REPORT NO. 2015-063
DECEMBER 2014

FLORIDA POLYTECHNIC UNIVERSITY

Financial Audit

For the Fiscal Year Ended
June 30, 2014

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD OF TRUSTEES, PRESIDENT, AND CHIEF OPERATING OFFICER

Members of the Board of Trustees, President, and Chief Operating Officer who served during the 2013-14 fiscal year are listed below:

Robert "Rob"H. Gidel, Chair
R. Mark Bostick, Vice Chair
William "Bill" M. Brown
Joseph L. Caruncho to 9-12-13 (1)
Dr. Sandra Featherman
Dr. Richard "Dick" Hallion
Scott J. Hammack
Kevin M. Hyman to 4-02-14 (2)
Dr. Robert I. MacCuspie from 10-24-13 (3)
Frank T. Martin
Thomas "Tom" D. O'Malley from 5-12-14 (1)
Robert W. Stork
Donald H. Wilson
Vacancy (4)

Dr. Randy K. Avent from 6-19-14, President (5)
Ava L. Parker, Chief Operating Officer (6)

Notes: (1) Board member resigned and position remained vacant through May 11, 2014.
(2) Board member resigned and position remained vacant through June 30, 2014.
(3) Faculty Senate Chair, position was vacant from July 1, 2013, through October 23, 2013.
(4) Student body president position remained vacant through June 30, 2014.
(5) President position was vacant from July 1, 2013, through June 18, 2014.
(6) Served as the Executive Officer until June 18, 2014.

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 Denita K. Tyre, CPA, and the audit was supervised by Philip B. Ciano, CPA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at jimstultz@aud.state.fl.us or by telephone at (850) 412-2869.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

FLORIDA POLYTECHNIC UNIVERSITY
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EXECUTIVE SUMMARY

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 Polytechnic 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, 2014. 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.

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.

AUDITOR GENERAL
STATE OF FLORIDA

DAVID W. MARTIN, CPA
AUDITOR GENERAL

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FAX: 850-488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Polytechnic University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, as described in note 1 to the financial statements, which represents 100 percent of the transactions and account balances of the discretely presented component unit columns. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based on the report 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Florida Polytechnic University and of its discretely presented component unit as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS** and **SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN**, as listed in the table of contents, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report on our consideration of Florida Polytechnic 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* in considering Florida Polytechnic University's internal control over financial reporting and compliance.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
December 10, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2014, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2014, and June 30, 2013.

FINANCIAL HIGHLIGHTS

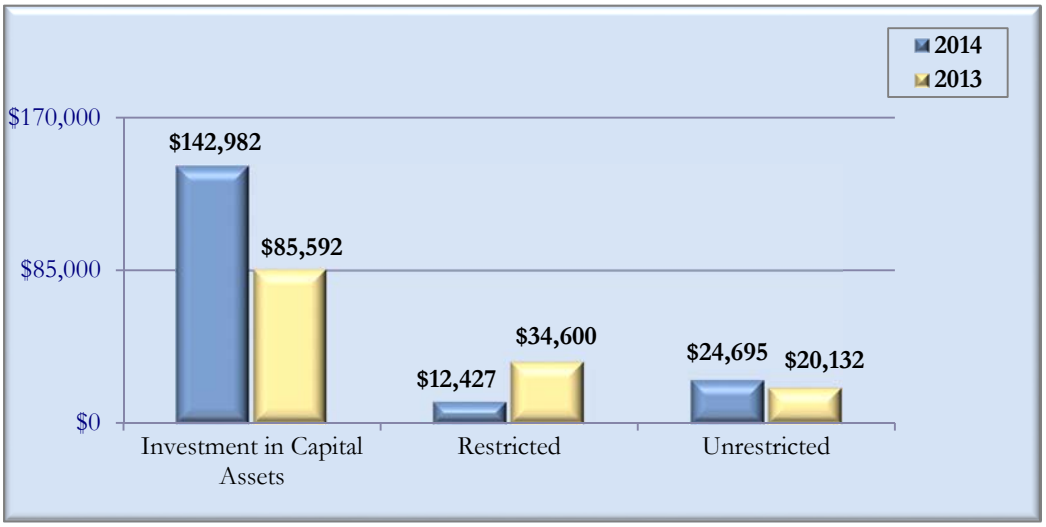
The University's assets totaled $196.2 million at June 30, 2014. This balance reflects a $41.2 million, or 26.6 percent, increase as compared to the 2012-13 fiscal year, resulting primarily from the continued build-out of the campus, mainly the Innovation, Science, and Technology (IST) Building; Campus Control Center; Admissions Center; Wellness Center; and Campuswide Site and Infrastructure Improvements. Liabilities increased by $1.4 million, or 9.9 percent, totaling $16.1 million at June 30, 2014, as compared to $14.7 million at June 30, 2013. As a result, the University's net position increased by $39.8 million to $180.1 million at June 30, 2014.

