

**UNIVERSITY OF SOUTH FLORIDA  
SARASOTA-MANATEE**

A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA

---

**Financial Audit**

For the Fiscal Year Ended  
June 30, 2009



## **BOARD OF TRUSTEES AND PRESIDENT**

During the audit period, the President of the University of South Florida was Dr. Judy L. Genshaft. The University of South Florida Sarasota-Manatee Regional Chancellor was Dr. Arthur M. Guilford. The Board members of the University of South Florida Sarasota-Manatee and the Board of Trustee members of the University of South Florida who served during the audit period are listed below:

<u>Sarasota-Manatee Campus Board Members</u>	<u>County</u>
Cliff Walters, Chair	Manatee
Charles R. Baumann, Vice Chair	Sarasota
Elizabeth G. Lindsay	Sarasota
Jan E. Smith	Manatee
Richard Smith	Manatee

### University Board of Trustee Members

Rhea F. Law, Chair  
John B. Ramil, Vice Chair  
Lee E. Arnold, Jr.  
Dr. Michael Barber to 8-07-08 (1)  
Dr. Laurence G. Branch from 8-08-08 (1)  
Margarita R. Cancio, M.D.  
Gene Engle  
Sonja Garcia  
Gregory Morgan to 5-03-09 (2)  
Kiran C. Patel, M.D.  
Debbie Nye Sembler  
Jan E. Smith  
Juan Soltero from 5-04-09 (2)  
Robert L. Soran  
Sherrill Tomasino

Notes: (1) Faculty Senate chair.  
(2) Student body president.

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 Rachel Sellers, CPA, and the audit was supervised by Karen J. Collington, 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.

This report and other reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://www.myflorida.com/audgen); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE  
 A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA

TABLE OF CONTENTS

	PAGE NO.
<b>EXECUTIVE SUMMARY</b> .....	i
<b>INDEPENDENT AUDITOR’S REPORT ON FINANCIAL STATEMENTS</b> .....	1
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b> .....	3
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Assets .....	12
Statement of Revenues, Expenses, and Changes in Net Assets.....	14
Statement of Cash Flows.....	15
Notes to Financial Statements.....	17
<b>OTHER REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Funding Progress – Postemployment Healthcare Benefits Plan .....	35
<b>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 <i>GOVERNMENT AUDITING STANDARDS</i></b> .....	
Internal Control Over Financial Reporting.....	36
Compliance and Other Matters .....	37

---

---

## EXECUTIVE SUMMARY

---

---

### Summary of Report on Financial Statements

Our audit disclosed that the basic financial statements of the University of South Florida Sarasota-Manatee (Regional Campus), a regional campus of the University of South Florida (a component unit of the State of Florida) 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 the Regional Campus and its officers with administrative and stewardship responsibilities for Regional Campus operations had:

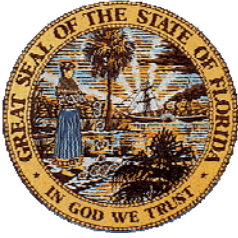
- Presented the Regional Campus's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; 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 Regional Campus's basic financial statements as of and for the fiscal year ended June 30, 2009. We obtained an understanding of the Regional Campus'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, both in manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

An examination of Federal awards administered by the Regional Campus is included within the scope of our Statewide audit of Federal awards administered by the State of Florida.

### Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent Regional Campus 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

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



PHONE: 850-488-5534  
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 ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the University of South Florida Sarasota-Manatee (Regional Campus), a regional campus of the University of South Florida (a component unit of the State of Florida), as of and for the fiscal year ended June 30, 2009, which collectively comprise the Regional Campus's basic financial statements as shown on pages 12 through 34. These financial statements are the responsibility of the Regional Campus's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 provides a reasonable basis for our opinion.

As discussed in note 1 to the financial statements, the financial statements of the Regional Campus have been prepared for use by the Southern Association of Colleges and Schools, and are intended to present only that portion of the financial position and the changes in financial position and cash flows of only that portion of the University of South Florida that is attributable to the transactions of the Regional Campus. They do not purport to, and do not, present fairly the financial position of the University of South Florida as of June 30, 2009, and the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Regional Campus as of June 30, 2009, and the 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.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Regional Campus'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.

The **MANAGEMENT'S DISCUSSION AND ANALYSIS** on pages 3 through 11, and **OTHER REQUIRED SUPPLEMENTARY INFORMATION** on page 35, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,



David W. Martin, CPA  
December 17, 2009

---

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

The management's discussion and analysis (MD&A) of the University of South Florida Sarasota-Manatee (Regional Campus), a regional campus of the University of South Florida, provides an overview of the financial position and activities of the Regional Campus for the fiscal year ended June 30, 2009, 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 the Regional Campus's management.

**FINANCIAL HIGHLIGHTS**

The Regional Campus's assets totaled \$44.7 million at June 30, 2009. This balance reflects a \$3.4 million, or 8.2 percent, increase from the 2007-08 fiscal year. Liabilities increased by \$0.7 million, or 40.9 percent, totaling \$2.5 million at June 30, 2009, compared to \$1.7 million at June 30, 2008. As a result, the Regional Campus net assets increased by \$2.7 million, reaching a year-end balance of \$42.2 million.

The Regional Campus's operating revenues totaled \$6.2 million for the 2008-09 fiscal year, representing a 31.3 percent increase from the 2007-08 fiscal year due mainly to increases in student tuition and fees and grants and contracts. Operating expenses totaled \$21.6 million for the 2008-09 fiscal year, representing an 8.6 percent decrease from the 2007-08 fiscal year due mainly to decreases in expenses for services and supplies, employee compensation and benefits, and utilities and communications.

**OVERVIEW OF FINANCIAL STATEMENTS**

Pursuant to GASB Statement No. 35, the Regional Campus'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 have been prepared for use by the Southern Association of Colleges and Schools, and are intended to present the financial position and the changes in financial position and cash flows that is attributable to the transactions of the Regional Campus.

