION COMMITMENTS**

The University’s construction commitments at June 30, 2010, are as follows:

<u>Project Description</u>	<u>Total Committed</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Tucker Hall Renovation	\$ 20,649,359	\$ 15,332,691	\$ 5,316,668
Jones Hall Remodeling	12,152,540	5,247,051	6,905,489
Recreation Center - Phase II	4,214,293	1,145,179	3,069,114
Gore Education Complex Remodeling	1,823,442	701,029	1,122,413
Utilities and Infrastructure	4,655,702	3,322,871	1,332,831
Pharmacy - Phase II	1,557,152	186,149	1,371,003
Chilled Water	2,126,439	1,913,276	213,163
Maintenance and Renovations	1,736,508	737,113	999,395
Maintenance and Renovations	1,700,791	1,528,302	172,489
Lafayette Vineyards-Viticulture	35,801	23,004	12,797
Sampson and Young Renovation	808,395	649,321	159,074
<b>Total</b>	<b><u>\$ 51,460,422</u></b>	<b><u>\$ 30,785,986</u></b>	<b><u>\$ 20,674,436</u></b>

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**12. OPERATING LEASE COMMITMENTS**

The University leased building space under operating leases, which expire in December 2026. These leased assets and the related commitments are not reported on the University’s statement of net assets. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from the lease agreements are contingent upon future appropriations. Future minimum lease commitments for the noncancelable operating leases are as follows:

Fiscal Year Ending June 30	Amount
2011	\$ 696,260
2012	645,934
2013	638,951
2014	449,986
2015	338,872
2016-2020	1,551,529
2021-2025	1,551,529
2026-2027	465,459
<b>Total Minimum Payments Required</b>	<b>\$ 6,338,520</b>

**13. RISK MANAGEMENT PROGRAMS**

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers’ compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2009-10 fiscal year, for property losses, the State retained the first \$2 million of losses for each occurrence with an annual aggregate retention of \$40 million for named wind and flood losses and no annual aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$40 million for named wind and flood through February 14, 2010, and increased to \$58.75 million starting February 15, 2010. For perils other than named wind and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$200 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers’ compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. 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. Settlements have not exceeded insurance coverage during the past three fiscal years.

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Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare 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.

**14. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES**

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

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 78,256,715
Research	25,116,125
Public Services	2,754,218
Academic Support	38,897,910
Student Services	9,821,907
Institutional Support	32,388,255
Operation and Maintenance of Plant	21,655,309
Scholarships and Fellowships	28,183,640
Depreciation	19,780,144
Auxiliary Enterprises	25,000,653
Loan Operations	381,028
<b>Total Operating Expenses</b>	<b>\$ 282,235,904</b>

**15. SEGMENT INFORMATION**

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments 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, Parking, and Student Services Center facilities represents identifiable activities for which one or more bonds are outstanding:

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**Condensed Statement of Net Assets**

	Student Housing Capital Improvement Debt	Parking Capital Improvement Debt	Student Services Capital Improvement Debt
<b>Assets</b>			
Current Assets	\$ 19,764,108	\$ 1,490,649	\$ 4,511,697
Capital Assets, Net	18,051,248	2,272,236	6,344,676
<b>Total Assets</b>	<u>37,815,356</u>	<u>3,762,885</u>	<u>10,856,373</u>
<b>Liabilities</b>			
Current Liabilities	1,762,529	244,889	412,670
Noncurrent Liabilities	27,311,361	1,393,854	2,689,870
<b>Total Liabilities</b>	<u>29,073,890</u>	<u>1,638,743</u>	<u>3,102,540</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	4,637,166	798,648	3,361,485
Restricted	2,333,477	234,837	130,144
Unrestricted	1,770,823	1,090,657	4,262,204
<b>Total Net Assets</b>	<u>\$ 8,741,466</u>	<u>\$ 2,124,142</u>	<u>\$ 7,753,833</u>

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

	Student Housing Capital Improvement Debt	Parking Capital Improvement Debt	Student Services Capital Improvement Debt
Operating Revenues	\$ 10,621,911	\$ 2,627,994	\$ 2,786,215
Depreciation Expense	(625,759)	(103,944)	(213,000)
Other Operating Expenses	(6,812,695)	(1,960,052)	(1,395,943)
<b>Operating Income</b>	<u>3,183,457</u>	<u>563,998</u>	<u>1,177,272</u>
Nonoperating Revenues (Expenses):			
Nonoperating Revenue	2,337	12,230	77
Interest Expense	(797,094)	(84,392)	(176,625)
Other Nonoperating Expense	(796,721)	(224,439)	(110,756)
<b>Net Nonoperating Expenses</b>	<u>(1,591,478)</u>	<u>(296,601)</u>	<u>(287,304)</u>
<b>Increase in Net Assets</b>	1,591,979	267,397	889,968
Net Assets, Beginning of Year	7,149,487	1,856,745	6,863,865
<b>Net Assets, End of Year</b>	<u>\$ 8,741,466</u>	<u>\$ 2,124,142</u>	<u>\$ 7,753,833</u>

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**Condensed Statement of Cash Flows**