The University's operating revenues totaled $0.3 million for the 2013-14 fiscal year, representing a 100 percent increase over the 2012-13 fiscal year due to revenues from the sales and services provided by the Florida Industrial and Phosphate Research Institute. Operating expenses totaled $16 million for the 2013-14 fiscal year, representing an increase of 464.6 percent over the 2012-13 fiscal year due mainly to an increase in staffing levels to continue developing the University's academic programs, procure and implement information technology systems, develop marketing and communication plans, and recruit students in preparation for the University's first academic class in the fall of 2014.

Noncapital grants, contracts and gifts totaled $8.8 million, representing receipt of cash in connection with the transfer of the Florida Industrial and Phosphate Research Institute from the University of South Florida (USF).

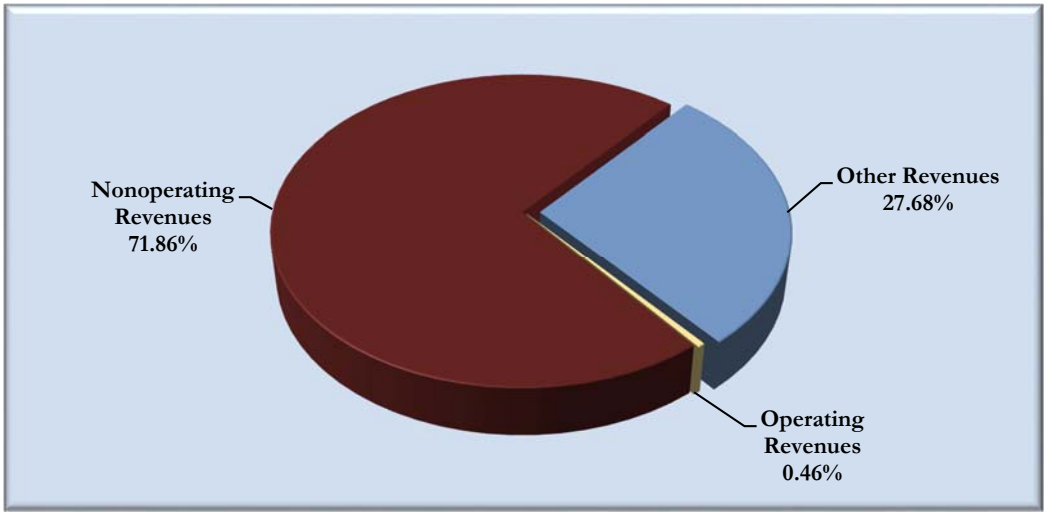
Net position represents the residual interest in the University's assets after deducting liabilities. The University's comparative total net position by category for the fiscal years ended June 30, 2014, and June 30, 2013, is shown in the following graph:

Net Position
(In Thousands)



The following chart provides a graphical presentation of University revenues by category for the 2013-14 fiscal year:

Total Revenues



OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB Statement No. 35, the University's financial report includes three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component unit. Based upon the application of the criteria for determining component units, the Florida Polytechnic University Foundation, Inc., is included within the University reporting entity as a discretely presented component unit.

Information regarding the component unit's separately issued financial statements is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component unit. MD&A information for Florida Polytechnic University Foundation, Inc., is included in its separately issued audit report.

THE STATEMENT OF NET POSITION

The statement of net position 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. Assets less liabilities equal net position, which is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.

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

Condensed Statement of Net Position at June 30
(In Thousands)

	2014	2013
Assets		
Current Assets	$ 34,038	$ 32,761
Capital Assets, Net	142,982	85,592
Other Noncurrent Assets	19,225	36,664
Total Assets	196,245	155,017
Liabilities		
Current Liabilities	15,250	14,591
Noncurrent Liabilities	891	102
Total Liabilities	16,141	14,693
Net Position		
Investment in Capital Assets	142,982	85,592
Restricted	12,427	34,600
Unrestricted	24,695	20,132
Total Net Position	$ 180,104	$ 140,324

The University continued to build-out the campus during the year. The $57.4 million increase in net capital assets is due mainly to the construction in progress for the IST Building, Campuswide Site and Infrastructure Improvements, Wellness Center, and Campus Control Center, and substantial completion of the Admissions Center. Other noncurrent assets decreased $17.4 million due to the use of $12.1 million in restricted investments for build-out of the campus and the transfer of $5.3 million restricted cash to the Foundation that had been held on behalf of the Foundation.

THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of revenues, expenses, and changes in net position 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 2013-14 and 2012-13 fiscal years:

Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years
(In Thousands)

	2013-14	2012-13
Operating Revenues	$ 259	$
Less, Operating Expenses	16,029	2,839
Operating Loss	(15,770)	(2,839)
Net Nonoperating Revenues	40,100	24,085
Income Before Other Revenues, Expenses, Gains, or Losses	24,330	21,246
Other Revenues, Expenses, Gains, or Losses	15,450	119,078
Net Increase In Net Position	39,780	140,324
Net Position, Beginning of Year	140,324	
Net Position, End of Year	$ 180,104	$ 140,324

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.

University operating revenues consisted of $259 from the sales and services provided by operations of the Florida Industrial and Phosphate Research Institute. The University had no operating revenues for the 2012-13 fiscal year.

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 position and has displayed the functional classification in the notes to financial statements.

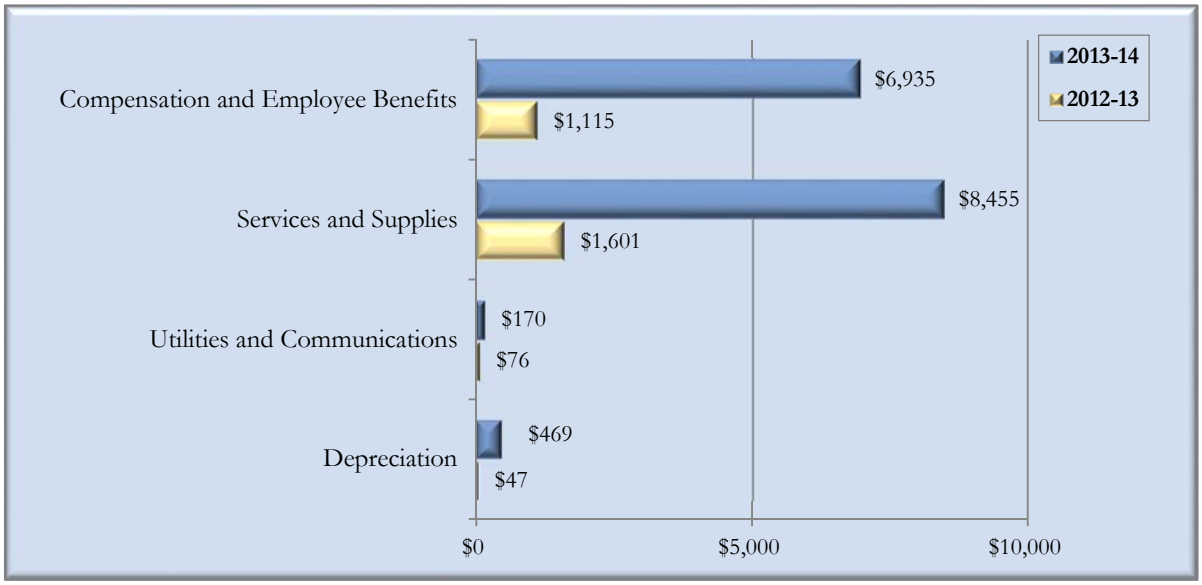
The following summarizes the operating expenses by natural classifications for the 2013-14 and 2012-13 fiscal years:

Operating Expenses
For the Fiscal Years
(In Thousands)

	2013-14	2012-13
Compensation and Employee Benefits	$ 6,935	$ 1,115
Services and Supplies	8,455	1,601
Utilities and Communications	170	76
Depreciation	469	47
Total Operating Expenses	$ 16,029	$ 2,839

The following chart presents the University's operating expenses for the 2013-14 and 2012-13 fiscal years:

Operating Expenses
(In Thousands)



Total operating expenses increased by $13.2 million, resulting primarily from a $5.8 million increase in compensation and employee benefits and a $6.9 million increase in services and supplies as the University increased staffing levels to continue developing the University's academic programs, procure and implement information technology systems, and develop marketing and communication plans in preparation for the University's first academic class in the fall of 2014.

Nonoperating Revenues and Expenses

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, certain grants and gifts, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include costs related to capital assets.