**THE STATEMENT OF NET ASSETS**

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

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

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

	2009	2008
<b>Assets</b>		
Current Assets	\$ 15,527	\$ 11,908
Capital Assets, Net	27,814	27,402
Other Noncurrent Assets	1,329	1,979
<b>Total Assets</b>	<b>44,670</b>	<b>41,289</b>
<b>Liabilities</b>		
Current Liabilities	1,145	991
Noncurrent Liabilities	1,309	751
<b>Total Liabilities</b>	<b>2,454</b>	<b>1,742</b>
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	27,814	27,402
Restricted	5,399	5,320
Unrestricted	9,003	6,825
<b>Total Net Assets</b>	<b>\$ 42,216</b>	<b>\$ 39,547</b>

Assets are what the Regional Campus owns and are measured in current value, except for property and equipment, which are recorded at historical cost less accumulated depreciation. Liabilities are generally considered to be financial obligations of the Regional Campus and may also consist of payments received for services not yet provided (deferred revenue). Both assets and liabilities are classified as either current or noncurrent. This classification is made based on when an asset is expected to be converted to cash or a liability is expected to be paid off. If either of these situations is expected to take place within the upcoming year, then the asset or liability is considered to be current.

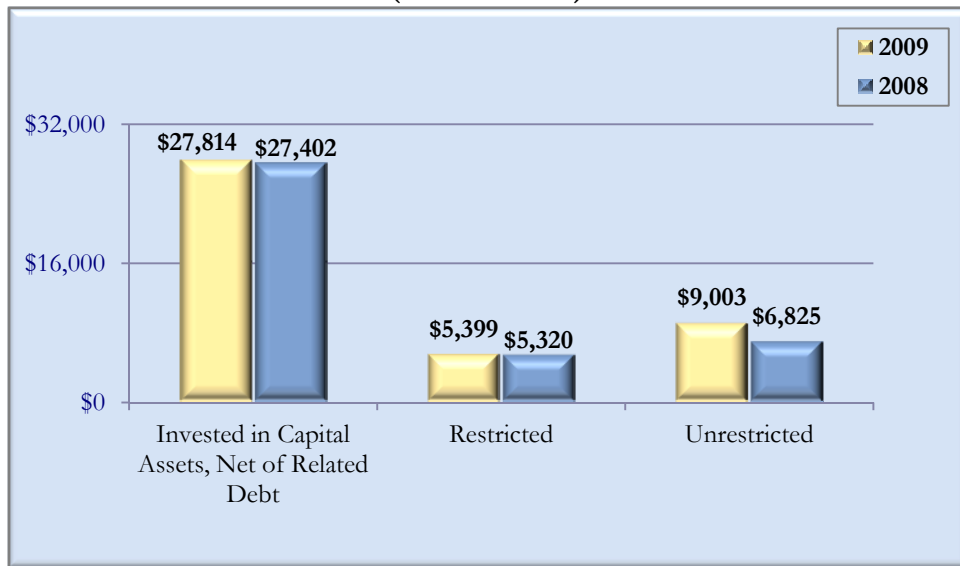
The Regional Campus's assets totaled \$44.7 million at June 30, 2009. This balance reflects a \$3.4 million, or 8.2 percent, increase from the 2007-08 fiscal year. This increase is attributable to an increase in current assets of \$3.6 million, an increase in capital assets of \$0.4 million due primarily to infrastructure and renovations to buildings being completed and capitalized, and a decrease in other noncurrent assets of \$0.7 million due primarily to a decrease in investments and cash in the construction fund.

Total liabilities increased by \$0.7 million which was primarily due to an increase in noncurrent liabilities of \$0.6 million from a new bond issue for renovations and increases in compensated absences payable and postemployment healthcare benefits payable.

This combination of changes in both total assets of \$3.4 million and total liabilities of \$0.7 million resulted in a net increase in total net assets of \$2.7 million. This increase in total net assets is attributable to increases in capital assets, net of related debt of \$0.4 million, increases in capital projects and other restricted net assets of \$79,000, and increases in unrestricted net assets of \$2.2 million.

Net assets are reported in three major categories. The first category, invested in capital assets, net of related debt, provides the Regional Campus’s equity in property, plant, and equipment owned by the Regional Campus. Restricted net assets are another category, which may be further broken down into nonexpendable and expendable. Restricted nonexpendable net assets represent funds that have been donated to the Regional Campus that are required to be invested in perpetuity. These net assets are primarily maintained within the University of South Florida Foundation, Inc., a component unit of the University of South Florida, and are reported in the component unit column of the University of South Florida’s financial statements. Restricted expendable net assets are available for use by the Regional Campus, but must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the Regional Campus for any lawful purpose of the Regional Campus. The following graph illustrates the comparative change in net assets by category for the 2008-09 and 2007-08 fiscal years:

**Net Assets at June 30  
(In Thousands)**



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

Changes in total net assets are based on the activity presented in the statement of revenues, expenses, and changes in net assets. The purpose of this statement is to show the operating and nonoperating revenues received by the Regional Campus, the operating and nonoperating expenses paid by the Regional Campus, and any other revenues, expenses, gains, or losses received or spent by the Regional Campus.

Generally speaking, operating revenues are considered to be earned in exchange for providing goods and services to students and other customers, and operating expenses are incurred in the normal operation of the Regional Campus. Nonoperating revenues are revenues received for which no goods and services have been provided. For example, State appropriations are nonoperating because they are provided by the Legislature to the Regional Campus without an exchange of goods and services from the Regional Campus. The Regional Campus will normally show an operating loss since these significant recurring revenues (appropriations) will be classified as nonoperating. A more

indicative measure of the Regional Campus's financial activity during the year would be the income before other revenues, expenses, gains, or losses.