	Student Housing Capital Improvement Debt	Parking Capital Improvement Debt	Student Services Capital Improvement Debt
Net Cash Provided (Used) by:			
Operating Activities	\$ 3,991,091	\$ 700,065	\$ 1,376,494
Noncapital Financing Activities	(796,721)	(224,276)	(127,445)
Capital and Related Financing Activities	12,539,945	(247,248)	(633,144)
Investing Activities	(15,669,642)	33	90
<b>Net Increase in Cash and Cash Equivalents</b>	<b>64,673</b>	<b>228,574</b>	<b>615,995</b>
Cash and Cash Equivalents, Beginning of Year	272,096	991,578	3,895,642
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 336,769</b>	<b>\$ 1,220,152</b>	<b>\$ 4,511,637</b>

## 16. COMPONENT UNITS

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

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY  
A COMPONENT UNIT OF THE STATE OF FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2010**

	Direct-Support Organizations			Total
	Florida Agricultural and Mechanical University Foundation, Inc.	Florida Agricultural and Mechanical University National Alumni Association, Inc.	Florida Agricultural and Mechanical University Booster Club, Inc.	
<b>Condensed Statement of Net Assets</b>				
Assets:				
Current Assets	\$ 2,789,256	\$ 7,918	\$ 355,181	\$ 3,152,355
Capital Assets, Net	5,199		9,949	15,148
Other Noncurrent Assets	94,790,758	1,363,206	4,275	96,158,239
<b>Total Assets</b>	<b>97,585,213</b>	<b>1,371,124</b>	<b>369,405</b>	<b>99,325,742</b>
Liabilities:				
Current Liabilities	143,933	46,090	425,902	615,925
Noncurrent Liabilities			345,095	345,095
<b>Total Liabilities</b>	<b>143,933</b>	<b>46,090</b>	<b>770,997</b>	<b>961,020</b>
Net Assets:				
Invested in Capital Assets	5,199		9,949	15,148
Restricted	96,297,295	1,188,360		97,485,655
Unrestricted	1,138,786	136,674	(411,541)	863,919
<b>Total Net Assets</b>	<b>\$ 97,441,280</b>	<b>\$ 1,325,034</b>	<b>\$ (401,592)</b>	<b>\$ 98,364,722</b>
<b>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</b>				
Operating Revenues	\$ 5,456,225	\$ 402,629	\$ 459,469	\$ 6,318,323
Operating Expenses	(7,423,439)	(444,669)	(836,678)	(8,704,786)
<b>Operating Loss</b>	<b>(1,967,214)</b>	<b>(42,040)</b>	<b>(377,209)</b>	<b>(2,386,463)</b>
Net Nonoperating Revenues	9,588,984	47,077	3,540	9,639,601
<b>Increase (Decrease) in Net Assets</b>	<b>7,621,770</b>	<b>5,037</b>	<b>(373,669)</b>	<b>7,253,138</b>
Net Assets, Beginning of Year	89,819,510	1,319,997	(27,923)	91,111,584
<b>Net Assets, End of Year</b>	<b>\$ 97,441,280</b>	<b>\$ 1,325,034</b>	<b>\$ (401,592)</b>	<b>\$ 98,364,722</b>

**17. JOINTLY GOVERNED ORGANIZATION**

The University’s Board of Trustees and the Board of Trustees of Bethune-Cookman University created the Florida Classic Consortium Corporation (FCCC). The FCCC Board is composed of six members each from the University and Bethune-Cookman University. The primary purpose of FCCC is to organize, sponsor, manage, produce, promote, and participate in the athletic contest specifically known as the Florida Classic (a football contest between the University and Bethune-Cookman University); to solicit, raise, and otherwise receive funds from sponsors and the general public; and to use, contribute, disburse, and dispose of such funds for the above purpose and the athletic programs of the University and Bethune-Cookman University. According to a report issued by an independent certified public accounting firm, the University received distributions of \$333,088 and retained ticket sales of \$632,290, for a total distribution of \$965,378 of the proceeds from the Florida Classic football game held on November 21, 2009.

**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS –  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (1) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2007	\$	\$ 25,388,000	\$ 25,388,000	0%	\$ 111,976,892	22.7%
7/1/2009	\$	\$ 36,800,000	\$ 36,800,000	0%	\$ 116,164,144	31.7%

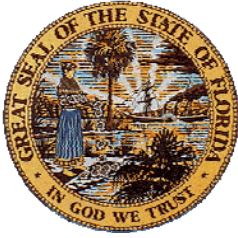
Note: (1) Entry-age cost actuarial method was used to estimate the actuarial accrued liability.

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**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY  
OTHER REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**1. SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**

The July 1, 2009, unfunded actuarial liability of \$36,800,000 was significantly higher than the July 1, 2007, liability of \$25,388,000 as a result of changes in the methodology used by the actuary to calculate this liability. The most significant of these modifications were due to changes in the long-term trend model, an increase in the coverage election assumption, changes in the rates of decrement and mortality and the amortization factor.



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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 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 Agricultural and Mechanical 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, 2010, which collectively comprise the University's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. Our report on the financial statements was modified to include a reference to 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. Other auditors audited the financial statements of the aggregate discretely presented component units as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

We noted certain matters that we reported to University management in our operational report No. 2011-029.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA  
February 16, 2011