The following summarizes the University's nonoperating revenues and expenses for the 2013-14 and 2012-13 fiscal years:

Nonoperating Revenues (Expenses)
(In Thousands)

	2013-14	2012-13
State Noncapital Appropriations	$ 29,887	$ 22,462
Noncapital Grants, Contracts, and Gifts	8,832	
Investment Income	994	601
Loss on Disposal of Capital Assets	(8)	
Other Nonoperating Revenues	395	1,022
Net Nonoperating Revenues	$ 40,100	$ 24,085

Total net nonoperating revenues increased by $16 million due mainly to an increase of $7.4 million in State noncapital appropriations and $8.8 million reported as noncapital grants, contracts and gifts, associated with the one-time

transfer of the Florida Industrial and Phosphate Research Institute from USF to Florida Polytechnic University. Additional details can be found in the notes to financial statements.

Other Revenues, Expenses, Gains, or Losses

This category is composed of State capital appropriations and capital grants, contracts, donations, and fees. The following summarizes the University's other revenues, expenses, gains, or losses for the 2013-14 and 2012-13 fiscal years:

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

	2013-14	2012-13
State Capital Appropriations	$	$ 37,626
Capital Grants, Contracts, Donations, and Fees	15,450	81,452
Total	$ 15,450	$ 119,078

Total other revenues, expenses, gains, or losses of $119 million in the 2012-13 fiscal year included a transfer of assets from USF to Florida Polytechnic University. The $15.5 million capital grants, contracts, donations, and fees during the 2013-14 fiscal year consists of transfers of the remaining capital assets from USF at estimated fair value of $6.1 million, $4.9 million reimbursement from Polk County for money the University spent on roads on campus, and a one-time transfer of $4.5 million from the Florida Polytechnic University Foundation, Inc., to the Florida Polytechnic University for construction of the Wellness Center.

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. 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. 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 2013-14 and 2012-13 fiscal years:

Condensed Statement of Cash Flows
(In Thousands)

	2013-14	2012-13
Cash Provided (Used) by:		
Operating Activities	$ (12,791)	$ (2,545)
Noncapital Financing Activities	39,945	29,210
Capital and Related Financing Activities	(32,369)	30,218
Investing Activities	(170)	(51,359)
Net Increase (Decrease) in Cash	(5,385)	5,524
Cash, Beginning of Year	5,524	
Cash, End of Year	$ 139	$ 5,524

Major sources of funds include State noncapital appropriations of $29.9 million, State capital appropriations of $11.9 million, other nonoperating receipts of $9.8 million, and capital grants, contracts, donations, and fees of $9.3 million. The other nonoperating receipts were mainly due to the transfer of the Florida Industrial and Phosphate Research Institute cash balances from USF to Florida Polytechnic University in November 2013. Major uses of funds were for the construction of capital assets of $53.6 million, services and supplies totaling $7.2 million, and payments made to and on behalf of employees totaling $6 million.

CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS, AND DEBT ADMINISTRATION

CAPITAL ASSETS

At June 30, 2014, the University had $143.5 million in capital assets, less accumulated depreciation of $513 thousand, for net capital assets of $143 million. Depreciation charges for the current fiscal year totaled $469 thousand. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

Capital Assets, Net at June 30
(In Thousands)

	2014	2013
Land	$ 17,910	$ 17,910
Construction in Progress	112,966	67,012
Buildings	3,837	
Infrastructure and Other Improvements	3,598	23
Furniture and Equipment	1,384	647
Library Resources	44	
Works of Art and Historical Treasures	13	
Other Capital Assets	3,230	
Capital Assets, Net	$ 142,982	$ 85,592

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

CAPITAL EXPENSES AND COMMITMENTS

Major capital expenses for the fiscal year ending June 30, 2014, were incurred on the following projects: IST Building ($24.4 million), Campuswide Site and Infrastructure Improvements ($19.5 million), Campus Control Center ($2.5 million), Wellness Center ($2.3 million), Admissions Center ($1.4 million), and Residence Hall Utility Infrastructure ($900 thousand). The University's construction commitments at June 30, 2014, are as follows:

	Amount (In Thousands)
Total Committed	$123,464
Completed to Date	(112,966)
Balance Committed	$ 10,498

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

DEBT ADMINISTRATION

As of June 30, 2014, the University had no outstanding debt.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The University's economic condition is closely tied to that of the State of Florida. The budget that the Florida Legislature adopted for the 2014-15 fiscal year provided a 6 percent increase for State universities resulting in a $2 million increase in State funding for Florida Polytechnic University. The University's Board of Trustees approved a tuition and fee schedule which will provide additional sources of revenue for the University as it opened its doors to its first class of students on August 25, 2014. In addition, the University expects to receive additional revenue from its auxiliary operations (dining services, parking, bookstore and card services) and contract and grant revenue in the near future.