The following summarizes the Regional Campus's activity for the 2008-09 and 2007-08 fiscal years:

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

	<u>2008-09</u>	<u>2007-08</u>
Operating Revenues	\$ 6,236	\$ 4,750
Operating Expenses	<u>21,584</u>	<u>23,625</u>
<b>Operating Loss</b>	(15,348)	(18,875)
Net Nonoperating Revenues	<u>16,416</u>	<u>17,605</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains, or Losses</b>	1,068	(1,270)
Other Revenues, Expenses, Gains, or Losses	<u>1,601</u>	<u>3,099</u>
<b>Net Increase In Net Assets</b>	2,669	1,829
Net Assets, Beginning of Year	<u>39,547</u>	<u>37,718</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 42,216</u></u>	<u><u>\$ 39,547</u></u>

### 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 2008-09 and 2007-08 fiscal years:

**Operating Revenues  
(In Thousands)**

	<u>2008-09</u>	<u>2007-08</u>
Net Tuition and Fees	\$ 5,069	\$ 3,878
Grants and Contracts	747	313
Sales and Services of Auxiliary Operations	<u>420</u>	<u>559</u>
<b>Total Operating Revenues</b>	<u><u>\$ 6,236</u></u>	<u><u>\$ 4,750</u></u>

Total operating revenues increased by \$1.5 million with the change being attributable to three factors. Student tuition and fees (after tuition scholarship allowance) increased by \$1.2 million mainly due to a 6 percent increase in the in-state undergraduate tuition rate beginning in Fall 2008 and a 5 percent increase in student credit hours (with much of the relative increase coming in the undergraduate student credit hours generated) over the previous fiscal year. Grants and contracts revenue increased \$0.4 million from new project funding. Auxiliary revenue decreased

\$0.1 million because other operating revenues reported in the previous fiscal years included a one-time reimbursement of a prior expenditure.

### Operating Expenses

Expenses are categorized as operating or nonoperating. The majority of the Regional Campus'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 Regional Campus 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 2008-09 and 2007-08 fiscal years:

<b>Operating Expenses</b>		
<b>(In Thousands)</b>		
	<u>2008-09</u>	<u>2007-08</u>
Compensation and Employee Benefits	\$ 14,762	\$ 15,804
Services and Supplies	3,163	4,476
Utilities and Communications	284	541
Scholarships, Fellowships, and Waivers	2,170	2,063
Depreciation	1,205	741
<b>Total Operating Expenses</b>	<b><u>\$ 21,584</u></b>	<b><u>\$ 23,625</u></b>

Total operating expenses decreased by \$2 million mainly attributable to a decrease in services and supplies of \$1.3 million, a decrease in compensation and employee benefits of \$1 million, and a decrease in utility and communication expenses of \$0.3 million. These decreases were the result of reducing expenses due to a reduction in State appropriations. These decreases were offset by increases in depreciation expense and scholarship, fellowships, and waivers.

### Nonoperating Revenues and Expenses

Certain revenue sources that the Regional Campus 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 Regional Campus's nonoperating revenues and expenses for the 2008-09 and 2007-08 fiscal years:

<b>Nonoperating Revenues (Expenses)</b>		
<b>(In Thousands)</b>		
	<u>2008-09</u>	<u>2007-08</u>
State Appropriations	\$ 14,003	\$ 15,820
Federal and State Student Financial Aid	2,358	2,253
Investment Income	214	(32)
Other Nonoperating Revenues	14	4
Interest on Capital Asset-Related Debt	(9)	
Other Nonoperating Expenses	(164)	(440)
<b>Net Nonoperating Revenues</b>	<b><u>\$ 16,416</u></b>	<b><u>\$ 17,605</u></b>

Total nonoperating revenues (expenses) decreased by \$1.2 million, due primarily to an 11.5 percent decrease in State appropriations of \$1.8 million. Other changes included an increase in Federal and State student financial aid of \$0.1 million and an increase in investment income including unrealized gains and losses of \$0.2 million due to an increase in the average investment portfolio balance and favorable changes in investment activities.

**Other Revenues, Expenses, Gains, or Losses**

This category is composed of capital appropriations; capital grants, contracts, donations, and fees; and transfers to/from other University campuses. The following summarizes the Regional Campus’s other revenues, expenses, gains, or losses for the 2008-09 and 2007-08 fiscal years:

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

	2008-09	2007-08
Capital Appropriations	\$ 1,934	\$ 1,756
Capital Grants, Contracts, Donations, and Fees		259
Transfers To/From Other University Campuses, Net	(333)	1,084
<b>Total</b>	<b>\$ 1,601</b>	<b>\$ 3,099</b>

Total other revenues decreased by \$1.5 million. The reduction of \$1.4 million in net transfers to/from other university campuses was primarily from interdepartmental charges and renovations funded by regular University funds. This decrease was offset by an increase in capital appropriations of \$0.2 million from new infrastructure/renovation projects being funded by the State.

**THE STATEMENT OF CASH FLOWS**

The statement of cash flows provides information about the Regional Campus’s financial results by reporting the major sources and uses of cash. This statement will assist in evaluating the Regional Campus’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 Regional Campus. Cash flows from the capital and related financing activities include all plant funds and related long-term debt activities. Cash flows from the 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 the noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2008-09 and 2007-08 fiscal years:

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

	2008-09	2007-08
Cash Provided (Used) by:		
Operating Activities	\$ (14,277)	\$ (18,028)
Noncapital Financing Activities	16,076	18,106
Capital and Related Financing Activities	(682)	171
Investing Activities	(6,517)	5,118
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(5,400)	5,367
Cash and Cash Equivalents, Beginning of Year	5,402	35
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 2</b>	<b>\$ 5,402</b>

Major sources of operating activities included net student tuition and fees (\$5 million), grants and contracts (\$0.9 million), and sales and services of auxiliary enterprises (\$0.4 million). Included in the calculation of net cash used for operating activities are payments to employees (\$14.7 million), payments to suppliers (\$3.7 million) and payments to students for scholarships and fellowships (\$2.2 million). These are the three major outflows of operating activities. The net cash used for operating activities decreased by \$3.8 million, primarily due to decreases in payments to employees and payments to suppliers, in the amounts of \$0.9 million, and \$1.1 million, respectively, offset by increases in tuition and fees collections of \$1.2 million, and grant and contracts of \$0.7 million.