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 Bertha Alexander, Assistant Vice President, Finance, Florida Polytechnic University, 4700 Research Way, Lakeland FL, 33805-8531.

BASIC FINANCIAL STATEMENTS

FLORIDA POLYTECHNIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF NET POSITION
June 30, 2014
(In Thousands)

	University	Component Unit
ASSETS		
Current Assets:		
Cash	$ 139	$ 602
Investments	33,827	
Interest Receivable	72	690
Due from University		5,826
Total Current Assets	34,038	7,118
Noncurrent Assets:		
Restricted Investments	19,225	
Depreciable Capital Assets, Net	12,106	
Nondepreciable Capital Assets	130,876	
Total Noncurrent Assets	162,207	
Total Assets	196,245	7,118
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,527	86
Construction Contracts Payable	6,828	
Salaries and Wages Payable	134	
Deposits Held in Custody	147	
Due to Component Unit	5,826	
Other Current Liabilities	584	4,553
Unearned Revenue	109	
Long-Term Liabilities - Current Portion:		
Compensated Absences Payable	95	
Total Current Liabilities	15,250	4,639
Noncurrent Liabilities:		
Compensated Absences Payable	858	
Other Postemployment Benefits Payable	33	
Total Noncurrent Liabilities	891	
Total Liabilities	16,141	4,639
NET POSITION		
Investment in Capital Assets	142,982	
Restricted for Nonexpendable:		
Endowment		65
Restricted for Expendable:		
Capital Projects	12,427	528
Other		845
Unrestricted	24,695	1,041
TOTAL NET POSITION	$ 180,104	$ 2,479

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

FLORIDA POLYTECHNIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2014
(In Thousands)

	University	Component Unit
REVENUES		
Operating Revenues:		
Sales and Services of Educational Departments	$ 259	$
Gifts and Donations		6,919
Other Operating Revenues		45
Total Operating Revenues	259	6,964
EXPENSES		
Operating Expenses:		
Compensation and Employee Benefits	6,935	
Services and Supplies	8,455	86
Utilities and Communications	170	
Depreciation	469	
Other Operating Expenses		4,472
Total Operating Expenses	16,029	4,558
Operating Income (Loss)	(15,770)	2,406
NONOPERATING REVENUES (EXPENSES)		
State Noncapital Appropriations	29,887	
Noncapital Grants, Contracts, and Gifts	8,832	
Investment Income	994	8
Loss on Disposal of Capital Assets	(8)	
Other Nonoperating Revenues	395	
Net Nonoperating Revenues	40,100	8
Income Before Other Revenues, Expenses, Gains, or Losses	24,330	2,414
Capital Grants, Contracts, Donations, and Fees	15,450	
Additions to Permanent Endowments		65
Increase in Net Position	39,780	2,479
Net Position, Beginning of Year	140,324	
Net Position, End of Year	$ 180,104	$ 2,479

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

FLORIDA POLYTECHNIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2014
(In Thousands)

	University
CASH FLOWS FROM OPERATING ACTIVITIES	
Sales and Services of Educational Departments	$ 259
Payments to Employees	(5,960)
Payments to Suppliers for Goods and Services	(7,199)
Other Operating Receipts	109
Net Cash Used by Operating Activities	(12,791)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Noncapital Appropriations	29,887
Net Change in Funds Held for Others	247
Other Nonoperating Receipts	9,811
Net Cash Provided by Noncapital Financing Activities	39,945
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State Capital Appropriations	11,941
Capital Grants, Contracts, Donations, and Fees	9,336
Purchase or Construction of Capital Assets	(53,646)
Net Cash Used by Capital and Related Financing Activities	(32,369)
CASH FLOWS FROM INVESTING ACTIVITIES	
Sales and Maturities of Investments	69,701
Purchase of Investments	(70,362)
Investment Income	491
Net Cash Used by Investing Activities	(170)
Net Decrease in Cash	(5,385)
Cash, Beginning of Year	5,524
Cash, End of Year	$ 139

FLORIDA POLYTECHNIC UNIVERSITY
A COMPONENT UNIT OF THE STATE OF FLORIDA
STATEMENT OF CASH FLOWS (CONTINUED)
For the Fiscal Year Ended June 30, 2014
(In Thousands)

	University
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	$ (15,770)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	469
Change in Assets and Liabilities:	
Accounts Payable	1,426
Salaries and Wages Payable	103
Unearned Revenue	109
Compensated Absences Payable	839
Other Postemployment Benefits Payable	33
NET CASH USED BY OPERATING ACTIVITIES	$ (12,791)

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES

The fair market value of capital assets transferred from the University of South Florida Polytechnic campus were recognized at estimated fair value as increases to capital grants, contracts, donations, and fees reported on the statement of revenues, expenditures, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 6,114
Losses from the disposal of capital assets were recognized on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ (8)
Unrealized gains on investments were recognized as an increase to investment income on the statement of revenues, expenses, and changes in net position, but are not cash transactions for the statement of cash flows.	$ 469

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

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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 thirteen 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. As of June 30, 2014, the president of the student body position was vacant. 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. A President was selected on April 14, 2014, by the Trustees and confirmed by the Board of Governors on June 19, 2014. 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 (GASB) *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. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Discretely Presented Component Unit. Based on the application of the criteria for determining component units, Florida Polytechnic University Foundation, Inc. (Foundation), a direct-support organization (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) is included within the University's reporting entity as a discretely presented component unit. This legally separate, not-for-profit, corporation is organized and operated to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services and is governed by a separate board. The Statute authorizes this organization to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. The Foundation solicits, collects, manages, and directs contributions to various academic departments and programs of the University, and assists the University in fund raising, and public relations.

An annual audit of the Foundation's financial statements is conducted by an independent certified public accountant. The annual report is submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component unit, including a copy of the audit report, is available by contacting the University Vice President of Advancement.

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 GASB.

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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 Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - 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 follows GASB standards of accounting and financial reporting.

The University's discretely presented component unit uses the economic resources measurement focus and accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred, and follows GASB standards of accounting and financial reporting.

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 activity during the 2013-14 fiscal year was institutional support, which consisted of program development, system applications and implementation, and marketing and branding. 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 noncapital appropriations, investment income (net of investment expenses and unrealized gains or losses on investments), and revenues for capital construction projects.

The statement of net position 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

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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 position is presented by major sources.

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. Cash consists of cash on hand and cash in demand accounts. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

Capital Assets. University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, works of art and historical treasures, 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 donations. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of $5,000 for tangible personal property, $100,000 for infrastructure and other improvements, and $250,000 for building renovations; except that all new buildings and projects adding new square footage are capitalized. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 20 years
- Furniture and Equipment – 7 to 15 years
- Library Resources – 10 years
- Works of Art and Historical Treasures – 12 years
- Other Capital Assets – 10 years

Noncurrent Liabilities. Noncurrent liabilities include compensated absences payable and other postemployment benefits payable that are not scheduled to be paid within the next fiscal year.

2. 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 Section 218.415(17), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; 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

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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 purchase or construct capital assets are classified as restricted.

The University reported investments at fair value totaling $53,052,124 at June 30, 2014, 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 A+f by Standard & Poor's, had an effective duration of 2.57 years, and had a fair value factor of 1.0074 at June 30, 2014. 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.

3. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Adjustment (1)	Additions	Reductions	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 17,910,000	$	$	$	$ 17,910,000
Construction in Progress	67,012,370		51,037,518	5,084,116	112,965,772
Total Nondepreciable Capital Assets	$ 84,922,370	$	$ 51,037,518	$ 5,084,116	$ 130,875,772
Depreciable Capital Assets:					
Buildings	$	$ 2,519,556	$ 1,384,116	$	$ 3,903,672
Infrastructure and Other Improvements	25,171		3,700,000		3,725,171
Furniture and Equipment	691,487	163,332	686,664	10,405	1,531,078
Library Resources		15,756	28,840		44,596
Works of Art and Historical Treasures		14,887			14,887
Other Capital Assets		3,400,000			3,400,000
Total Depreciable Capital Assets	716,658	6,113,531	5,799,620	10,405	12,619,404
Less, Accumulated Depreciation:					
Buildings			67,296		67,296
Infrastructure and Other Improvements	1,746		125,079		126,825
Furniture and Equipment	44,800		104,821	2,748	146,873
Library Resources			372		372
Works of Art and Historical Treasures			1,850		1,850
Other Capital Assets			170,000		170,000
Total Accumulated Depreciation	46,546		469,418	2,748	513,216
Total Depreciable Capital Assets, Net	$ 670,112	$ 6,113,531	$ 5,330,202	$ 7,657	$ 12,106,188

Note: (1) Fair market value of capital assets received as donations from the University of South Florida.