The net cash provided by noncapital financing activities consists primarily of \$14 million of State appropriations and \$2.4 million for Federal and State student financial aid received during the 2008-09 fiscal year.

Cash used by capital and related financing activities increased by \$0.9 million. This was mainly due to increases in capital appropriations in the amount of \$0.2 million, decreases in purchases or construction of capital assets of \$1.1 million, decreases in capital grants and contracts of \$0.3 million, and an increase in capital subsidies of \$2.2 million.

Cash used by investing activities increased by \$11.6 million. The increase was mainly due to an increase in the purchases of investments.

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

**CAPITAL ASSETS**

At June 30, 2009, the Regional Campus had \$30.6 million in capital assets, less accumulated depreciation of \$2.8 million, for net capital assets of \$27.8 million. Depreciation charges for the current fiscal year totaled \$1.2 million.

The following table summarizes the Regional Campus’s capital assets, net of accumulated depreciation, at June 30:

<b>Capital Assets, Net at June 30</b>		
<b>(In Thousands)</b>		
	2009	2008
Land	\$ 510	\$ 510
Buildings	24,218	24,185
Construction in Progress	618	1,404
Infrastructure and Other Improvements	1,244	
Furniture and Equipment	980	949
Library Resources	173	272
Works of Art and Historical Treasures	27	
Other Capital Assets	44	82
<b>Capital Assets, Net</b>	<b>\$ 27,814</b>	<b>\$ 27,402</b>

Additional information about the Regional Campus’s capital assets is presented in the notes to financial statements.

**CAPITAL EXPENSES AND COMMITMENTS**

The following table summarizes the Regional Campus’s major capital commitments as of June 30, 2009:

	Amount (In Thousands)
Current Commitment Expenses	\$ 4,973 <u>618</u>
<b>Balance Committed</b>	<b>\$ 4,355</b>

**DEBT ADMINISTRATION**

As of June 30, 2009, the Regional Campus had \$0.3 million in outstanding revenue bonds, representing a 100 percent increase from the prior fiscal year. The increase was a result of a new statewide bond of which the Regional Campus’s share was \$0.3 million. Additional information about the Regional Campus’s long-term debt is presented in the notes to financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

Although the recent economic downturn has reduced State appropriations, the Legislature has authorized tuition increases over the past few years combined with increased technology and distance learning fees, which provide additional resources to support a balanced budget and expansion of academic programs and services to support students.

The budget that the Florida Legislature adopted for the State University System for the 2009-10 fiscal year reflected a base budget reduction for the Regional Campus of \$2.1 million. To offset the base budget adjustment, the Legislature allocated \$1.1 million in nonrecurring Federal stimulus funding. The Legislatively-approved tuition increases of 8 percent for in-state undergraduates and 10 percent for in–state graduates, combined with a 7 percent tuition differential increase should generate additional revenues. The current economic conditions will result in lower State funding per student. This implies that student tuition and fees gradually will become a larger share of the operating

budget. The Regional Campus has examined their operations and has generated savings in both administrative and academic areas.

Regional Campus management is committed to meeting its enrollment growth plan to increase full-time student enrollment from 1,118 in the 2009-10 fiscal year to 1,480 in the 2014-15 fiscal year. The enrollment is expected to grow at a rate of about 5 percent annually over the next five years. Classroom capacity in the 100,000 square foot academic facility provides for the ability to expand course offerings. This significantly improved student access to technology and as a result, allows the Regional Campus to grow and increase tuition revenue. In addition, more daytime and on-line courses are being developed to meet enrollment targets. The Regional Campus management is also focused on development activities and with the kick-off of the USF Foundation comprehensive campaign expects increases in fundraising as well.

### **REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A, financial statements and notes thereto, and other required supplementary information or requests for additional financial information should be addressed to Nick Trivunovich, University Controller, 4202 East Fowler Avenue, Tampa, Florida 33620-5800.

---



---

**BASIC FINANCIAL STATEMENTS**


---



---

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE**  
**A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2009**

**ASSETS**

## Current Assets:

Cash and Cash Equivalents	\$ 2,217
Investments	10,640,116
Accounts Receivable, Net	181,674
Loans and Notes Receivable, Net	49,617
Due from State	4,653,109
Other Current Assets	277

<b>Total Current Assets</b>	<u>15,527,010</u>
-----------------------------	-------------------

## Noncurrent Assets:

Restricted Investments	1,186,626
Loans and Notes Receivable, Net	141,219
Other Assets	541
Depreciable Capital Assets, Net	26,685,443
Nondepreciable Capital Assets	1,128,817

<b>Total Noncurrent Assets</b>	<u>29,142,646</u>
--------------------------------	-------------------

**TOTAL ASSETS**

<b>TOTAL ASSETS</b>	<u><u>\$ 44,669,656</u></u>
---------------------	-----------------------------

**LIABILITIES**

## Current Liabilities:

Accounts Payable	\$ 69,577
Construction Contracts Payable	516,929
Salaries and Wages Payable	467,921
Deposits Payable	7,241
Deferred Revenue	7,203
Long-Term Liabilities - Current Portion:	
Bonds Payable	6,068
Compensated Absences Payable	69,620

<b>Total Current Liabilities</b>	<u>1,144,559</u>
----------------------------------	------------------

## Noncurrent Liabilities:

Bonds Payable	274,024
Federal Advance Payable	131,087
Compensated Absences Payable	702,189
Postemployment Healthcare Benefits Payable	202,104

<b>Total Noncurrent Liabilities</b>	<u>1,309,404</u>
-------------------------------------	------------------

**TOTAL LIABILITIES**

<b>TOTAL LIABILITIES</b>	<u><u>2,453,963</u></u>
--------------------------	-------------------------