4. DUE TO AND FROM COMPONENT UNIT/UNIVERSITY

The $5,826,301 reported as due to component unit consists of amounts owed by the University to the Foundation pursuant to an agreement to invest funds on behalf of the Foundation.

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5. LONG-TERM LIABILITIES

Long-term liabilities of the University at June 30, 2014, include compensated absences payable and other postemployment benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2014, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences Payable	$ 113,932	$ 850,251	$ 10,659	$ 953,524	$ 95,352
Other Postemployment Benefits Payable		33,000		33,000	
Total Long-Term Liabilities	$ 113,932	$ 883,251	$ 10,659	$ 986,524	$ 95,352

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 and University policies. 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 noncapital 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, 2014, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled $953,524. The current portion of the compensated absences liability, $95,352, is the amount expected to be paid in the coming fiscal year and represents a percentage of leave expected to be used applied to total accrued leave liability.

Other Postemployment Benefits Payable. Effective for the 2013-14 fiscal year, the University implemented 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. The requirements of this statement are being implemented prospectively, with the actuarially determined liability of $257,000 at July 1, 2013, the date of transition, amortized over 30 years. Accordingly, for financial reporting purposes, no liability is reported for the other postemployment benefits at the date of transition.

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.

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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. The University did not provide a contribution towards the annual OPEB cost because there were no retirees as of June 30, 2014.

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 fiscal year and changes in the University's net OPEB obligation:

Description	Amount
Normal Cost (Service Cost for One Year)	$ 23,000
Amortization of Unfunded Actuarial Accrued Liability	9,000
Interest on Normal Cost and Amortization	1,000
Annual Required Contribution	33,000
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	
Annual OPEB Cost (Expense)	33,000
Contribution Toward the OPEB Cost	
Increase in Net OPEB Obligation	33,000
Net OPEB Obligation, Beginning of Year	
Net OPEB Obligation, End of Year	$ 33,000

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, 2014 (year of implementation), is as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013-14	$ 33,000	0.0%	$ 33,000

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $257,000, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability of $257,000, and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was $4,420,523 for the 2013-14 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.8 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.

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, 2013, used the entry-age cost actuarial method to estimate the actuarial accrued liability as of June 30, 2014, and the University's 2013-14 fiscal year ARC. 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 and an inflation rate of 3 percent. Initial healthcare cost trend rates were 7.4 percent, 7 percent, and 8.2 percent for the first three years, respectively, for all retirees in the Preferred Provider Option (PPO) Plan, and 3.9 percent, 7.8 percent, and 8.3 percent for the first three years for all retirees in the Health Maintenance Organization (HMO) Plan. The PPO and HMO healthcare trend rates both grade down to an ultimate rate of 5 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.

6. 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 the 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. The 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), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to

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July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of both Plans may include up to 4 years of credit for military service toward creditable 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, death benefits, and annual cost-of-living adjustments.

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 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.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee 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 the Investment Plan vest at one year of service.

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2013-14 fiscal year were as follows:

Class	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.00	6.95
Florida Retirement System, Senior Management Service	3.00	18.31
Florida Retirement System, Special Risk	3.00	19.06
Deferred Retirement Option Program - Applicable to Members from All of the Above Classes	0.00	12.84

Notes: (A) Employer rates include 1.20 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include .03 percent for administrative costs of the Investment Plan.

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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, 2013, and June 30, 2014, totaled $4,134, and $261,809, respectively, which were equal to the required contributions for each fiscal year.

There were seven University participants in the Investment Plan during the 2013-14 fiscal year. The University's contributions including employee contributions to the Investment Plan totaled $17,182, which was equal to the required contribution for the 2013-14 fiscal year.

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' Web site (www.myfloridacfo.com). 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 Division of Retirement's Web site (www.frs.myflorida.com).

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 FRS for eight 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, 7.34 percent of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

There were 33 University participants during the 2013-14 fiscal year. The University's contributions to the Program totaled $125,142 and employee contributions totaled $72,351 for the 2013-14 fiscal year.