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE**  
**A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA**  
**STATEMENT OF NET ASSETS (Continued)**  
**June 30, 2009**

<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	\$ 27,814,260
Restricted for Expendable:	
Loans	63,983
Capital Projects	4,840,970
Other	493,837
Unrestricted	<u>9,002,643</u>
<b>TOTAL NET ASSETS</b>	<u>42,215,693</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 44,669,656</u>

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

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE**  
**A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Fiscal Year Ended June 30, 2009**

**REVENUES**

## Operating Revenues:

Student Tuition and Fees, Net of Scholarship Allowances of \$839,608	\$ 5,068,775
Federal Grants and Contracts	29,412
Nongovernmental Grants and Contracts	717,977
Sales and Services of Auxiliary Enterprises	419,860
<b>Total Operating Revenues</b>	<u>6,236,024</u>

**EXPENSES**

## Operating Expenses:

Compensation and Employee Benefits	14,761,625
Services and Supplies	3,163,391
Utilities and Communications	284,268
Scholarships, Fellowships, and Waivers	2,169,646
Depreciation	1,205,232
<b>Total Operating Expenses</b>	<u>21,584,162</u>

**Operating Loss** (15,348,138)

**NONOPERATING REVENUES (EXPENSES)**

State Appropriations	14,002,644
Federal and State Student Financial Aid	2,358,502
Investment Income	214,569
Other Nonoperating Revenues	14,274
Interest on Capital Asset-Related Debt	(9,295)
Other Nonoperating Expenses	(164,338)
<b>Net Nonoperating Revenues</b>	<u>16,416,356</u>

**Income Before Other Revenues, Expenses,  
Gains, or Losses**

	1,068,218
Capital Appropriations	1,933,884
Transfers To/From Other University Campuses, Net	(333,133)
<b>Increase in Net Assets</b>	<u>2,668,969</u>

Net Assets, Beginning of Year	39,546,724
<b>Net Assets, End of Year</b>	<u>\$ 42,215,693</u>

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

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE**  
**A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**For the Fiscal Year Ended June 30, 2009**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and Fees, Net	\$ 5,006,932
Grants and Contracts	883,963
Sales and Services of Auxiliary Enterprises	426,051
Payments to Employees	(14,664,835)
Payments to Suppliers for Goods and Services	(3,719,707)
Payments to Students for Scholarships and Fellowships	(2,169,646)
Net Loans Issued to Students	(39,671)
	<u>(14,276,913)</u>
<b>Net Cash Used by Operating Activities</b>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	14,002,644
Federal and State Student Financial Aid	2,358,502
Operating Subsidies and Transfers	(303,917)
Net Change in Funds Held for Other	5,376
Other Nonoperating Receipts	12,999
	<u>16,075,604</u>
<b>Net Cash Provided by Noncapital Financing Activities</b>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from Capital Debt	282,679
Capital Appropriations	1,933,884
Capital Subsidies and Transfers	(2,392,314)
Purchase or Construction of Capital Assets	(493,900)
Principal Paid on Capital Debt	(2,587)
Interest Paid on Capital Debt	(9,295)
	<u>(681,533)</u>
<b>Net Cash Used by Capital and Related Financing Activities</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Investments, Net	(6,528,356)
Investment Income	11,672
	<u>(6,516,684)</u>
<b>Net Cash Used by Investing Activities</b>	
<b>Net Decrease in Cash and Cash Equivalents</b>	
Cash and Cash Equivalents, Beginning of Year	5,401,743
	<u>(5,399,526)</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 2,217</u></u>

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE**  
**A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA**  
**STATEMENT OF CASH FLOWS (Continued)**  
**For the Fiscal Year Ended June 30, 2009**

<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (15,348,138)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,205,232
Change in Assets and Liabilities:	
Accounts Receivable, Net	104,862
Loans and Notes Receivable	(37,208)
Other Assets	(818)
Accounts Payable	(271,357)
Salaries and Wages Payable	(61,542)
Compensated Absences Payable	73,320
Deferred Revenue	(26,274)
Postemployment Healthcare Benefits Payable	85,010
	<u>85,010</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (14,276,913)</u></u>

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

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE**  
**A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity.** Effective July 1, 2001, Chapter 2001-170, Laws of Florida, designated that the Sarasota-Manatee campus of the University of South Florida be established and should be known as the University of South Florida Sarasota-Manatee. The Statute further stated that the University of South Florida Sarasota-Manatee was to be fiscally autonomous, operated and maintained as a separate organizational and budget entity of the University of South Florida (a component unit of the State of Florida), and should have a Campus Board and a Campus Executive Officer. Members of the Campus Board are appointed by the University of South Florida (University) Board of Trustees upon recommendation by the University of South Florida President. One member of the Campus Board serves jointly on the University Board of Trustees. The University of South Florida Sarasota-Manatee (Regional Campus) has a governing board of five members (three residents of Manatee County and two residents of Sarasota County) and is a legal body with specific budget authority over the Regional Campus. Campus Board members serve 4-year staggered terms.

For financial reporting purposes, the Regional Campus is a part of the University of South Florida. Accordingly, the financial statements of the Regional Campus are combined and reported in the financial statements of the University of South Florida for the fiscal year ended June 30, 2009. The financial statements of the Regional Campus have been prepared for use by the Southern Association of Colleges and Schools, and are intended to present the financial position and the changes in financial position and cash flows as of and for the fiscal year ended June 30, 2009, of only that portion of the University of South Florida that is attributable to the transactions of the Regional Campus.

**Basis of Presentation.** The Regional Campus'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 Regional Campus 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 Regional Campus 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:

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE**  
**A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

- 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 Regional Campus'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 Regional Campus follows FASB statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

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 Regional Campus's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of plant assets, and depreciation on capital assets. Nonoperating revenues include State appropriations, Federal and State student financial aid, investment income (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 Regional Campus's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE**  
**A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

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 Regional Campus and the amount that is actually paid by a student or a third party making payment on behalf of the student. The Regional Campus applied "The Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the Regional Campus computes these amounts by allocating the cash payments to students, excluding payments for services, on a ratio of total aid to the aid not considered to be third-party aid.

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. Regional Campus 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.** Regional Campus 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 purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Regional Campus 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 – 25 to 40 years, Depending on Construction
- Infrastructure and Other Improvements – 20 years
- Furniture and Equipment – 5 to 20 years
- Library Resources – 10 years
- Works of Art and Historical Treasures – 5 years
- Other Capital Assets – 3 to 5 years

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE  
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**Noncurrent Liabilities.** Noncurrent liabilities include principal amounts of bonds payable, Federal advance payable, compensated absences payable, and postemployment healthcare benefits payable that are not scheduled to be paid within the next fiscal year. Bonds payable are reported net of unamortized discount. The Regional Campus amortizes bond discounts over the life of the bonds using the straight-line method. Issuance cost paid from the debt proceeds are reported as deferred charges, and are amortized over the life of the bonds using the straight-line method.

**2. INVESTMENTS**

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration, and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the Regional Campus is authorized to invest in the Local Government Surplus Funds Trust Fund investment pool administered by the State Board of Administration; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open-end or closed-end management type investment companies; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and other investments approved by the University’s Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The Regional Campus’s investments at June 30, 2009, are reported at fair value, as follows:

<u>Investment Type</u>	<u>Amount</u>
Bonds and Notes	\$ 1,252,248
Bond Index Mutual Fund	8,318,957
Money Market Mutual Funds	<u>2,255,537</u>
<b>Total Regional Campus Investments</b>	<b><u>\$ 11,826,742</u></b>

The Regional Campus’s investments consisted of various debt securities and bond and money market mutual funds. The Regional Campus’s investment policy allows investments in pooled funds that are professionally managed and registered with the Securities and Exchange Commission and fixed-income investments. The following risks apply to the Regional Campus’s investments:

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE  
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

*Interest Rate:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Regional Campus’s investment policy limits the short-term fixed-income portfolio (United States Treasury securities, United States government agency obligations, mortgage-based securities, corporate debt, State and municipal securities investments) to a weighted-average duration of less than five years. For long-term investments, the Regional Campus’s investment policy does not limit the duration for long-term corporate notes or other direct debt obligations. The Regional Campus’s investment policy provides for interest rate risk. The risk varies depending on the type of investment.

*Credit Risk:* Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. The Regional Campus’s investment policy provides for credit rate risk. The risk varies depending on the type of investment.

The following interest rate and credit risks apply to the Regional Campus’s investments in debt securities and mutual funds at June 30, 2009:

Investment Type	Weighted or Effective Average Maturities	Credit Quality Range		Fair Value
		Moody's	Standard and Poor's	
Bonds and Notes	5.96 Years (1)	Aaa- Baa1	AAA- BBB+	\$ 1,252,248
Bond Index Mutual Fund	2.80 Years (1)	Not Rated	Not Rated	8,318,957
Money Market Mutual Fund	32 Days (2)	Aaa	AAAm	5,069
Money Market Mutual Fund	74 Days (2)	Not Rated	Not Rated	2,250,468
<b>Total</b>				<u><u>\$ 11,826,742</u></u>

Notes: (1) Weighted average maturity.  
(2) Effective average maturity.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of the Regional Campus’s investment in a single issuer. The Regional Campus’s investment policy provides that the maximum amount that may be invested in the securities of an individual issuer not backed by the full faith and credit of the United States Government shall not exceed five percent of the market value of the assets of the investment portfolio, and no single corporate bond issuer shall exceed five percent of the market value of the investment portfolio. Direct investments in securities of the United States Government, Government agencies and State of Florida Investment Pools, or Pooled Funds comprised solely of United States Government Securities are not subject to these restrictions. The Regional Campus did not have any investments in securities of an individual issuer or single corporate bond issue that exceeded five percent of the market value of the investment portfolio at June 30, 2009.

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE  
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**3. 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 loans receivable. As of June 30, 2009, the Regional Campus reported the following amounts as accounts receivable:

<u>Description</u>	<u>Amount</u>
Student Tuition and Fees	\$ 161,855
Contracts and Grants	10,711
Other	<u>9,108</u>
<b>Total Accounts Receivable, Net</b>	<b><u>\$ 181,674</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 upon 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 \$151,690 and \$97,936, respectively, at June 30, 2009.

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

**4. DUE FROM STATE**

This is the amount of Public Education Capital Outlay allocations and other allocations due to the Regional Campus for construction of Regional Campus facilities.

**5. CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2009, is shown below:

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE**  
**A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

Description	Beginning Balance	Adjustments (1)	Additions	Reductions	Ending Balance
<b>Nondepreciable Capital Assets:</b>					
Land	\$ 510,368	\$	\$	\$	\$ 510,368
Construction in Progress	1,404,003		830,679	1,616,233	618,449
<b>Total Nondepreciable Capital Assets</b>	<b>\$ 1,914,371</b>	<b>\$</b>	<b>\$ 830,679</b>	<b>\$ 1,616,233</b>	<b>\$ 1,128,817</b>
<b>Depreciable Capital Assets:</b>					
Buildings	\$ 25,517,298	\$	\$ 730,811	\$ 16,216	\$ 26,231,893
Infrastructure and Other Improvements			1,464,287		1,464,287
Furniture and Equipment	1,336,404		224,524	284,162	1,276,766
Library Resources	386,734		1,023		387,757
Works of Art and Historical Treasures		66,000			66,000
Other Capital Assets	114,359	(66,000)	22,955		71,314
<b>Total Depreciable Capital Assets</b>	<b>27,354,795</b>		<b>2,443,600</b>	<b>300,378</b>	<b>29,498,017</b>
<b>Less, Accumulated Depreciation:</b>					
Buildings	1,332,262		685,324	3,153	2,014,433
Infrastructure and Other Improvements			220,505		220,505
Furniture and Equipment	387,257		166,914	256,705	297,466
Library Resources	114,838		99,768		214,606
Works of Art and Historical Treasures		25,467	13,200		38,667
Other Capital Assets	32,843	(25,467)	19,521		26,897
<b>Total Accumulated Depreciation</b>	<b>1,867,200</b>		<b>1,205,232</b>	<b>259,858</b>	<b>2,812,574</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>\$ 25,487,595</b>	<b>\$</b>	<b>\$ 1,238,368</b>	<b>\$ 40,520</b>	<b>\$ 26,685,443</b>

Note: (1) For the 2007-08 fiscal year, works of art and historical treasures were included in the other capital assets classification.