7. CONSTRUCTION COMMITMENTS

The University's construction commitments at June 30, 2014, are as follows:

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Project Description	Total Committed	Completed to Date	Balance Committed
Innovation, Science, and Technology Building	$ 78,301,000	$ 75,083,398	$ 3,217,602
Campuswide Site and Infrastructure Improvements	35,014,372	30,768,186	4,246,186
Wellness Center Phase I	4,462,783	2,259,587	2,203,196
Campus Control Center	3,976,168	3,829,353	146,815
Residence Hall Utility Infrastructure	1,094,100	920,257	173,843
Subtotal	122,848,423	112,860,781	9,987,642
Projects Under $1,000,000	615,438	104,991	510,447
Total	$ 123,463,861	$ 112,965,772	$ 10,498,089

8. 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 2013-14 fiscal year, for property losses, the State retained the first $2 million per occurrence for all perils except named windstorm and flood. The State retained the first $2 million per occurrence with an annual aggregate retention of $40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $50 million for named windstorm and flood losses through February 15, 2014, and increased to $54 million starting February 16, 2014. For perils other than named windstorm 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 $200,000 per person, and $300,000 per occurrence as set by Section 768.28(5), 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.

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.

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9. FUNCTIONAL DISTRIBUTION OF OPERATING EXPENSES

The functional classification of operating expenses (instruction, research, etc.) is assigned to each individual transaction based on the nature of the activity. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

Functional Classification	Amount
Instruction	$ 1,032,173
Research	1,205,763
Public Services	208,423
Academic Support	3,529,616
Student Services	2,207,872
Institutional Support	6,545,825
Operation and Maintenance of Plant	793,616
Scholarships and Fellowships, and Waivers	4,522
Depreciation	469,418
Auxiliary Enterprises	31,385
Total Operating Expenses	$ 16,028,613

10. CURRENT UNRESTRICTED FUNDS

The Southern Association of Colleges and Schools, which establishes the accreditation requirements for institutions of higher education, requires a disclosure of the financial position of unrestricted net position, exclusive of plant assets and plant-related debt, which represents the change in unrestricted net position. To meet this requirement, statements of net position and revenues, expenses, and changes in net position for the current unrestricted funds are presented, as follows:

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Statement of Current Unrestricted Funds Net Position

Assets	
Current Assets:	
Cash	$ 5,000
Investments	27,451,849
Interest Receivable	34,697
Total Assets	27,491,546
Liabilities	
Current Liabilities:	
Accounts Payable	1,454,429
Salary and Wages Payable	134,059
Deposits Held in Custody	107,743
Due to Component Unit	5,000
Unearned Revenue	108,961
Compensated Absences Payable	95,352
Total Current Liabilities	1,905,544
Noncurrent Liabilities:	
Compensated Absences Payable	858,171
Other Postemployment Benefits Payable	33,000
Total Noncurrent Liabilities	891,171
Total Liabilities	2,796,715
Total Net Position	$ 24,694,831

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Statement of Current Unrestricted Funds Revenues, Expenses, and Changes in Net Position

Revenues	
Operating Revenues:	
Sales and Services of Educational Departments	$ 259,138
Expenses	
Operating Expenses:	
Compensation and Employee Benefits	6,935,476
Services and Supplies	8,454,672
Utilities and Communications	170,082
Total Operating Expenses	15,560,230
Operating Loss	(15,301,092)
Nonoperating Revenues (Expenses)	
State Noncapital Appropriations	29,887,484
Noncapital Grants, Contracts, and Gifts	8,831,892
Investment Income	427,579
Other Nonoperating Revenues	394,894
Net Nonoperating Revenues	39,541,849
Income Before Other Revenues, Expenses, Gains, or Losses	24,240,757
Transfers to Other Funds	(19,677,435)
Increase in Net Position	4,563,322
Net Position, Beginning of Year	20,131,509
Net Position, End of Year	$ 24,694,831

11. SUBSEQUENT EVENTS

From August 21, 2014, through October 8, 2014, the University entered into 11 financing contracts through the Department of Financial Services' Consolidated Equipment Financing Program, totaling $3,725,634, to finance the acquisition of laboratory and computer equipment, and furniture. Interest rates range from 1.78 percent to 1.9 percent. All contracts are to be repaid over 20 quarters in equal installments, with the first payment due 10 days after funding.

FLORIDA POLYTECHNIC 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]
7/1/2013	$ -	$ 257,000	$ 257,000	0%	$4,420,523	5.8%

Note: (1) The entry-age cost actuarial method was used to calculate the actuarial accrued liability.

DAVID W. MARTIN, CPA
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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*

Report on the Financial Statements

We have audited, in accordance with the 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, the financial statements of Florida Polytechnic University, a component unit of the State of Florida, and its discretely presented component unit as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated December 10, 2014, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component unit, 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 of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in

internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Purpose of this Report

The purpose of the **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*** is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



David W. Martin, CPA
Tallahassee, Florida
December 10, 2014