## 6. DEFERRED REVENUE

The \$7,203 amount reported as deferred revenue includes amounts received from contracts and grants prior to fiscal year end related to subsequent accounting periods.

## 7. LONG-TERM LIABILITIES

Long-term liabilities of the Regional Campus at June 30, 2009, include bonds, Federal advance payable, compensated absences payable, and postemployment healthcare benefits payable. Long-term liabilities activity for the fiscal year ended June 30, 2009, is shown below:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$	\$ 282,679	\$ 2,587	\$ 280,092	\$ 6,068
Federal Advance Payable		131,087		131,087	
Compensated Absences Payable	698,489	110,832	37,512	771,809	69,620
Postemployment Healthcare Benefits Payable	117,094	172,104	87,094	202,104	
<b>Total Long-Term Liabilities</b>	<b>\$ 815,583</b>	<b>\$ 696,702</b>	<b>\$ 127,193</b>	<b>\$ 1,385,092</b>	<b>\$ 75,688</b>

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE  
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**Revenue Bonds Payable.** The Regional Campus had the following bonds payable outstanding at June 30, 2009:

Bond Type and Series	Amount of Original Issue	Amount Outstanding (1)	Interest Rates (Percent)	Maturity Date To
State University System Revenue Bonds: 2008-A Series	\$ 286,679	\$ 280,092	4.00 - 6.50	2033
<b>Total</b>	<b>\$ 286,679</b>	<b>\$ 280,092</b>		

Note: (1) Amount outstanding includes unamortized bond discounts.

State University System revenue bonds were issued to acquire and construct various university facilities. These bonds are secured and payable from capital improvement and building fees, which are remitted to the State Board of Education to be used to retire the bonds. The State Board of Education and the State Board of Administration administer the principal and interest payments, investments of sinking fund resources, and compliance with reserve requirements.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2009, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 6,068	\$ 16,635	\$ 22,703
2011	6,379	16,316	22,695
2012	6,713	15,981	22,694
2013	7,071	15,629	22,700
2014	7,454	15,258	22,712
2015-2019	42,835	70,657	113,492
2020-2024	55,520	57,942	113,462
2025-2029	74,083	39,408	113,491
2030-2034	77,809	12,993	90,802
<b>Subtotal</b>	<b>283,932</b>	<b>260,819</b>	<b>544,751</b>
Less: Bond Discounts	(3,840)		(3,840)
<b>Total</b>	<b>\$ 280,092</b>	<b>\$ 260,819</b>	<b>\$ 540,911</b>

**Federal Advance Payable.** Represents the Regional Campus’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 Regional Campus cease making Federal Perkins Loans or has excess cash in the loan program.

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE**  
**A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

**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 Regulation 1.001; USF Rules USF-10.104 and USF-10.203; and union 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 Regional Campus 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 Regional Campus 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, 2009, the estimated liability for compensated absences, which includes the Regional Campus's share of the Florida Retirement System and FICA contributions, totaled \$771,809. The current portion of the compensated absences liability for the Regional Campus is based on a proportionate percentage of the current liability reported by the University.

**Postemployment Healthcare Benefits.** The University follows Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided 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 Regional Campus, are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined-benefit plan. The Regional Campus 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.* Benefit provisions are pursuant to Section 112.0801, Florida Statutes, and benefits and contributions can be amended by the Florida Legislature. The Regional Campus 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 2008-09 fiscal year, 25 retirees received postemployment health care benefits. The Regional Campus provided required contributions of \$84,000 toward the annual OPEB cost, comprised of benefit payments made on behalf of retirees for claims

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE  
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

expenses (net of reinsurance), administrative expenses, and reinsurance premiums. Retiree contributions totaled \$124,806.

*Annual OPEB Cost and Net OPEB Obligation.* The Regional Campus’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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 Regional Campus’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Regional Campus’s net OPEB obligation:

<u>Description</u>	<u>Amount</u>
Normal Cost (Service Cost for One Year)	\$ 78,000
Amortization of Unfunded Actuarial Accrued Liability	86,000
Interest on Normal Cost and Amortization	<u>7,000</u>
<b>Annual Required Contribution</b>	171,000
Interest on Net OPEB Obligation	5,000
Adjustment to Annual Required Contribution	<u>(3,896)</u>
<b>Annual OPEB Cost (Expense)</b>	172,104
Contribution Toward the OPEB Cost	<u>(84,000)</u>
<b>Increase in Net OPEB Obligation</b>	88,104
Net OPEB Obligation, Beginning of Year	117,094
Actuarial Adjustment to Beginning of Year	<u>(3,094)</u>
<b>Net OPEB Obligation, End of Year</b>	<u><u>\$ 202,104</u></u>

The Regional Campus’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009, and for the transition and preceding years, were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Beginning Balance, July 1, 2007	\$		\$
2007-08	208,000	43.7%	117,094
2008-09	172,104	48.8%	202,104

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE**  
**A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**JUNE 30, 2009**

*Funded Status and Funding Progress.* As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$2,506,386, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$2,506,386 and a funded ratio of 0 percent. The covered payroll (annual payroll of active participating employees) was \$9,523,247 for the 2008-09 fiscal year, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 26.3 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 Regional Campus's OPEB actuarial valuation as of July 1, 2008, used the entry-age cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2009, and the estimated 2008-09 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 for employees covered by Medicare was 9.1 percent, and was 9.6 percent for employees not covered by Medicare, grading to 5.5 percent in half-percent steps after 8 years and 9 years, respectively. The unfunded actuarial accrued liability is being amortized over 30 years using the level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009, was 28 years.

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE  
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**8. RETIREMENT PROGRAMS**

**Florida Retirement System.** Essentially all regular employees of the Regional Campus 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 four 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.

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 2008-09 fiscal year were as follows:

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE  
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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
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 post-employment 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 Regional Campus’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 Regional Campus. The Regional Campus's contributions for the fiscal years ended June 30, 2007, June 30, 2008, and June 30, 2009, totaled \$227,504, \$240,458, and \$248,565, 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. Regional Campus 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 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 49 Regional Campus participants during the 2008-09 fiscal year. Required contributions made to the PEORP totaled \$148,651.

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.

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE  
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

**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 94 Regional Campus participants during the 2008-09 fiscal year. Required employer contributions made to the Program totaled \$528,639 and employee contributions totaled \$296,963.

**9. CONSTRUCTION COMMITMENTS**

The Regional Campus's major construction commitments at June 30, 2009, were as follows:

<u>Project Name</u>	<u>Current Commitment</u>	<u>Expenses</u>	<u>Commitment Balance</u>
Utilities/Infrastructure/Minor Projects	\$ 4,973,936	\$ 618,449	\$ 4,355,487
<b>Total</b>	<b>\$ 4,973,936</b>	<b>\$ 618,449</b>	<b>\$ 4,355,487</b>

**10. RISK MANAGEMENT PROGRAMS**

The Regional Campus 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(3), Florida Statutes, the Regional Campus participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, and fleet automotive liability. During the 2008-09 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 \$50 million for named wind and flood. For perils other than

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE  
A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2009**

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 years.

Pursuant to Section 110.123, Florida Statutes, Regional Campus 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.

**11. 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:

UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE  
 A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2009

<u>Functional Classification</u>	<u>Amount</u>
Instruction	\$ 7,887,662
Research	170,466
Academic Support	2,681,115
Student Services	1,975,803
Institutional Support	4,039,548
Operation and Maintenance of Plant	901,379
Scholarships and Fellowships	2,213,355
Depreciation	1,205,232
Auxiliary Enterprises	487,843
Loan Operations	21,759
<b>Total Operating Expenses</b>	<b>\$ 21,584,162</b>

## 12. CURRENT UNRESTRICTED FUNDS

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

UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE  
 A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2009

**Statement of Current Unrestricted Funds Net Assets**

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 2,200
Investments	10,152,487
Accounts Receivable, Net	155,569
Due from State	202,256
	<u>202,256</u>

**Total Assets** 10,512,512

**Liabilities**

Current Liabilities:

Accounts Payable	68,035
Salaries and Wages Payable	467,921
Compensated Absences Payable	69,620
	<u>605,576</u>

**Total Current Liabilities** 605,576

Noncurrent Liabilities:

Compensated Absences Payable	702,189
Postemployment Healthcare Benefits Payable	202,104
	<u>904,293</u>

**Total Noncurrent Liabilities** 904,293

**Total Liabilities** 1,509,869

**Total Net Assets** \$ 9,002,643

UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE  
 A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2009

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

**Revenues**

## Operating Revenues:

Student Tuition and Fees, Net of Scholarship Allowances of \$839,608	\$ 4,649,802
Sales and Services of Auxiliary Enterprises	419,860
<b>Total Operating Revenues</b>	<u>5,069,662</u>

**Expenses**

## Operation Expenses:

Compensation and Employee Benefits	14,427,114
Services and Supplies	2,780,605
Utilities and Communications	284,268
Scholarships, Fellowships, and Waivers	169,881
<b>Total Operating Expenses</b>	<u>17,661,868</u>

**Operating Loss** (12,592,206)

**Nonoperating Revenues:**

State Appropriations	14,002,644
Investment Income	195,083
Other Nonoperating Revenues	7,417

**Net Nonoperating Revenues** 14,205,144

**Income Before Other Revenues,**

<b>Expenses, Gains, or Losses</b>	1,612,938
Transfers From Other University Campuses, Net	564,460

**Increase In Net Assets** 2,177,398

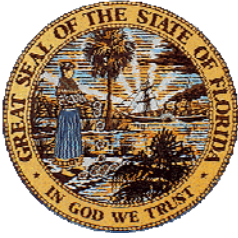
Net Assets, Beginning of Year 6,825,245

**Net Assets, End of Year** \$ 9,002,643

**UNIVERSITY OF SOUTH FLORIDA SARASOTA-MANATEE**  
**A REGIONAL CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA**  
**OTHER REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS –**  
**POSTEMPLOYMENT HEALTHCARE BENEFITS PLAN**  
**JUNE 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)(1)	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	\$	\$3,047,000	\$3,047,000	0%	\$11,010,379	27.7%
7/1/2008		2,506,386	2,506,386	0%	9,523,247	26.3%

Note: (1) Entry-Age Cost Actuarial Method used to estimate.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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



PHONE: 850-488-5534  
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 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 basic financial statements of the University of South Florida Sarasota-Manatee (Regional Campus), a regional campus of the University of South Florida (a component unit of the State of Florida), as of and for the fiscal year ended June 30, 2009, which collectively comprise the Regional Campus's basic financial statements, and have issued our report thereon included under the heading **INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS**. As discussed in note 1 of the financial statements, the financial statements of the Regional Campus are intended to present the financial position and the changes of financial position and cash flows of the University of South Florida that are attributable to the transactions of the Regional Campus. 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.

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

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

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the Regional Campus's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Regional Campus's financial statements that is more than inconsequential will not be prevented or detected by the Regional Campus's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Regional Campus's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Regional Campus'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*.

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, the Southern Association of Colleges and Schools, 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  
December 17, 2009